



Annual Statement of Accounts 2009 - 2010

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EXPLANATORY FOREWORD

1 Introduction

The following pages summarise the financial activities of North West Leicestershire District Council for 2009/10.

The Council's Accounts have been produced in accordance with the Code of Practice on Local Authority Accounting 2009 – a Statement of Recommended Practice (SORP). Explanatory notes to the accounts have been included to give further information where appropriate. The layout of the accounts follows the recommendations of the SORP.

For 2009/10 the accounts consist of:

- the Statement of Accounting Policies, explaining the basis of the figures in the accounts.

The “core” financial statements:

- the Income and Expenditure Account – summarises the resources that have been generated and consumed in providing services and managing the Council during the last year, to enable the Council to give a 'true and fair' view of its financial position.
- the Statement of Movement on the General Fund Balance – a reconciliation statement summarising the differences between the Income and Expenditure Account and the General Fund Balance. It is necessary because the Council is required to raise council tax on a different accounting basis.
- the Statement of Total Recognised Gains and Losses – brings together all the gains and losses of the Council for the year to show the aggregate increase in the Council's net worth.
- the Balance Sheet – summarising the Council's assets and liabilities as they were at the end of the financial year and thus giving the Council's financial position at that date.
- the Cash Flow Statement – summarising the inflows and outflows of cash arising from the Council's transactions with third parties for revenue and capital purposes.
- the Notes to the “core” financial statements.

Other financial statements:

- the Housing Revenue Account (HRA) Income & Expenditure Account and Statement of Movement on the HRA balance – details income and expenditure on HRA services included in the whole Council Income & Expenditure Account and the latter reconciles the surplus for the year to the movement on the HRA balance.
- the Collection Fund Income and Expenditure Account – this fulfils the Council's statutory requirement as a billing authority to maintain a separate Collection Fund showing transactions for Council Tax and Non-domestic Rates and how these have been distributed to precepting authorities and the General Fund.
- the Special Expenses Account – showing income and expenditure in those areas of the district where special expenses are levied.

2 Changes to the Statement of Accounts introduced in the 2009 SORP

The 2009 SORP has introduced some changes in the layout and content of the Statement of Accounts. The main change for the Council has been in relation to accounting for local taxes (i.e. National Non-Domestic Rates and Council Tax). This is covered on page 7.

3 Financial Summary 2009/10

a) Revenue – General Fund

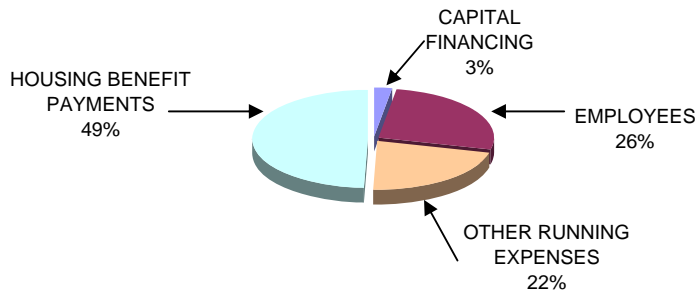
The General Fund summarises expenditure on the Council's main services which are paid for, in part by Council Tax. A summary of General Fund spending is set out below, showing that there was a small over spend of £1,000 on District expenses and £13,000 on Special expenses.

	Original Budget	Actual	Variance
District	£000's	£000's	£000's
Net Expenditure on Services	11,953	11,954	1
Funded by:-			
Collection Fund Precept	4,938	4,938	0
Government Grants: RSG	1,316	1,316	0
NNDR	5,700	5,700	0
	11,954	11,954	0
Balance for year - added to/(taken from) General Fund Reserves	1	0	(1)
Balance brought forward	844	844	0
Balance carried forward	845	844	(1)
Specials			
Net Expenditure on Services	653	666	13
Funded by:-			
Special Expenses Precept	676	676	0
Balance for year - added to/(taken from) Special Expenses Reserves	23	10	(13)
Balance brought forward	60	60	0
Balance carried forward	83	70	(13)

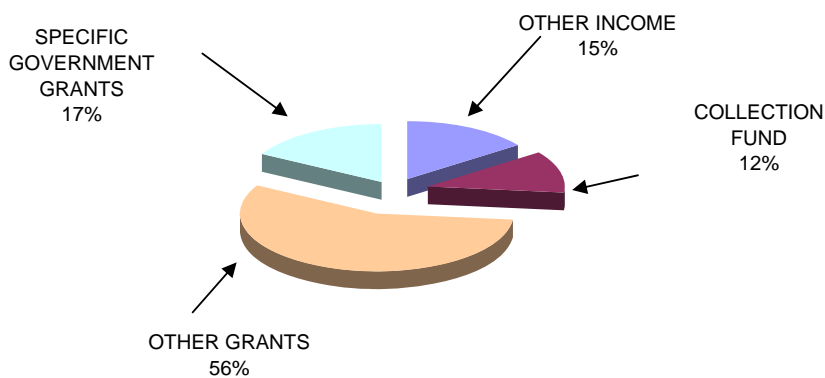
Sound budgetary control allowed the Council to manage spending within available resources and a number of 'earmarked reserves' have been created to carry unspent money forward. These 'earmarked reserves' are shown in the balance sheet (see balance sheet note B13, page 32). Working balances of £844,110 (District) and £69,999 (Special Expenses) were also carried forward.

The money is spent on employees (26%), capital financing (3%), council tax benefits and rent allowances payments (49%) and other running expenses (22%). It is paid for by specific government grants (17%), other grants (56%), income from the Collection Fund – business rates and council tax (12%) and income from fees and charges and other contributions (15%). The services provided are cultural and related services (67%), corporate & democratic core (20%), central services to the public (6%), highway, roads and transport services (4%) and housing services (3%). The diagrams on the next page summarise this:

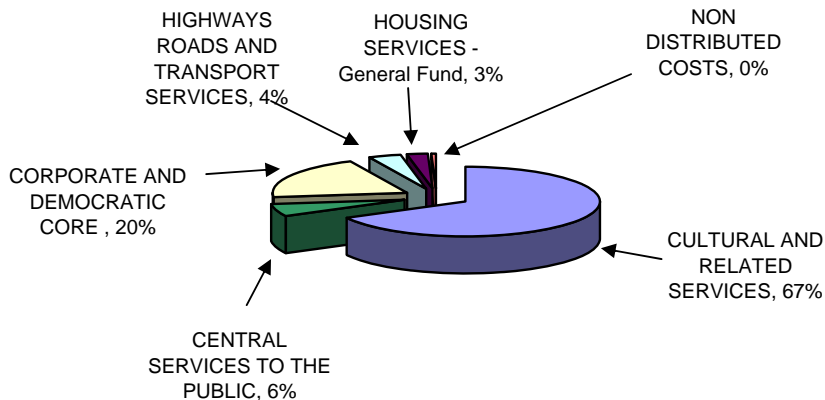
WHERE THE MONEY IS SPENT



WHERE THE MONEY COMES FROM



THE SERVICES PROVIDED



b) Revenue – Housing Revenue Account (HRA)

The Housing Revenue Account summarises income and expenditure relating to the rented housing accommodation provided by the Council. The HRA had an operating surplus of £510,000. This is summarised below:

	Original Budget	Actual	Variance
	£000's	£000's	£000's
Net Expenditure on Services	9,409	(3,529)	(12,938)
Housing subsidy paid to National Pool	4,175	3,644	(531)
Total Expenditure	13,584	115	(13,469)
<u>Funded by:-</u>			
Rent Income	13,283	12,959	(324)
Other	401	(12,334)	(12,735)
	13,684	625	(13,059)
Net Operating Expenditure	(100)	(510)	(410)
Balance b/f	543	543	0
Funding of net operating expenditure	100	510	410
Balance carried forward	643	1,053	410

The Government's housing subsidy system meant that £ 3,644,000 was paid to the Government in 2009/10. A review of the subsidy system was carried out by the Government during 2009/10 and their proposals are currently out for consultation. Any replacement of the existing system will not be implemented before 1 April 2011. Actual figures also include an "impairment" credit of £11,800,000 which reflects the significant increase in asset valuations (mainly for council houses) at 31 March 2010.

c) Reconciliation to Income & Expenditure Account (I&E)

	Page	£'000
Net Expenditure on Services		
General Fund	2	11,954
Special Expenses	2	666
Net amount in SMGFB	13/14	(13,555)
less Collection Fund adjustment	14	41
Add Local Authority Business Growth Incentive	13	40
Add Area Based Grant	21	23
Parish Precepts	13	1,154
Roundings		(1)
Net operating expenditure per I&E	13	322

c) Capital

The Council spent £4,791,000 on capital schemes in 2009/10. The main area of spending relates to improvements to Council houses. A summary is set out below:

	£'000	%
HOUSING		
Improvements & Modernisations	2,573	53.70
Housing Improvement Grants	721	15.05
OTHER SERVICES		
Parks & Recreation Grounds	159	3.32
IT & Software	331	6.91
Transport Account Vehicles	126	2.63
Hermitage Leisure Centre Refurbishments	853	17.80
Other Schemes	28	0.58
	4,791	100.00

The capital spending was paid for as follows:

CAPITAL EXPENDITURE	£'000	%
FINANCED:		
Unsupported Borrowing	368	7.68
Revenue	91	1.90
Contribution/Other	431	9.00
Grants	1,317	27.49
Major Repairs Allowance (Housing)	2,584	53.93
	4,791	100.00

The Council's capital spending and financing was carried out in accordance with our Treasury Management Policy and Treasury Management Statement. At 31 March 2010 total external debt was £15,626,000 (excluding accrued interest), which was all long term borrowing. The Council has no money invested in Icelandic Banks.

The Council Property assets, which were valued at £226,000,000 as at 31/3/09, were valued at £238,000,000 as at 31/03/10, reflecting the improvement in property prices during the course of the year.

4 2009/10 - Commentary

- a) In last year's accounts I outlined the significant financial challenges to be faced by the Council over the medium term:
- Demand for Concessionary Travel was likely to cost the Council up to £200,000 more than originally estimated over the period April 2009/March 2011.
 - Income streams were likely to reduce as a result of the economic climate and these currently provide around £6m per year.
 - Housing benefit and homelessness expenditure would increase during a period of recession and tax collection rates could fall.
 - Internal priorities could require the allocation of additional resources.
 - New initiatives would have to be considered, such as the introduction of participatory budgeting.
 - Significant investment is required to improve the Council's housing stock to meet the decent homes standard and a 5 year business plan is being prepared.

b) 2009/10

- The recession had a significant impact on the Council's 2009/10 budget:
 - income raised locally was around £200,000 lower than originally estimated and staff turnover levels were lower than anticipated.
 - conversely the 2009/10 pay award was lower than the Council's pay provision, with a net saving of nearly £100,000.
 - lower inflation and falling energy prices resulted in the most recent energy contract being almost £70,000 lower than 12 months ago.
- Tax collection during 2009/10 was excellent, with both Council Tax and Business Rates exceeding target and achieving better collection performance than in 2008/09 (and collection rates were already good). Arrears were also reduced significantly, in cash terms.
- The 2009/10 General Fund budget was managed within approved resources. The position was continually monitored during the course of the year and action taken to manage the financial challenges. A review of spending was carried out in October 2009 by the Corporate Leadership Team and a number of items of non essential spending were deferred. In addition to this, the Environment Director froze recruitment in his Directorate (effective October 2009).

c) The future

- 2010/2011 will be the last year of the three year finance settlement announced by the previous Government in 2007. The three year settlement has enabled the Council to adopt a resource allocation methodology for budgeting, making the process simpler, quicker and delivering an annually balanced budget (i.e. no use of reserves to pay for revenue spending).
- There has been a further significant increase in the Council's estimated pension fund "deficit", as calculated by the Leicestershire County Council's actuary Hymans Robertson, in accordance with accounting rules (FRS17). This is because financial assumptions made by the actuary are less favourable than they were on 31 March 2009. Whilst investment returns have been good, liabilities (e.g. mortality assumptions) have increased significantly to a net figure of £37.886m. The deficit on the fund will need to be eliminated over a period of time, either through increased investment returns, revised assumptions, or increased contributions.
- The new Coalition Government has already commenced its work on to reduce public spending over a 4 year period from 2011. They do this against a background of a weak economy (only just out of recession), high unemployment, high national debt and fragile confidence. There are likely to be severe cuts in public spending as they give priority to reducing the level of the national debt and their stated service priorities. None of these priorities include District services. It must therefore be assumed that Districts will face a higher than the average reduction in grant. The consensus amongst District Council commentators is that over the three year period, District spending could reduce by 16% - 30%.
- To address these resource issues the Council has developed a comprehensive Value for Money programme which will review how services are delivered and deliver cash savings.

5 Courtesies

I would like to place on record my thanks to colleagues, members and partners for their help in producing these accounts, particularly the Council's Head of Finance, Lynn Gill, and her team.

Alan Davies
Corporate Director
S151 Officer

June 2010

STATEMENT OF ACCOUNTING POLICIES

1 GENERAL

The general principles adopted in preparing this Statement of Accounts are those recommended in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the SORP 2009). The Statement of Accounts also complies with the CIPFA Best Value Accounting Code of Practice (the BVACOP 2009). Both the SORP and the BVACOP are recognised by statute as representing proper accounting practice.

2 CHANGES IN ACCOUNTING POLICIES

The Council has adopted changes required by the SORP and in doing so has changed a small number of accounting policies. The policies affected are:

- Under the 2009 SORP the Council has adopted the amendment to accounting for local taxation. As a result debtors and creditors no longer reflect the total monies owed to/from the tax payer or the full provision for doubtful debts, they only reflect the Council's share. The major preceptors' shares will be held in their balance sheets. The Collection Fund surplus/deficit is removed from the balance sheet and replaced with the Collection Fund Adjustment Account, this reflects the Council's share of the surplus/deficit. The demand on the Collection Fund in the Income and Expenditure is replaced with the accrued share of Council Tax for the year.

3 ACCRUALS OF INCOME AND EXPENDITURE

The accounts of the Council are maintained on an accruals basis in accordance with the SORP and FRS 18, so that expenditure and income are matched to the year to which they relate.

Customer and Client Receipts

All forms of sales, fees, charges and rents have been accrued and accounted for in the period to which they relate.

Employee Costs

The accounts for the year include the full cost of employees, including pensions, incurred during the year.

Interest

Interest payable on external borrowings and interest income on investments is accounted for in full in the year to which it relates. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The Council has reviewed its approach to the Lender Option Borrower Option (LOBO) loans in its portfolio, particularly with reference to potential fluctuations in interest charges. Interest payable and receivable recorded in the Income and Expenditure Account is calculated using the effective interest rate (EIR), which is the rate of interest that will discount all the cash flows that will take place throughout the expected life of a financial instrument down to the fair value of the asset calculated at initial measurement. The EIR will differ from the cash paid in respect of interest in any given year if the financial instrument (e.g. a loan) has different interest rates applying for different lengths of time. The EIR smoothes the effect of interest changes over the course of the loan.

Supplies and Services

Payments to creditors are included in the accounts where the payments relate to goods or services received prior to 1st April 2010. An exception to this relates to regular utility payments that are charged on the basis of the latest meter reading. This exception is applied consistently each year, and therefore, does not have a material effect on the accounts.

4 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

Contingent Liabilities arise from past events and are potential liabilities whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or obligations where the liability cannot be reliably estimated. Contingent Liabilities are not recognised in the accounts statements but are disclosed separately within the notes to the Balance Sheet.

Contingent Assets

Contingent Assets are possible assets which arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control. Contingent assets are not recognised in the accounts because this could result in the recognition of material gains that may never be realised.

5 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

Any material exceptional or extraordinary items are separately identified on the face on the revenue account. Details of any such items are given in the note to the accounts. Material prior period adjustments arising from changes in accounting policies, or from correction of fundamental errors, have been accounted for by restating the comparative figures in the financial statements and notes, along with the cumulative effect on reserves. Any effect of material prior period adjustments is disclosed separately as a note to the accounts.

6 DISCONTINUED OPERATIONS

The Authority had no material operations which discontinued in the year and therefore no separate disclosure is required in respect of the Income and Expenditure Account and the Balance Sheet.

7 FIXED ASSETS (TANGIBLE AND INTANGIBLE)

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administration purposes on a continuing basis.

Intangible fixed assets relate to capital expenditure, which does not result in a 'physical' asset in the traditional sense, but the local authority does have control over the economic benefits arising from the expenditure such as the purchase of software licences. Such expenditure has been included in the Council's Balance Sheet and is written down against revenue over its anticipated economic life. In the case of the software licences acquired this has been assumed to be three years.

Recognition: expenditure on the acquisition or enhancement of tangible fixed assets is capitalised provided that it yields benefits to the Council and the services that it provides for more than one financial year. This includes assets acquired under finance leases which would be included in the balance sheet, together with the outstanding obligations to make future rental payments. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- dwellings, other land and buildings, vehicles, plant and equipment - lower of net current replacement cost or net realisable value in existing use subject to a de-minimis value of £5,000.
- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value subject to the same de-minimis value mentioned above.
- infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing value.
- Specialised operational properties – depreciated replacement cost.
- Properties and surplus assets – market value.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum, every five years. Increases in valuations are matched by credits in the Revaluation Reserve to recognise unrealised gains.

Impairment: the values of each category of assets and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value, for example, as a result of obsolescence or physical damage. Where impairment is identified as part of the review or as a result of a valuation exercise, this is accounted for as follows:

- where a balance in respect of the asset is held in the Revaluation Reserve, charging the impairment to the reserve (to the extent that it is less than or equal to the pre-existing balance); or
- where this is no balance in respect of the asset in the Revaluation Reserve, or to the extent that the impairment amount exceeds any such balance, to the relevant service account.

Disposals: when an asset is disposed of or decommissioned, the value profit or loss on disposal is recognised in the Income and Expenditure Account.

8 DEPRECIATION AND IMPAIRMENT

Depreciation is provided for on all assets with a determinable finite life (except for investment properties) by allocating the value of the asset in the balance sheet, less any residual value over the periods expected to benefit from their use. These periods are set on acquisition and updated as part of the valuation process.

Asset Type	Depreciation Method	Period of Years
Council Dwellings	Straight Line	30-50 years as decided for each asset by the Valuer. Depreciation is calculated on the closing balance. The amount reflected in the HRA is the Major Repairs Allowance which is calculated by Government as part of the HRA Subsidy Determination.
Other Land and Buildings	Straight Line	15-100 years as decided for each asset by the Valuer. Depreciation is calculated on the opening balance.
Vehicles, Plant and Equipment	Straight Line	3-10 years based on estimated life. Depreciation is calculated on the opening balance.
Intangible Assets	Straight Line	3 -10 years. Amortisation is calculated on the opening balance.

9 CHARGES TO REVENUE FOR FIXED ASSETS

Service revenue accounts (including the Housing Revenue Account), support services and trading accounts are debited with the following amounts to represent the use of fixed assets during the year:

- Depreciation attributable to the fixed assets used by the relevant service;
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed asset used by the service;
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisation. However, it is required to make a prudent revenue provision to contribute towards the reduction in its overall borrowing requirement. The Council has chosen to apply option 1 (the regulatory method) for supported borrowing and option 3 (asset life method) for unsupported borrowing. Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

10 FIXED ASSETS - DISPOSALS

Amounts received from disposals of General Fund assets are credited to the Usable Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Council's borrowing requirement. Amounts received from disposals of HRA assets are subject to the "Pooling of capital Receipts" process, whereby 50% of net receipts realised from the sale of land and 75% from the sale of dwellings is paid over to the Government's central pool for distribution to those authorities most in need.

11 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the authority. Such expenditure has been charged to the Income and Expenditure Account in accordance with the general provisions of the SORP and adjusted to remove any charge to the General Fund by debiting the Capital Adjustment Account, crediting the General Fund Balance and is shown as a reconciling item in the Statement of Movement on the General Fund Balance. This regime is similar to the arrangements previously described as deferred charges.

12 STOCKS AND WORKS IN PROGRESS

The Stores Accounting system values each item of stock at the actual purchase price. Work in progress on uncompleted jobs is valued at cost including an allocation of overheads.

13 OVERHEADS

Overheads are the internal activities of the Council of a professional, technical and administrative nature to support the direct services it provides to the public. All overheads are charged to revenue accounts, trading undertakings and capital accounts in accordance with the Best Value Accounting Code of Practice. The recharges have been made on the basis of the time allocations with the exceptions of debtors and creditors (transaction numbers), payroll and personnel (employee numbers) and accommodation costs (floor areas). The costs of the corporate and democratic core and of non-distributable costs are not charged or apportioned to services and are separately classified on the Income and Expenditure Account.

14 RESEARCH AND DEVELOPMENT

Any expenditure on research and development is regarded as part of the continuing operations of the Council and is charged to revenue as it is incurred.

15 PROVISIONS (including provisions for bad and doubtful debts)

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate Revenue Accounts when the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Where it becomes more likely than not that a transfer of economic benefits will not be required, the provision is reversed and credited back to the appropriate account. The main provisions are for Council Tax, National Non Domestic Rates, housing rents and sundry debtors.

16 RESERVES

Reserves represent sums set aside which fall outside the definition of provisions. Reserves include earmarked reserves set aside for purposes such as general contingencies and cash flow management. The authority maintains a number of revenue and capital reserves whose purpose, usage and basis of transactions, are clearly defined.

Revenue Reserves - result from events that have allowed monies to be set aside, surpluses or decisions causing anticipated expenditure to have been postponed or cancelled. Reserves of this nature are available and can be spent, or earmarked, at the discretion of an authority.

Capital Reserves - these are not available for revenue purposes. A number of these reserves can only be used for statutory purposes, for example the Financial Instrument Adjustment Account and the Capital Adjustment Account.

17 INVESTMENTS

Investments are shown in the Balance Sheet at cost less provision, where appropriate, for loss in value. All surplus funds available for investment are managed internally and are short term i.e. duration of less than one year.

18 PENSION COSTS

The Council makes contributions to the Leicestershire County Council Pension Fund, which is a defined benefit pension scheme administered by Leicestershire County Council. The Council's contributions to the Fund are based upon periodic actuarial valuations and set at a level sufficient to enable the fund to meet its accrued liabilities. The last formal valuation of the Fund was at 31 March 2010. The Council's contributions are set as a percentage of pensionable pay and charged to service expenditure alongside employees pay.

Within the Income and Expenditure Account, service revenue accounts and trading services have been charged with their current service cost, which represents the extent to which pensions liabilities have increased as a result of employee service during the year. Past service costs, settlements and curtailments, have been charged to non-distributable costs. The interest cost and expected return on assets have been included in net operating expenditure.

As required by legislation, an appropriation to the Pensions Reserve has been made, which reverses out the FRS17 based pension costs in the Income & Expenditure Account and replaces them with the actual pensions related payments made in year. This ensures that the amount to be funded from Council Tax for the year is equal to the employer's pension contributions payable and payments made directly to pensioners.

The pension costs charged within the Housing Revenue Account reflect the current service costs relating to HRA staff. The impact of this adjustment is reversed by an appropriation to the Pensions Reserve, so that the pension costs fundable from rents equates to the actual pensions related payments for the year.

19 VAT

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

20 GOVERNMENT GRANTS

Government Grants are accounted for on an accruals basis with income being credited as it becomes payable, in the case of revenue grants to the appropriate revenue account or, in the case of capital grants, to the Government Grants Deferred Account. Amounts are released from the Government Grants Deferred Account to the appropriate service account over the useful life of the asset to match the depreciation charged.

21 POST BALANCE SHEET EVENTS

Any material post Balance Sheet events that provide additional evidence relating to conditions existing at the balance sheet date have been included in the accounts. Any material post Balance Sheet events which concern conditions that did not exist at the balance sheet date have been disclosed as a separate note to the accounts.

22 FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term of the 'replacement loan' taken out at the point of restructuring. The reconciliation of amounts charged to the Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

23 FINANCIAL ASSETS

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

THE STATEMENT OF RESPONSIBILITIES **FOR THE STATEMENT OF ACCOUNTS**

The Authority's Responsibilities

The Authority is required: -

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Corporate Director.
- 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 Corporate Director

The Corporate Director is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2009 ('the Code of Practice').

In preparing this Statement of Accounts, the Corporate Director 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 Corporate Director has also: -

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2010.

A. Davies
Corporate Director & Section 151 Officer

Date

Approval of the Accounts

This Statement of Accounts was approved by the Audit and Governance Scrutiny Committee at it's meeting on 24 June 2010.

Councillor G Allman
Chairman

Date

INCOME AND EXPENDITURE ACCOUNT

2008/09		NOTES	2009/10		
Net Expenditure £'000			Gross Expenditure £'000	Income £'000	Net Expenditure £'000
718	Central Services to the Public	IE1	6,853	(6,173)	680
8,683	Cultural Environmental and Planning Services		12,614	(4,806)	7,808
560	Highways Roads and Transport		1,391	(945)	446
470	Housing Services - General Fund	IE1	16,472	(16,154)	318
19,574	Housing Services - HRA		115	(14,240)	(14,125)
2,755	Corporate & Democratic Core		2,384	(85)	2,299
552	Non Distributed Costs		49	0	49
33,312	Net Cost of Services	IE5	39,878	(42,403)	(2,525)
(226)	(Gains)/loss on disposal of fixed assets				(78)
1,108	Parish Council Precepts				1,154
1,115	Deficit/(Surplus) on Trading Accounts	IE3			(262)
922	Interest Payable and Similar Charges (Including premiums)				913
653	Contribution of Housing Capital Receipts to Pool				212
(637)	Interest & Investment Income				(305)
248	Pension Interest Loss & Return on Pension Assets	IE5			1,213
36,495	Net Operating Expenditure				322
(6,577)	Accrued share of Council Tax for year	IE12			(6,809)
0	Local Authority Business Growth Incentive				(40)
(863)	General Government Grants	IE11			(1,338)
(6,041)	Non-Domestic Rate Distribution				(5,700)
23,014	(Surplus)/deficit for Year				(13,565)

* Notes to the Core Accounting Statements are now grouped together starting at page 17

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE (SMGFB)

2008/09		NOTES	2009/10	
Net Expenditure £'000				£'000
23,014	(Surplus)/deficit on Income and Expenditure Account			(13,565)
(23,083)	Net Additional Adjustments (see Table of Reconciliation)			13,555
(69)	General Fund (Surplus)/Deficit for the Year			(10)
	Balances brought forward 1st April 2009			
(793)	General Fund		(844)	
(42)	Special Expenses		(60)	
(835)				(904)
(904)				(914)
	Balances carried forward at 31st March 2010			
(844)	General Fund			(844)
(60)	Special Expenses			(70)
(904)				(914)

The Income and Expenditure Accounts shows the actual financial performance for the year, measured in terms of the resources consumed and generated over the twelve month period. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to the pension Fund and pensioners, rather than as future benefits are earned.

The General Fund balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This statement summarises the differences between the year end position on the Income and Expenditure Account and the General Fund balance.

RECONCILIATION OF MOVEMENT ON GENERAL FUND

2008/09 £'000		2009/10 £'000
	Included in the Income & Expenditure Account Not Affecting General Fund Balance	
(24,013)	Depreciation and Impairment on Fixed Assets	11,081
145	Government Grants Deferred - Amortisation	166
(44)	Revenue expenditure funded from capital under statute	(83)
258	HRA depreciation in excess of major repairs allowance	832
226	Profit/loss on Fixed Asset Disposal	78
1,851	FRS 17 Reversal of Pensions	2,004
(123)	Effective Interest Rate	4
(20)	Transfer to/from Collection Fund Adjustment Account	41
(21,720)	Sub Total	14,123
	Not Included in the Income & Expenditure Account Affecting General Fund Balance	
517	Minimum Revenue Provision	506
51	Revenue Contributions to Capital Spending	104
(653)	Housing Capital Receipts Pooling Payment	(212)
(1,986)	FRS 17 Employer Contributions	(2,302)
(2,071)	Sub Total	(1,904)
	Other Items Required to be Taken Into Account	
(279)	HRA Balances	510
987	Transfers to and From Reserves	826
708	Sub Total	1,336
(23,083)	Total Adjustments (see movement in General Fund Balance)	13,555

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

2008/09 £'000		2009/10 £'000
(23,014)	Surplus/(Deficit) on the Income and Expenditure Account	13,565
87	Asset Revaluation Amount	(1,171)
(10,278)	Actuarial gains & losses	(21,174)
(142)	Other Changes in Net Worth	
(33,347)	Change in Net Worth	(8,780)
	Balance Sheet	
229,031	Opening Total Assets Less Liabilities	195,702
195,684	Closing Total Assets Less Liabilities	186,922
(33,347)	Change in Net Worth	(8,780)

**BALANCE SHEET
AS AT 31ST MARCH 2010**

2008/09 £'000		NOTES	2009/10	
			£'000	£'000
	Fixed Assets			
272	Intangible Fixed Assets		290	
	Tangible Fixed Assets			
	Operational assets:-			
198,402	Council Dwellings (inc garages)		208,213	
25,682	Other Land & Building		27,736	
118	Community Assets		118	
23	Infrastructure Assets		23	
1,260	Vehicles, Plant & Equipment		1,382	
	Non-Operational Assets:-			
30	Assets under construction		3	
225,787	Total Fixed Assets	B1		237,765
37	Long Term Debtors	B2		39
225,824	TOTAL LONG TERM ASSETS			237,804
	Current Assets			
7,557	Investments	B3	4,653	
107	Stock & W.I.P.	B4	102	
2,243	Debtors	B5	5,753	
174	Cash and Bank		(242)	
10,081	Total Current Assets			10,266
	Current Liabilities			
(4,019)	Creditors	B6	(3,122)	
(4,019)	Total Current Liabilities			(3,122)
231,886	TOTAL ASSETS LESS CURRENT LIABILITIES			244,948
(16,108)	Long-Term Borrowing	B7	(16,105)	
(16,411)	Liability related to Defined Benefit Pension Scheme	B12	(37,886)	
(2,805)	Deferred Government Grants		(3,334)	
(663)	Capital Grants Unapplied		(516)	
(197)	Deferred Liabilities	B7	(185)	
				(58,026)
195,702	TOTAL ASSETS LESS LIABILITIES			186,922
	FINANCED BY:-			
3,227	Revaluation Reserve	B13	1,945	
203,506	Capital Adjustment Account	B13	216,227	
(1,869)	Financial Instrument Adjustment Account		(1,741)	
(3)	Collection Fund Adjustment Account	B14	37	
566	Usable Capital Receipts	B13	617	
2,098	Major Repairs Reserve	B13	2,247	
12	Deferred Capital Receipts	B13	6	
	Reserves:-			
(16,411)	Pension Reserve		(37,886)	
202	Capital Reserve	B13	230	
0	Collection Fund Balance		0	
2,642	General Fund Earmarked Reserve	B13	2,888	
247	H.R.A. Earmarked Reserve	B13	327	
38	D.L.O. Earmarked Reserve	B13	58	
	Revenue Balances:-			
844	General Fund		844	
543	H.R.A.		1,053	
60	Special Expenses		70	
195,702	NET WORTH	B21		186,922

CASH FLOW STATEMENT

2008/09			Notes	2009/10	
£'000	£'000			£'000	£'000
		REVENUE ACTIVITIES			
		Cash Outflows			
15,648		Cash paid to and on behalf of employees		16,472	
653		Payments to Capital Receipts Pool		211	
17,921		Other Operating Cash Payments		15,305	
6,338		Housing Benefits Paid Out		8,370	
1,108		Precepts paid out		1,154	
0		Non-Domestic Rate payments to National Pool		0	
	41,668				41,512
		Cash Inflows			
(6,969)		Rents (after rebates)		(6,472)	
(1,257)		Council Tax Income		(1,400)	
0		Local Non-Domestic Rate Income		0	
(6,041)		Non-Domestic Rate Receipts from National Pool		(5,700)	
(17,907)		DWP grants for benefits	CF5	(21,478)	
(1,760)		Government Grants	CF5	(2,735)	
(6,170)		Cash received from goods and services		(5,998)	
(2,975)		Other Operating cash receipts		(2,466)	
	(43,079)				(46,249)
	(1,411)	Revenue Activities Net Cash Inflow	CF1		(4,737)
		RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
		Cash Outflows			
661		Interest paid		793	
		Cash Inflow			
(696)		Interest received		(311)	
	(35)	Servicing of Finance Net Cash Outflow			482
		CAPITAL ACTIVITIES			
		Cash Outflows			
1,348		Purchase of Fixed Assets		4,070	
		Cash Inflows			
(568)		Sale of Fixed Assets		(223)	
0		Capital Grants Received		(676)	
(69)		Other Capital Cash Receipts		(69)	
(637)				(968)	
	711				3,102
	0	ACQUISITIONS and DISPOSALS			0
	(735)	Net Cash (Inflow) / Outflows Before Financing			(1,153)
		MANAGEMENT OF LIQUID RESOURCES			
4,687		Net increase/(decrease) in short term deposits	CF3	(2,904)	
(3,656)		Net (increase)/decrease in other liquid resources	CF6	4,462	
	1,031				1,558
		FINANCING			
		Cash Outflow			
12		Repayments of amounts borrowed		11	
		Cash Inflow			
0		New Loans raised		0	
	12	Net Cash (inflows) / outflows from Financing	CF4		11
	308	(Increase) / Decrease in Cash	CF2		416

NOTES RELATING TO THE INCOME & EXPENDITURE ACCOUNT

IE1 REIMBURSEMENT OF HOUSING BENEFIT

Central Services to the Public and Housing Services - General Fund include Housing Benefit administered by the Council. The cost of all rebates (rent and council tax) was fully reimbursed by Government in 2009/10. The net income to the General Fund is -£75,153, (£31,829 - net cost 2008/09).

IE2 AGENCY SERVICES

The Council, in partnership with Leicestershire County Council carries out the Decriminalised Parking Enforcement throughout North West Leicestershire which cost £164,134 in 2009/10 (£154,216 - 2008/09).

IE3 TRADING OPERATIONS

The BVACOP requires separate trading accounts to be kept for services that an authority determines to be provided on a trading basis. The main trading activities are the letting of Industrial/Business Units throughout the district and a Market Hall at Coalville. The financial results of these operations are shown in the table below.

2008/09 £'000		2009/10 £'000
	INDUSTRIAL UNITS	
1,301	Expenditure	422
(724)	Income from Rents	(605)
577	(Surplus) / Deficit	(183)
	MARKET UNDERTAKINGS	
555	Expenditure	(32)
(147)	Income from Rents	(147)
408	(Surplus) / Deficit	(179)
	INTERNAL TRADING ACCOUNTS	
130	Unallocated balances	100
1,115	TOTAL (SURPLUS) / DEFICIT	(262)

2009/10 includes revaluation adjustment of -£199,025 (-£10,325 Industrial Units, -£188,700 Market).

Internal Trading Accounts are maintained for support services provided in a limited internal market.

IE4 LEASES

The Council's practice is generally to acquire the use of vehicles and equipment through leasing. The capital value of new operating leases this year was £231,256 (2008/09 - £476,248) and the total capital value of lease agreements at 31st March was £976,613 (2008/09 - £1,159,174). Lease rentals and hire purchase payments charged to revenue accounts during the year amounted to £548,355 (2008/09 - £491,202).

The Authority is committed to making payments of £405,005 under operating leases in 2010/11 comprising the following elements:

	£'000
Leases expiring in 2010/2011	0
Leases expiring between 2011/2012 and 2014/2015	373
Leases expiring after 2014/2015	32

IE5 PENSIONS

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

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

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income & Expenditure Account (I & E) after net operating expenditure. The following transactions have been made in the Income and Expenditure Account during the year.

2008/09 £'000		2009/10 £'000
	Net Cost of Services	
1,233	■ current service cost	1,089
505	■ Past service costs	0
0	■ curtailments	0
1,738		1,089
	Net Operating Expenditure	
3,766	■ interest cost	3,657
(3,518)	■ expected return on assets in the scheme	(2,444)
248		1,213
1,986	Amount charged to Income and Expenditure Account	2,302
	Amounts to be met from Government Grants and Local Taxation	
(92)	■ movement on pension reserve	(95)
	Actual amount charged against General Fund & HRA for pensions in the year	
1,822	■ employers' contributions payable to the scheme	1,934
92	■ unfunded discretionary benefit payments	95

Note B13 to the Balance Sheet contains details of the assumptions made in estimating the figures included in this note.

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

IE6 OFFICERS EMOLUMENTS

The number of employees (excluding Senior Officers) whose remuneration, including redundancy payments but excluding pension contribution was £50,000 or more in bands of £5,000 were:		
2008/09	Remuneration Band	2009/10
-	£50,000 - £54,999	-
1	£55,000 - £59,999	-

2009/10 Senior Officers emoluments - salary is between £50,000 and £150,000 per year

Post holder information (Post title)	Note	Salary £	Bonus £	Compensation (loss of emp) £	Other £	Total ex pension £	Employers Pension £	Total inc pension £
Chief Executive	1	121,623	0	0	4,606	126,229	23,716	149,945
Corporate Director		82,802	0	0	54	82,856	16,146	99,002
Director of Community Services		76,430	0	0	5,256	81,686	14,308	95,994
Director of Environment		73,031	0	0	2,825	75,856	13,671	89,527
Head of Finance		52,966	1,079	0	906	54,951	10,117	65,068
Head of Legal & Democratic Services		52,964	1,079	0	901	54,944	10,117	65,061
Head of Service Transformation		51,882	1,084	0	907	53,873	0	53,873
Head of Street Management		53,562	0	0	2,886	56,448	10,027	66,475
Head of Environmental Health	2	45,798	897	0	3,590	50,285	8,256	58,540
Head of Place Shaping	3	35,505	0	0	625	36,130	6,647	42,777
Head of Housing		52,969	6,079	0	2,238	61,286	10,118	71,404
Head of Leisure & Culture		51,881	1,084	0	3,060	56,025	9,915	65,940
Head of Neighbourhoods & Communities	4	13,950	1,080	0	905	15,935	4,450	20,384
		<u>765,363</u>	<u>12,382</u>	<u>0</u>	<u>28,758</u>	<u>806,502</u>	<u>137,488</u>	<u>943,990</u>

Note 1: Salary includes Returning Officer fees of £6,335.61, £5,881.45 was reimbursed from various sources for European, County and Parish Elections, leaving £454.16 paid for by North West Leicestershire District Council.

Note 2: The Head of Environmental Health worked 32 hours per week. The full time equivalent salary excluding performance related pay was £51,880.

Note 3: The Head of Place Shaping started on 20/7/2009. The annual salary excluding performance related pay was £52,964.

Note 4: The Head of Neighbourhoods & Communities was on maternity leave for most of the year. The annual salary excluding performance related pay was £50,800.

Note 5: Bonuses include performance related pay and for the Head of Housing a retention allowance.

2008/09 Senior Officers emoluments - salary is between £50,000 and £150,000 per year

Post holder information (Post title)	Note	Salary £	Bonus £	Compensation (loss of emp) £	Other £	Total ex pension £	Employers Pension £	Total inc pension £
Chief Executive	1	113,823	0	0	4,322	118,146	22,196	140,341
Corporate Director		82,802	0	0	0	82,802	16,146	98,948
Director of Community Services		74,712	0	0	5,197	79,909	13,986	93,895
Director of Environment		71,391	0	0	2,801	74,192	13,364	87,556
Head of Finance		52,964	1,080	0	0	54,044	10,117	64,161
Head of Legal & Democratic Services	2	46,293	1,080	0	0	47,373	9,019	56,392
Head of Service Transformation		51,880	0	0	0	51,880	0	51,880
Head of Performance	3	30,034	1,081	24,343	0	55,458	5,101	60,559
Head of Street Management		53,553	0	0	2,869	56,422	10,025	66,447
Head of Environmental Health	4	42,935	1,084	0	3,567	47,586	8,240	55,826
Head of Housing		52,964	8,997	0	0	61,961	11,599	73,560
Head of Leisure & Culture		51,880	1,084	0	3,037	56,001	9,915	65,916
Head of Neighbourhoods & Communities	5	48,399	1,080	0	0	49,479	9,424	58,903
		<u>773,630</u>	<u>15,485</u>	<u>24,343</u>	<u>21,794</u>	<u>835,252</u>	<u>139,133</u>	<u>974,385</u>

Note 1: Salary includes Returning Officer fees of £1,128.22, £258.22 was reimbursed from Parish Councils, leaving £870 paid for by North West Leicestershire District Council.

Note 2: The Head of Legal & Democratic Services was on maternity leave for part of the year. The annual salary excluding performance related pay was £52,964.

Note 3: The Head of Performance left on 10/10/08. The full time equivalent salary excluding performance related pay was £49,719.

Note 4: The Head of Environmental Health worked 30 hours per week. The full time equivalent salary excluding performance related pay was £51,880.

Note 5: The Head of Neighbourhoods & Communities was on maternity leave for part of the year. The annual salary excluding performance related pay was £50,800.

Note 6: Bonuses include performance related pay and for the Head of Housing a retention allowance.

IE7 MINIMUM REVENUE PROVISION

Following the amendment of the Capital Finance Regulation for this and subsequent financial years, the Authority now has a duty to set aside a minimum revenue provision (MRP) for the redemption of external debt that it considers "prudent". For the current financial year, the method chosen is Option 1 for Supported Borrowing and Option 3 for Unsupported Borrowing.

2008/09 £'000		2009/10 £'000
517	Non Housing Amount	506
517	Minimum Revenue Provision charged to I & E Account	506

IE8 MEMBERS' ALLOWANCES

The total value of Members Allowances paid during the year was £258,627 (£250,810– 2008/09).

IE9 AUDIT COSTS

In 2009/2010 North West Leicestershire District Council incurred the following fees relating to external audit and inspection.

2008/09 £'000		2009/10 £'000
111	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	115
9	Fees payable to the Audit Commission in respect of statutory inspection	8
39	Fees payable to the Audit Commission for the certification of grant claims and returns	30
3	Fees payable in respect of other services provided by the appointed auditor	0
162		153

IE10 RELATED PARTY TRANSACTIONS

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

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and re-distribution of non-domestic rates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with the government are shown below.

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

During the year transactions with related parties arose as follows:

2008/09 (Receipts)/ Payments £'000		2009/10 (Receipts)/P ayments £'000
(19,027)	Central Government	
(640)	Revenue Grants (Benefits/RSG/other grants)	(23,363)
	Capital Grants (Improvement Grants)	(850)
31,254	Leicestershire County Council - Precept	32,275
1,545	Leicestershire Fire and Rescue	1,613
4,974	Leicestershire Police - Precept	5,141

Government Grants are analysed in note CF5, page 37.

IE11 GENERAL GOVERNMENT GRANTS

2008/09 £'000		2009/10 £'000
(841)	Revenue Support Grant	(1,315)
(22)	Area Based Grant	(23)
(863)	Total General Government Grants	(1,338)

IE12 ACCRUED SHARE OF COUNCIL TAX FOR YEAR

2008/09 £'000		2009/10 £'000
(6,591)	Collection Fund	(6,765)
3	Share of c/f (surplus)/deficit at 31/3/10	(38)
11	Surplus/(deficit) at 31/3/09 not recovered in 09/10	(6)
(6,577)	As per Income & Expenditure account	(6,809)

IE13 PRIOR YEAR ADJUSTMENTS

The Council has adopted the amendment to accounting for local taxation under SORP 2009. This reflects the agency arrangement the Council has with major precepting authorities for Council Tax and Government for National Non-Domestic Rates. As a result the demand on the Collection Fund in the Income and Expenditure Account is replaced with the accrued income for the year, a difference of £20,000.

2008/09 £'000	
(6,591)	Demand on Collection Fund
(6)	Previous year's surplus distributed in 08/09
(6,597)	Income & Expenditure account as per 08/09 accounts
6	Previous year's surplus distributed in 08/09
3	Share of c/f deficit at 31/3/09
11	Surplus at 31/3/08 not recovered in 08/09
(6,577)	As per restated Income & Expenditure account

The Balance Sheet has been adjusted for the major preceptors' share of Council Tax debtors, creditors and deficit and a debtor created for each of the preceptors for cash paid to them in advance of receipt from Council Tax payers. These balances for National Non-Domestic Rates have been removed and a creditor to Central Government created.

Debtors prior year adjustment

2008/09 £'000	
3,433	Debtors as per 08/09 accounts
(1,598)	Preceptors' share of Council Tax arrears
992	Preceptors' share of Council Tax doubtful debts provision
42	Amounts owed by Preceptors
(1,239)	NNDR arrears
613	NNDR doubtful debt provision
2,243	As per restated Balance Sheet

Creditors prior year adjustment

2008/09 £'000	
(5,227)	Creditors as per 08/09 accounts
583	Preceptors' share of Council Tax overpayments & prepayments
568	NNDR overpayments & prepayments
1,813	Amounts due to National Pool
(1,756)	Central Government
(4,019)	As per restated Balance Sheet

Collection Fund Balance adjustment

2008/09 £'000	
(21)	Collection Fund Balance as per 08/09 accounts
21	Move to Collection Fund Adjustment Account
0	Collection Fund Balance as per restated accounts
(21)	Collection Fund Adjustment Account
18	Preceptors' share of deficit
(3)	Collection Fund Adjustment Account as per restated accounts

The preceptors' share of net Council Tax receipts and the amounts paid to them from the Collection Fund and National Non-Domestic Rates receipts and payments to the National Pool have been removed from revenue activities in the Cash Flow Statement and are now shown in other liquid resources.

Cash Flow adjustment

2008/09 £'000	
(5,067)	Revenue activities net cash inflow as per 08/09 accounts
(36,665)	Precepts paid moved to movement in other liquid resources
(42,271)	NNDR payments to pool moved to movement in other liquid resources
38,422	Council Tax income moved to movement in other liquid resources
44,325	NNDR income moved to movement in other liquid resources
(155)	Cost of Collection allowance moved to other operating receipts
(1,411)	Revenue activities net cash inflow as per restated accounts
0	Net increase in other liquid resources as per 08/09 accounts
(1,757)	Preceptors share of Council Tax income less precepts paid
(1,899)	NNDR income, less payments to pool, less Cost of Collection allowance
(3,656)	Net increase in other liquid resources as per restated accounts

IE14 STATEMENT OF ACCOUNTS AUTHORISATION

The Statement of Accounts were authorised for issue to Audit and Governance Scrutiny Committee on the 18 June 2010 by the Corporate Director. All financial events up to and including this date have been considered in these accounts. The Statements were issued subject to audit at this date.

NOTES RELATING TO THE BALANCE SHEET

B1 FIXED ASSETS

Operational Assets	Council Dwellings £'000	Other Land & Building £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Infrastructure Assets £'000	Assets Under Construction £'000	Authority's Balance Sheet £'000	Intangible Assets £'000
Cost or Valuation								
At 1 April 2009	198,402	25,682	2,588	118	23	30	226,843	421
Additions/Capex	2,573	958	486	0	0	3	4,020	71
Donations	0	0	0	0	0	0	0	0
Disposals	(109)	0	0	0	0	0	(109)	0
Reclassification	0	14	16	0	0	(30)	0	0
Revaluations	7,347	1,082	0	0	0	0	8,429	0
At 31 March 2010	208,213	27,736	3,090	118	23	3	239,183	492
Depreciation & Impairments								
At 1 April 2009	0	0	1,328	0	0	0	1,328	149
Charge for 2009/10	1,890	612	380	0	0	0	2,882	53
Disposals		0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
Revaluations	(1,890)	(612)	0	0	0	0	(2,502)	0
At 31 March 2010	0	0	1,708	0	0	0	1,708	202
Balance Sheet as at 31 March 2010	208,213	27,736	1,382	118	23	3	237,475	290
Balance Sheet as 1st April 2009	198,402	25,682	1,260	118	23	30	225,515	272

Nature of Asset Holding

Owned	208,213	27,736	1,278	118	23	3	237,475	290
Finance Lease	0	0	104	0	0	0	0	0
PFI	0	0	0	0	0	0	0	0
	208,213	27,736	1,382	118	23	3	237,475	290

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. The Council does not hold any Non Operational Assets as at 31st March 2010.
- (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.

A Full Valuation of all the Authority's Land and Building & Housing Stock was undertaken by Mr J Leney (MRICS) as at 1st April 2010 resulting in a increase in the Councils Housing stock of £11,800,000 and Other Land and Buildings of £1,600,000. These valuations were undertaken by Mr J Leney (MRICS), Head of Property, Charnwood Borough Council. The following statement shows when the values of assets were updated as a result of a desktop review.

Category	Date of Last Valuation	Basis of Valuation	Details of Valuers
Council Dwellings	01.04.10	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 J Leney (MRICS), Head of Property, Charnwood Borough Council.
Other Land & Building	01.04.10	The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered Surveyors.	Mr J Leney (MRICS), Head of Property, Charnwood Borough Council.

Non Operational Assets

The Council doesn't hold any Non-Operational Assets as at 31st March 2010.

Capital expenditure and financing is as follows: -

2008/09 £'000		2009/10 £'000
16,673	Opening Capital Financing Requirement	16,279
	Capital Investment:	
1,305	Operational assets	4,070
0	Non-operational assets	0
583	Revenue Expenditure Funded from Capital Under Statute	721
	Sources of Finance:	
0	Capital Receipts	0
(733)	Government grants and other contributions	(1,748)
(1,549)	Revenue provision (including major repairs allowance)	(3,123)
16,279	Closing Capital Financing Requirement	16,199
	Explanation of movements in the year	
(394)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(80)
(394)	Increase/(decrease) in Capital Financing Requirement	(80)

Major fixed assets held at 31st March 2010, are:-

	No.
LEISURE SERVICES	
Leisure Centres with Pools	2
Markets	1
Cemeteries	4
COUNCIL DWELLINGS	
Houses	2,660
Flats & Maisonettes	1,021
Bungalows	812
LAND	
Parks & Open Spaces (acres)	115
OTHER	
Office Properties	1
Depots	3
Off Street Car Parks	19
Public Conveniences	11
Industrial Estates / Business Units	9

B2 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE & LONG TERM DEBTORS

Revenue Expenditure Funded from Capital Under Statute

	£'000
Balance 1 April 2009	0
EXPENDITURE	
Private Sector Grants	721
	721
INCOME	
Grants	622
Amount Written off to Revenue Accounts	99
	721

Long-Term Debtors

2008/09 £'000		2009/10 £'000
12	Sale of Council Houses	6
25	Officers Car Loans	33
37		39

B3 INVESTMENTS

The long term investment of £293 is invested in 3.5% War Loan Stock.

The short term investment of £4,652,255 was with Alliance & Leicester Commercial Bank. This investment was held in a call account overnight and repaid on 1 April 2010.

The investment of all surplus funds is managed internally.

B4 STOCKS & WORK IN PROGRESS

2008/09 £'000		2009/10 £,000
	STOCK	
68	Central Stores	55
39	Other	47
107		102

B5 DEBTORS

2008/09 £'000		2009/10 £'000
0	DCLG - NNDR Pool	2,866
468	DWP - Housing Benefits	795
277	Council Tax Payers	239
132	Customs & Excise	304
332	Rent Arrears	362
43	Preceptors	0
1,775	General	2,014
105	Rechargeable Works	153
	Provision for Doubtful Debts:-	
(274)	Housing Rents	(309)
(91)	Rechargeable Repairs	(131)
(351)	General	(398)
(173)	Collection Fund	(142)
2,243		5,753

Payments in Advance

These are included in the general debtors figure above and arise during the course of a financial year when it is normal for an authority to have paid in advance for the provision of a service(s). The value of those services paid in advance at the year end was £263,421 (2008/09 - £250,272), the main contributor being leasing payments to the value of £200,123 (2008/09 - £216,264).

B6 CREDITORS

2008/09 £'000		2009/10 £'000
302	Inland Revenue	301
101	Council Tax Payers	88
129	Rents	143
1,756	CLG - NNDR Pool	43
1,731	General	2,547
4,019		3,122

Receipts in Advance

These are included within the General Creditors figure above and arise when funding of future years services is received in advance. They tend to be few in nature, the figure for the year being £196,887 - (2008/09 - £24,856).

B7 LONG-TERM BORROWING & DEFERRED LIABILITIES**Long-Term Borrowing**

2008/09 £'000	Source	Rates Payable	2009/10 £'000
6,091	P.W.L.B.	4.15% - 5.75%	6,090
10,017	Other Institutions	2.65% - 7.99%	10,015
16,108			16,105

Deferred Liabilities

2008/09 £'000	Source	2009/10 £'000
197	Earmarked	185
197		185

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

2008/09 £'000	Period of Maturity	2009/10 £'000
0	Maturity in 1 year	0
0	Maturity in 1 - 2 years	0
0	Maturity in 2 - 5 years	0
1,000	Maturity in 5 - 10 years	1,000
15,305	Maturity in over 10 years	15,290
16,305		16,290

B8 DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are amounts derived from sales of assets, which will be received in instalments over an agreed period of time. In this Council's case they arise from mortgages on the sale of council houses.

B9 CONTINGENT ASSETS AND LIABILITIES

Contingent VAT liability

The treatment of VAT as standard rated attributable to the sale of memberships of sports facilities has been confirmed. All voluntarily declared VAT and interest has been paid back dated to April 2006. HM Revenue & Customs may take the view that amounts should be payable from 2004 resulting in a maximum additional liability of £50,000.

In 2009/10 the partial exemption limit of 5% for the recovery of exempt VAT was breached. The Council's breach was primarily as a result of the capital grant received for the introduction of the Government's free swimming initiative. The maximum additional liability as a result of this is £110,000. HM Revenue & Customs have indicated that the breach can be disregarded if Councils can demonstrate that the reasons were exceptional and not likely to be repeated. However, Councils are likely to be required to demonstrate this on an individual basis and the Council is awaiting a response from HM Revenues and Customs regarding how to proceed with this matter.

Contingent liability for Council properties damaged by subsidence

The council has a number of properties on Measham Road, Oakthorpe that have been damaged by subsidence. Investigations in 2007 narrowed the cause of the subsidence to either a change in the water table affecting the load bearing capacity of the surface soil, or a deep mine working collapse causing surface soil displacement. Given the potential deep mine working implication, a number of claims have been made to the Coal Authority for the required underpinning works, estimated at a cost of up to £350,000. Investigations are ongoing by the Coal Authority and the Council continues to monitor the position.

Contingent liability for personal searches

The position in respect of the Council's ability to charge for personal searches remains unclear, following the Information Commissioner's Office guidance issued in July 2009 that:

- The majority of the information provided by local authorities in response to property search enquiries is likely to be environmental information as defined by the EIR.
- The charging provisions in the CPSR do not apply to environmental information.
- Under the EIR a public authority should accept an applicant's request to inspect the information.
- Environmental information that is inspected by the applicant cannot be charged for.
- Public authorities cannot use the publication scheme provisions of the FOIA to charge for environmental information contained in property search records.
- Information that is not environmental should be considered under the FOIA. In such cases, the CPSR can form the basis for any charging.

As a result of this guidance Private search companies are claiming that Councils should refund the costs of private searches undertaken since 2005. This is not accepted by Councils and the Local Government Association is working on behalf of Councils to resolve the matter. Should this matter be resolved in favour of the private search companies the Council could have to make repayments of fees of up to £200,000.

B10 INSURANCE

The value of claims outstanding at 31st March 2010, with Zurich Municipal was £170,406 (2008/09 - £661,489). This sum represents the value placed on the claims by the Council's insurer for those claims still to be settled.

B11 POST BALANCE SHEET EVENTS

There are no post balance sheet events to report for the 2009/2010 Accounts.

B12 DISCLOSURE OF NET PENSIONS ASSET/LIABILITY

Note IE5 to the Income & Expenditure Account contains details of the Authority's participation in the Local Government Pension Scheme (LGPS), administered by Leicestershire County Council. The following information was supplied by Hymans Robertson LLP on 16th April 2010.

Employers Membership Statistics

	Average Age	Number		Total Salaries/Pension £'000	
	31/03/07	31/03/07	31/12/09	31/03/07	31/12/09
Actives	49	503	529	9,094	10,850
Deferred Pensioners	47	230	292	414	*
Pensioners	66	320	349	1,603	*

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

PAYROLL

	2009/10 £'000	2010/11 £'000
Assumed total pensionable payroll based on contribution information provided	10,993	10,850

INVESTMENT RETURNS

The return on the fund in market value terms for the year to 31 March 2010 is estimated based on actual fund returns as provided by the Administering Authority and index returns where necessary. Details are given below.

Return for Period 1 April 2009 to 31 December 2009	28.3%
Estimated Return for Period from 1 April 2009 to 31 March 2010	37.1%

UNFUNDED BENEFITS

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

LGPS Unfunded Pensions	Number at 31/12/09	Annual Unfunded Pensions (£'000)
Male	52	73
Female	4	3
Dependants	26	19
TOTAL	82	95

ASSETS AND LIABILITIES IN RELATION TO RETIREMENT BENEFITS

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31st March are as follows:

2008/09 £'000		2009/10 £'000
(53,167)	Estimated Liabilities in scheme (includes Discretionary Unfunded Benefits in 2006)	(88,948)
36,756	Estimated Assets in scheme	51,062
(16,411)	Net Asset / (Liability)	(37,886)

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £37,886,000 has a substantial impact on the net worth of the Authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Pension Fund will be made good by increased contributions as assessed by the Actuary.

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The LGPS Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31st March 2008.

The main assumptions used in their calculations have been:

2008/09	Assumptions	2009/10
3.1%	Inflation/Pension Increase Rate	3.8%
4.6%	Salary Increase Rate	5.3%
6.6%	Expected Return on Assets	7.3%
6.9%	Discount Rate	5.5%

Assets in the County Council Pension Fund are valued at bid price rather than mid market value, and consist of the following categories, by proportion of the total assets held by the Fund.

Assets Authority Share	2008/09			2009/10		
	Value £	Asset Distribution %	Long Term Return %	Value £	Asset Distribution %	Long Term Return %
Equities	29,037	79.0	7.0	39,828	78.0	7.8
Bonds	3,308	9.0	5.4	5,106	10.0	5.0
Property	4,411	12.0	4.9	5,617	11.0	5.8
Cash	0	0.0	4.0	511	1.0	4.8
	36,756	100.0		51,062	100.0	

Mortality

Life Expectancy is based on the PFA92 and PMA92 Tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, the future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	20.8 years	24.1 years
Future pensioners	22.3 years	25.7 years

Reconciliation of Present Value of the Scheme Liabilities

2008/09 £'000		2009/10 £'000
54,471	Opening Defined Benefit Obligation	53,167
1,233	Current Service cost	1,089
3,766	Interest cost	3,657
653	Contributions by Members	696
(5,277)	Actuarial losses/(Gains)	32,462
505	Past service costs/(Gains)	0
0	Losses/(Gains) on Curtailments	0
(92)	Estimated Unfunded Benefits Paid	(95)
(2,092)	Estimated Benefits Paid	(2,028)
53,167		88,948

Reconciliation of fair value of employer assets

2008/09 £'000	YEAR ENDED	2009/10 £'000
48,410	Opening Fair Value of Employer Assets	36,756
3,518	Expected Return on Assets	2,444
653	Contributions by Members	696
1,822	Contributions by the Employer	1,906
92	Contributions in respect of Unfunded Benefits	95
(15,555)	Actuarial losses/(Gains)	11,288
(92)	Estimated Unfunded Benefits Paid	(95)
(2,092)	Estimated Benefits Paid	(2,028)
36,756		51,062

Scheme History

Amounts for the current and previous accounting periods

YEAR ENDED	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000
Fair Value of Employer Assets	46,000	50,495	48,410	36,756	51,062
Present Value of Defined Benefit Obligation	(58,600)	(59,226)	(54,471)	(53,167)	(88,948)
Surplus/(Deficit)	(12,600)	(8,731)	(6,061)	(16,411)	(37,886)
Experience Gains/(Losses) on Assets	6,400	651	(5,942)	(15,555)	11,288
Experience Gains/(Losses) on Liabilities	20	(151)	(2,157)	101	(104)
Experience Gains/(Losses) on Assets %	13.9%	1.3%	-12.3%	-42.3%	22.1%
Experience Gains/(Losses) on Liabilities %	0.0%	0.3%	4.0%	-0.2%	0.1%

Amounts Recognised In Statement of Total Recognised Gains and Losses (STRGL)

YEAR ENDED	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000
Actuarial Gains/(Losses)	(480)	4,402	2,376	(10,278)	(21,174)
Increase/(Decrease) in Irrecoverable Surplus from Membership fall and other factors					
Gains/(Losses) recognised in STRGL	(480)	4,402	2,376	(10,278)	(21,174)
Cumulative Actuarial Gains and Losses	(6,610)	(2,208)	168	(10,110)	(31,284)

Balance Sheet

2008/09 £'000	YEAR ENDED	2009/10 £'000
36,756	Fair Value of Employer Assets	51,062
(52,009)	Present Value of Funded Liabilities	(87,499)
(15,253)	Net (Under)/ Overfunding in Funded Plans	(36,437)
(1,158)	Present Value of Funded Liabilities Unrecognised Past Service Cost	(1,449)
(16,411)	Net Asset/(Liability)	(37,886)
(16,411)	Amount in the Balance Sheet	
	Liabilities	(37,886)
	Assets	
(16,411)	Net Asset/(Liability)	(37,886)

B13 RESERVES & PROVISIONS

	2008/09 £000's	Movements in £000's	Movements out £000's	2009/10 £000's
Usable Capital Receipts	566	292	(241)	617
Revaluation Reserve	3,227	1,403	(2,685)	1,945
Capital Adjustment Account	203,506	15,738	(3,017)	216,227
Major Repairs Reserve	2,098	2,722	(2,573)	2,247
Deferred Capital Receipts	12	0	(6)	6
Capital Reserve	202	698	(670)	230
Housing Revenue Account	247	155	(75)	327
D.L.O. - General Reserves	38	20	0	58
	209,896	21,028	(9,267)	221,657
General Fund Earmarked Reserves				
General Reserves	1,003	519	(382)	1,140
Value for Money	0	384	(11)	373
Housing & Planning Delivery Grant	293	118	(129)	282
Coalville Project	128	93	(102)	119
Building Control Fee Earning - Surplus	0	33	0	33
Regeneration Funds	40	16	(25)	31
Initiative Funds & Other Reserves	3	2	0	5
Leisure Strategy / Project Grants	92	69	0	161
Insurance Funds	20	0	0	20
Hermitage Recreation Ground Fund	50	0	0	50
Asset Protection Fund	385	82	(227)	240
VAT Liability Reserve	47	0	(26)	21
Planning - Contingency Fund	0	153	(153)	0
Business Units Maintenance Funds	304	56	(61)	299
Ivanhoe ATP - Sinking Fund	95	7	0	102
Other Provisions	182	0	(170)	12
	2,642	1,532	(1,286)	2,888
	212,538	22,560	(10,553)	224,545

B14 COLLECTION FUND BALANCE

The Collection Fund is a statutory fund that records the transactions for council tax (to finance the expenditure of this council) and business rates. The surplus or deficit on the Fund is shared with Leicestershire County Council and the County Police and Fire Authorities in future financial years in proportion to their previous precepts on the Fund.

Reconciliation of Collection Fund to Balance Sheet

2008/09 £'000		2009/10 £'000
21	Balance as per Collection Fund	(255)
(18)	Preceptors share of surplus/deficit	218
3	Collection Fund adjustment a/c	(37)

B15 FINANCIAL INSTRUMENTS

NWLDC holds two LOBO loans with a total value of £7,440,000. These were taken out in February 2005 and for the first four years of the loan, the Council pays interest at 2.65% and 2.75%. After this period, the interest rate increased initially to 4.74% and 4.8% respectively. As the loan agreements contain more than one interest rate over the duration of each loan, the effective interest rate calculated is initially higher than interest paid (in real terms). The cumulative difference between the EIR recorded in the Income and Expenditure Account and interest paid has been added to the carrying value of the two LOBO loans, which are disclosed in the balance sheet at £7,959,000 as a result. From 2009/10 onwards, the carrying value in the balance sheet will diminish, as the interest paid in real terms is higher than the EIR recorded in the Income and Expenditure Account.

The Financial Instruments Adjustment Account holds the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance. It provides a balancing mechanism between the different rates at which gains and losses (such as premia on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund.

B16 FINANCIAL INSTRUMENTS BALANCES

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

2008/09 £'000		2009/10 £'000
	FINANCIAL LIABILITIES	
17,396	Financial Liabilities at Amortised Cost	19,695
	LOANS AND RECEIVABLES	
8,691	Loans and Receivables	10,885

Fair Value of Assets and Liabilities carried at Amortised Cost

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

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

The Fair Values are calculated are as follows:

2008/09			2009/10	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
17,396	18,474	Financial Liabilities	19,695	19,906
8,691	8,691	Loans and Receivables	10,885	10,885

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

B17 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.

B18 FINANCIAL INSTRUMENTS - NATURE AND EXTENT OF RISK

Credit Risk.

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

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

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

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

The Council has £2,013,973 of General Debtors, for which a provision for doubtful debts of £264,000 has been made in relation to Sundry Debtors of £1,146,287.

Liquidity Risk.

As the Authority has ready access to funds from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replace a significant proportion of its borrowings at a time of unfavourable interest rates. The Council's strategy is to ensure an even maturity debt profile to mitigate against this risk. The maturity profile is shown in note B7 on page 28.

Market Risk.

Interest Rate Risk.

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

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

Price Risk.

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

B19 LOCAL AREA AGREEMENTS (LAA)

The Council is a participant in a LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services.

The purpose of the LAA is :

- To form an agreement between a diverse selection of public bodies with the aim of delivering improved public services for everyone in Leicestershire.
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To Improve the effectiveness and efficiency of public services in Leicestershire by pooling and aligning funding streams.

The LAA partners are :

- Local government bodies consisting of Leicestershire County Council, the seven district councils of Leicestershire and the Leicestershire and Rutland Association of parish and Local councils.
- Community protection authorities - Leicestershire Police Authority, Leicester, Leicestershire and Rutland Combined Fire Authority and the Probation service.
- Health Bodies – Representatives from the National Health Service.
- Community/other Partnerships – Leicestershire Cultural Strategy Forum, Leicestershire Ethnic Minorities Partnership, Leicestershire Rural partnership ,Leicester Racial Equality council, community safety programme Board, Children and young Person Strategic Partnership for Leicestershire. Jobcentre plus, Enable (Environment for a Better Leicestershire), connexions, Active together Sport England and Faith Communities via the Board of social Responsibility.
- Further and Higher education bodies – Leicestershire Learning and skills Council, Leicestershire and Leicester City, Loughborough University and a representative for the Chamber of commerce and Skills for Enterprise.
- Representatives of the District Council for Voluntary service.

Leicestershire County Council acts as a the accountable body for the LAA and is responsible for managing the distribution of grant paid by the Government Office to the partners Involved. The council does not determine which bodies are due payments - this is determined by the partnership (Leicestershire Together) in line with the targets agreed with the government office. North West Leicestershire District Council received the sum of £64,144 in 2009/10 for Safer Communities Crime Disorder Partnerships.

North West Leicestershire District Council also received an Area Based Grant of £22,811 in 2009/10 for Planning and Climate Change.

B20 CAPITAL COMMITMENTS

As at 31st March 2010 the council is committed to the following major capital projects for completion in the next financial year.

	£'000
ICT Projects	150
Park Improvements	70
Marlborough Square-Coalvilles Changing	20
Hood Park Energy Efficiency	130
	370

B21 ANALYSIS OF NET ASSETS EMPLOYED

2008/09 £'000		2009/10 £'000
(4,571)	General Fund	(20,791)
200,255	Housing Revenue Account	207,713
195,684		186,922

NOTES RELATING TO THE CASH FLOW STATEMENT

CF1 RECONCILIATION OF INCOME & EXPENDITURE ACCOUNT DEFICIT TO NET REVENUE CASH FLOW

2008/09 £'000		2009/10	
		£'000	£'000
	(Surplus)/Deficit for the year		
22,994	Income and Expenditure Account	(13,565)	
131	Collection Fund	(276)	
23,125			(13,841)
	Non Cash Transactions		
(44)	Deferred Charges Written off	(83)	
145	Government Grants Released	166	
(26,122)	Depreciation & Impairment	10,170	
(583)	Other Non Cash Transactions	1,473	
(26,604)			11,726
	Items on an Accruals Basis		
(28)	Movement in Stock and Work in Progress	(5)	
(5)	Movement in Revenue Debtors	(3,509)	
(1,511)	Movement in Revenue Creditors	1,077	
0	Movement in Capital Debtors	0	
(44)	Movement in Capital Creditors	(185)	
(1,588)			(2,622)
(5,067)	Net Cash Flow from Revenue Activities		(4,737)

CF2 NET MOVEMENT IN CASH BALANCES

2008/09		2009/10	Movement in the year Increase / (Decrease)
£'000	NET MOVEMENT IN CASH BALANCES	£'000	£'000
174	Cash in hand / Overdrawn	(242)	(416)
174	Increase in Cash and Cash Equivalents	(242)	(416)

CF3 LIQUID RESOURCES

The Council seeks to maximise returns on short-term cash surpluses by making deposits with authorised institutions. Such institutions are authorised by the Council for this purpose comprising Banks and other financial institutions who meet the Council's lending criteria, Government agencies and other local authorities.

2008/09		2009/10	Movement in the year Increase / (Decrease)
£'000	NET MOVEMENT IN LIQUID RESOURCES	£'000	£'000
7,557	Short Term Deposits	4,653	(2,904)

CF4 ANALYSIS OF MOVEMENT IN FINANCING

2008/09 £'000	NET MOVEMENT IN FINANCING	2009/10 £'000	Movement in the year Increase / (Decrease) £'000
6,000	P.W.L.B.	6,000	0
9,440	Other Institutions	9,440	0
0	Temporary Loans	0	0
197	Earmarked Loans	186	(11)
15,637	Decrease in Financing	15,626	(11)

CF5 ANALYSIS OF GOVERNMENT GRANTS

2008/09 £'000		2009/10	
		£'000	£'000
	<u>DWP Grants for Benefits:</u>		
17,360	Rebates	20,852	
547	Administration	626	
17,907			21,478
	<u>Government Grants</u>		
841	Revenue Support Grant	1,316	
640	Improvement Grants	850	
176	Concessionary Travel	181	
35	Implementation of E&SA	0	
30	Homelessness	60	
38	Other	328	
1,760			2,735
19,667			24,213

CF6 OTHER LIQUID RESOURCES

2008/09 £'000	NET MOVEMENT IN OTHER LIQUID RESOURCES	2009/10 £'000
(1,757)	Precepting Authorities	(160)
(1,899)	Government	4,622
(3,656)		4,462

HOUSING REVENUE ACCOUNT (HRA)

HOUSING INCOME AND EXPENDITURE ACCOUNT

2008/09			NOTES	2009/10	
£'000	£'000			£'000	£'000
	(12,513)	INCOME			
		Rents - Dwellings	H4		(12,845)
(96)		Rents - Garages / Sites		(95)	
(16)		Rents - Shops		(16)	
(3)		Rents - Other		(3)	
	(115)				(114)
	(194)	Charges for Services and Facilities			(536)
	(455)	Supporting People Grant			(455)
	(13,277)	TOTAL INCOME			(13,950)
		EXPENDITURE			
	2,934	Repairs & Maintenance			3,426
		Supervision & Management			
		- General		2,077	
2,030		- Special		741	
741					
	2,771	Capital Charges			2,818
	22,679	- Depreciation & Impairment of Fixed Assets	H8/9		(9,895)
	4,406	Housing Subsidy Payments to the National Pool	H10		3,644
	42	Increase in provision for Bad or Doubtful Debts			104
	19	Debt Management Expenses			18
	32,851	TOTAL EXPENDITURE			115
	19,574	NET COST OF HRA SERVICES INCLUDED IN INCOME & EXPENDITURE ACCOUNT			(13,835)
	169	Housing Share of Corporate & Democratic Costs			170
	19,743	NET COST OF HRA SERVICES			(13,665)
	(226)	(Gain) or Loss on Sale of HRA Fixed Assets			(78)
	137	Interest Payable & Similar Items			165
	116	Amortisation of Premiums & Discounts			102
	(1)	Interest on Sale of Council Houses			(1)
	19,769	(SURPLUS)/DEFICIT ON HRA SERVICES			(13,477)

STATEMENT OF MOVEMENT ON THE HRA BALANCE		
2008/09 £'000		2009/10 £'000
19,769	Deficit on Housing Income and Expenditure Account	(13,477)
(19,490)	Amounts Required by Statute to be Taken into Account (detailed below)	12,967
279		(510)
(822)	HRA Balance Brought Forward	(543)
(543)	HRA Balance Carried Forward	(1,053)

ANALYSIS OF THE MOVEMENT IN THE HRA BALANCE		
2008/09 £'000	Amounts Required to be Taken Into Account	2009/10 £'000
(20,256)	Impairment of Fixed Assets	11,800
226	Gain or Loss on Sale of HRA Fixed Assets	78
258	Transfer To/(From) Major Repairs Reserve	832
(202)	Net charges for retirement benefits in accordance with FRS 17	(210)
303	Employer's contributions payable to Leicestershire County Council Pension Fund	387
181	Transfer To/(From) Reserves	80
(19,490)	Amounts Required to be Taken Into Account (see above)	12,967

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

H1 MOVEMENT IN DWELLING STOCK

The Council was responsible for managing an average of 4,440 dwellings during 2009/2010. The movement in the stock was as follows:-

2008/09		2009/10
4,502	Stock at 1st April	4,496
(6)	Less: Sales	(3)
0	Less: Demolitions	0
0	Less: Transfers out of stock	(110)
0	Less: Conversions	0
0	Add: Transfers back into stock	0
4,496		4,383

H2 PROPERTY TYPES IN DWELLING STOCK

The properties owned by the Council at 31st March 2010 comprise the following:-

	Flats/Maisonette	Bungalows	Houses	Total
In stock				
Bed sits	65	4	0	69
1 Bedroom	500	325	1	826
2 Bedroom	353	476	404	1,233
3 Bedroom	6	7	2,091	2,104
4 Bedroom	0	0	148	148
5 Bedroom	0	0	3	3
	924	812	2,647	4,383
Transferred out of stock				
Bed sits	23	0	0	23
1 Bedroom	69	0	0	69
2 Bedroom	1	0	1	2
3 Bedroom	4	0	12	16
4 Bedroom	0	0	0	0
5 Bedroom	0	0	0	0
	97	0	13	110
Total	1,021	812	2,660	4,493

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

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

2008/09 Balance £'000		2009/10 Balance £'000
198,402	Dwellings (inc garages)	208,213
5,638	Other Land and Buildings	6,224
204,040	OPERATIONAL ASSETS	214,437

The vacant possession value of dwellings within the Authority's HRA as at 31st March 2010 was £412,088,500 (31st March 2009 £392,536,000). 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. Note B1 on page 23 shows the movement in balance sheet value in 2009/10

The council does not hold any Non-Operational assets.

H4 RENT INCOME

This is the total rent income due for the year after an allowance is made for empty properties/voids etc. Average rents were £55.94 per week in 2009/10 (£54.83 2008/09) there being an average increase of 2.01% (6.45% 2008/09) over the previous year. Service charges (to cover gas and electricity, for example) were unpooled during 2009/10 and are not included in the 2009/10 rent quoted above. The average weekly sum for the service charge element was £1.39. For comparison purposes the combined rent and service charge for 2009/10 was £57.33 giving an increase of 4.55% over 2008/09. During the year 1.33% (1.85% 2008/09) of rentable properties were vacant.

Rent income can be analysed as follows:-

2008/09 £'000		2009/10 £'000
5,968	Collectable from Tenants	6,031
6,545	Rent Rebates	6,814
12,513		12,845
115	Non - Dwelling Rents	114
12,628		12,959

In accordance with the revised accounting practice for rental income there is a favourable effect of £ 35,000 for the year 2009/10.

H5 RENT ARREARS

During the year total rent arrears, as a proportion of gross rent income were 1.64% (2008/09 - 1.59%). The arrears figures are as follows:-

2008/09 £'000		2009/10 £'000
332	Total Current and Former Tenant Arrears	362
(129)	Less: Accounts in credit	(143)
203	Net Arrears	219

Amounts written off during the year were £ 17,929 (2008/09 - £29,889). At 31st March the Provision for doubtful debts stood at £ 308,700 (2008/09 - £274,340).

H6 MAJOR REPAIRS RESERVE

2008/09 £'000		2009/10 £'000
(410)	Balance at 1st April 2008	(2,098)
(2,413)	Amounts transferred to Reserve during year	(1,890)
	Amounts transferred from Reserve to finance Capital	
	Expenditure:	
973	Dwellings	2,573
10	Other Property	0
(258)	Depreciation in excess of / (less than) MRA	(832)
(2,098)	Balance at 31st March 2009	(2,247)

H7 CAPITAL EXPENDITURE & RECEIPTS

Total Capital Expenditure within the authority's HRA during the financial year was £ 2,572,785 (all spent on dwellings) . The sources of funding are shown below:

2008/09 £'000		2009/10 £'000
983	Major Repairs Reserve	2,573
983		2,573

Total Capital Receipts from disposals of Council Dwellings within the authority's HRA. stock during the financial year were £ 272,714. There were no sales of land or other property during the financial year.

H8 DEPRECIATION OF HRA FIXED ASSETS

2008/09 £'000		2009/10 £'000
2,413	Dwellings (excl. garages)	1,890
10	Other Land and Buildings	15
2,423	OPERATIONAL ASSETS	1,905

H9 IMPAIRMENT OF HRA FIXED ASSETS

2008/09 £'000		2009/10 £'000
19,089	Dwellings (excl. garages)	(11,775)
1,167	Other Land and Buildings	(25)
20,256	OPERATIONAL ASSETS	(11,800)

The impairment charge in 2008/09 was mainly as a result of a general fall in valuations reflecting the national position. However, as valuations have risen in 2009/10, the total impairment charge against the assets has reduced, resulting in a 'negative' impairment charge in 2009/10.

H10 HRA SUBSIDY

From April 1st 2004, rent rebate subsidy entitlement has been accounted for in the General Fund and is therefore no longer shown within the Housing Revenue Account. The 'negative' HRA subsidy calculated in accordance with Government rules and regulations is paid over to the Government for national redistribution. A breakdown of the HRA subsidy for the financial year is provided below:

2008/09 £'000		2009/10 £'000
5,775	Management & Maintenance	6,131
2,671	Major Repairs Allowance	2,722
719	Charges for Capital	820
(3)	Interest on Receipts	(1)
(13,568)	Guideline Rent Income	(13,315)
(4,406)	Housing element entitlement	(3,643)
0	Prior year adjustment	(1)
(4,406)	H.R.A. SUBSIDY ENTITLEMENT	(3,644)

COLLECTION FUND

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2008/09 £'000		2009/10	
		£'000	£'000
	INCOME		
(39,762)	Council Tax (Net of benefits, discounts for prompt payment and transitional relief)		(40,650)
(4,876)	Transfers from General Fund:- - Council Tax Benefit		(5,577)
42	Contributions:- - Towards previous year's Collection Fund Deficit / (Surplus)		20
(45,193)	Business Ratepayers		(44,255)
(89,789)			(90,462)
	EXPENDITURE		
	Precepts and Demands:-		
31,254	L.C.C.	32,275	
4,974	Leicestershire Police	5,141	
1,545	Leicestershire Fire and Rescue	1,613	
6,591	N.W.L.D.C. (including Parish and Specials)	6,765	
44,364			45,794
	Business Rate:-		
44,527	Payment to National Pool	43,774	
511	Increase in doubtful debt provision	325	
155	Costs of Collection	156	
45,193			44,255
	Bad and Doubtful Debts / Appeals		
363	- Provisions	137	
363			137
89,920			90,186
131	Movement on fund balance - (Surplus) / Deficit for the year		(276)
(110)	Collection Fund Balance at 1st April 2009		21
21	Collection Fund Balance at 31st March 2010		(255)

NOTES TO THE COLLECTION FUND

C1 GENERAL

This account represents the statutory requirements for Billing authorities to maintain a separate Collection Fund. The account is consolidated with the Council's accounts.

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 No. Of Taxable Properties after effect of Discounts	Ratio	Band 'D' Equivalent Dwellings
A(-)	46	5/9	25
A	8,182	6/9	5,455
B	11,004	7/9	8,559
C	6,109	8/9	5,430
D	5,073	9/9	5,073
E	3,110	11/9	3,801
F	1,269	13/9	1,833
G	807	15/9	1,345
H	37	18/9	74
	35,637		31,595
Less: Adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding.			474
COUNCIL TAX BASE for 2009/10			31,121

C3 INCOME FROM BUSINESS RATEPAYERS

The Council collects Non-Domestic Rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to Authorities their share of the pool based on a standard amount per head of resident population.

The total Non-Domestic Rateable Value at the 31st March 2010, was £105,612,015 (£104,328,318 - 31st March 2009).

The National Non-Domestic multiplier for the year was 48.5p (46.6p - 2008/2009).

The Small Business Rate Multiplier was 48.1p (45.8p - 2008/09).

SPECIAL EXPENSES ACCOUNT

2008/09 £		2009/10	
		£	£
COALVILLE URBAN DISTRICT AREA			
36,420	Balance brought forward	54,667	
648,958	Collection Fund Precept	663,253	
685,378			717,920
EXPENDITURE			
844,917	Parks, Open Spaces & Allotments	283,885	
88,777	Burial Grounds	102,987	
61,106	Other Expenses	72,951	
21,000	R.C.C.O.	30,844	
30,000	Contribution to Improvement Fund	20,000	
(15,035)	Asset Management Revaluation Account	(29,855)	
(451,247)	Impairment	144,745	
51,193	Contribution to Ear-Marked Reserves	26,918	
630,711			652,475
54,667	Balance carried forward		65,445
COLEORTON PARISH AREA			
1,743	Balance brought forward	1,404	
2,611	Collection Fund Precept	2,683	
4,354			4,087
EXPENDITURE			
1,060	Parks & Open Spaces	1,060	
1,890	Burial Grounds	1,890	
1,404	Balance carried forward		1,137
MEASHAM PARISH AREA			
704	Balance brought forward	308	
1,294	Collection Fund Precept	1,680	
1,998			1,988
EXPENDITURE			
1,690	Burial Grounds		1,690
308	Balance carried forward		298
STRETTON-EN-LE-FIELD			
693	Balance brought forward	519	
1,106	Collection Fund Precept	1,141	
1,799			1,660
EXPENDITURE			
1,280	Burial Grounds		1,280
519	Balance carried forward		380
OSGATHORPE			
316	Balance brought forward	326	
320	Collection Fund Precept	324	
636			650
EXPENDITURE			
310	Parks & Open Spaces		310
326	Balance carried forward		340
LOCKINGTON / HEMINGTON			
1,064	Balance brought forward	1,026	
2,562	Collection Fund Precept	2,665	
3,626			3,691
EXPENDITURE			
940	Parks & Open Spaces	940	
1,660	Burial Grounds	1,660	
1,026	Balance carried forward		1,091

SPECIAL EXPENSES ACCOUNT CONT'D

2008/09 £		2009/10	
		£	£
	KEGWORTH		
337	Balance brought forward	336	
369	Collection Fund Precept	368	
706			704
	EXPENDITURE		
370	Parks & Open Spaces		370
336	Balance carried forward		334
	RAVENSTONE		
232	Balance brought forward	250	
327	Collection Fund Precept	327	
559			577
	EXPENDITURE		
309	Parks & Open Spaces		310
250	Balance carried forward		267
	OAKTHORPE & DONISTHORPE		
793	Balance brought forward	729	
3,386	Collection Fund Precept	3,428	
4,179			4,157
	EXPENDITURE		
3,450	Parks & Open Spaces		3,450
729	Balance carried forward		707

ANNUAL GOVERNANCE STATEMENT 2009/10

1. Background and Scope of Responsibility

- 1.1 North West Leicestershire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. North West Leicestershire District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging the overall responsibility North West Leicestershire District Council is responsible for putting into place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 North West Leicestershire District Council has approved and adopted a local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is available on our website at:
<http://www.nwleics.gov.uk/System/System/Transfer/Recieve/Root/corporate/documents/LocalCodeofCorporateGovernance.pdf>
or can be obtained from Internal Audit, Council Offices, Coalville.
- 1.4 This Statement explains how North West Leicestershire District Council has complied with the code and also meets the requirements of the Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control, now superceded by this Annual Governance Statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems, processes, cultures and values, by which the authority is controlled and directs its activities and through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The Council's system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can be therefore only 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 North West Leicestershire District Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The Council updated its Internal Control/Governance Framework in March 2008 in line with current CIPFA (Chartered Institute of Public Finance Accountancy) recommendations and the statutory officers group reviewed this framework in March 2009 to confirm its continued relevance. The Framework comprises a number of mechanisms and shows how they link to various reporting arrangements within the Council. Each category of the Framework (attached at Table 1) contains features to identify and mitigate risk areas.

3. The Governance Framework

3.1 In March 2008, the Council reviewed its local Code of Corporate Governance in line with the CIPFA/SOLACE Joint Working Group's "Delivering Good Governance in Local Government". Accordingly, the Council's code adopts six core principles as the basis for its corporate governance arrangements which are set out below. The key elements of the Council's systems and processes that comprise the Authority's governance arrangements are set out below each of the six core principles as follows.

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

At the heart of the Council's strategic planning process is the Council Delivery Plan (CDP) and annual service plans (SMART Plans). The Council's CDP has been developed in line with the Council's strategic aims and was updated and adopted by Council in March 2010. The CDP is published annually on a timely basis and communicates our activities, achievements and performance. It has been comprehensively updated for 2010/11 to link actions to outcomes:

The Council recognises that further improvement will require even greater collaboration and partnership working across various sectors. Creating the place of North West Leicestershire for the future requires engagement, support and buy-in from a range of different partners. The vehicle for delivering this cohesively is the North West Leicestershire Local Strategic Partnership, which is chaired by the Leader of the Council.

The LSP "Top Team" includes the Chief Executive of the National Forest, representatives from East Midlands Airport, Stephenson College, County and Parish Councils, Connexions, health/PCT, police, faith, business, tourism and voluntary sectors. The "Top Team" has played a leading note in responding to the challenges created by the recent recession.

To provide a focus for the work of the Local Strategic Partnership and the various organisations that work in the District, a Vision has been developed setting out what we are trying to achieve in making North West Leicestershire an even better place to live, work and visit. The Vision is:

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

An external Investors in People (IIP) review undertaken in December 2009 noted that..."There is a clear vision understood by all those interviewed."

The Council's performance management arrangements are strong and include the SMART Planning process which integrates service and financial planning across all of the Council's aims and objectives to better align activities, improvements and resources. As a result, a set of clear and consistent Service Delivery Plans have been developed for 2010/11 across all parts of the organisation. Informative profiled financial monitoring reports which are also predictive are reviewed by all budget holders soon after the month end, enabling managers to respond to issues in a timely way. In addition, financial performance is reported monthly to CLT and all PIs/Financial Performance to Overview and Scrutiny members and Cabinet on a quarterly basis using a traffic light system (TEN) to facilitate robust member challenge.

The TEN model enables any service failure to be identified early and addressed through a project plan which is considered and corrective action approved where necessary.

The Council is participating fully in the Leicestershire 'Total Place' project, as a 'pilot' authority for access to services.

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

The Council's Constitution clearly sets out the functions and roles of Members and Officers. The Constitution is continually reviewed by the Monitoring Officer and reported to members at regular intervals, following appropriate Scrutiny. Part 3 of the Constitution sets out the responsibility for all the Council's functions, including Council, Executive and Non-executive roles and a scheme of delegation to staff and proper Officer designations. These provisions make the specific responsibilities of the Leader, Chief Executive, Section 151 Officer and Monitoring Officer (MO) clear. CIPFA has issued a document entitled "The Role of the Chief Financial Officer in Local Government" and recommends that all organisations should report publicly on their financial arrangements on a "comply or explain" basis. The Council complies fully with the 5 key recommendations in the CIPFA document. The Constitution, in Part 4, sets out all the Council's Procedure rules which clearly differentiate between the roles of Members and Officers. These rules are supported by robust codes and protocols, including codes of conduct for both Members and Officers, a protocol on Member/Officer relations, outline roles and responsibilities for Councillors and a procedure for the resolution of disputes. Members and Officers understand their roles in practice, for example, relevant portfolio holders present reports, but technical questions are answered by Officers. Council has previously agreed a Members' allowance scheme, which has been reviewed by the Council's statutory Independent Remuneration Panel, resulting in a reduction in the cost of allowances amounting to £17,950 in 2009/10. There are good working relationships in all forums between Members and Officers (confirmed by the IDeA Peer review in October 2008) which contribute to the achievements of common goals to the benefit of the Council. When working in partnership, the "Representational Role" for Councillors is set out in the Outline Roles and Responsibilities for Councillors, contained within the Constitution, which also contains provisions relating to their role when appointed to external bodies and attendance at external meetings. A "Partnership Toolkit" has been agreed, plus a collaborative working "Shared Services Toolkit" which sets out the legal and governance arrangements for shared services reviews.

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

The Leader of the Council and Chief Executive are well respected within the organisation and across the District and County and the Chief Executive leads on a number of countywide issues. This is demonstrated through their active roles in the Local Strategic Partnership (LSP), the workings of its sub-groups and cross-county collaborative meetings and events. They set a tone for the Council which engenders a culture of openness, support and respect by pro-actively ensuring that the Procedures, Codes and Protocols referred to above, are followed in practice, for example, in formal and informal meetings. One of the Council's strategic aims is "Organisational Development" and underpinning the strategic aims are the Council's core values of team work, inclusion, integrity, empowerment, action and pride.

Arrangements have been put in place to ensure probity when dealing with different stakeholders and these are frequently updated. Accordingly, the Council has a Planning Code of Conduct, Licensing Code of Conduct and Citizens' Rights are set out in part 1 of the Constitution and Article 3. These are regularly reviewed to take account of the latest guidance, the last review being completed in 2010. The Constitution contains a section on the "Principles of Decision Making", and non-compliance is a ground for "call-in".

The Standards Committee has a pro-active work programme and each meeting of the Standards Committee receives a report from the Monitoring Officer on current issues. A quarterly performance monitoring report to include ethical indicators is produced. A number of corporate governance policies have been reviewed by the Standards Committee in 2009/10. Two workshops with staff on governance and report writing were conducted by the Monitoring Officer's staff in October 2009.

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 check by the Monitoring Officer at the same time she checked the Member Register. The Standards Committee undertakes an annual report which it refers to full Council. The report includes a paragraph on cases referred by the Ethical Standards Officers and Individual Cases – Local Statistics. The Head of Paid Service, Section 151 Officer and Monitoring Officer meet quarterly at the Statutory Officers' Group. Their work includes monitoring compliance with standards of conduct across the Council, including both Officers and Members. They make an annual report to the Corporate Leadership Team. There is a strong, LEXCEL accredited, legal team.

Members (including Standards Committee Members) have received training from an external facilitator on the Revised Code of Conduct and from the MO on statutory and constitutional roles. In addition, the Monitoring Officer sees members individually to provide guidance on possible infringements of the code and also writes to Members, acting on issues raised to ensure compliance with the code. Training is identified by the Monitoring Officer as a result of cases or issues raised and delivered as appropriate. Parish liaison meetings are held at least twice a year and the MO also provides ethical training to parishes.

All reports and minutes of the Standards Committee are available on the Council's website, together with information about the Committee. The Chairman of the Standards Committee is to present Committee's Annual Report to the Annual Council Meeting to communicate the work of the Committee in the Council's most public setting and a press release is to be issued. The Leader, Deputy Leader and the Chief Executive attend the Standards Committee. A number of complaints involving Parish Council Members have been dealt with by the Standards Committee in 2009/10.

High standards of personal conduct of Members, Officers and Agents are exhibited in the Annual Report of Standards Committee, Annual Report of the Statutory Officers' Group and the Local Government Ombudsman's Annual Letter.

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

There are five Overview and Scrutiny Committees as follows: Environment,

Communities, Health, Corporate, and Corporate Governance with a Scrutiny "Commission" to secure the co-ordination of their work programmes and to lead on the overview of the function. The Committees are working well with constructive challenge and producing some good reports on issues of local importance, such as fire service arrangements and planning issues. A review of Scrutiny arrangements is in progress and will be considered by the Council in May 2010. Scrutiny Committee members received comprehensive training on financial issues in 2009/10. The Council maintains a Forward Plan of both key and non-key decisions to maximise transparency and consultation. The writing of formal reports follows a prescribed procedure which requires the completion of a number of procedural requirements for content including Statutory Officer checks for legality, budgetary compliance, rationale etc. Reasons for all decisions must be given and these are routinely 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 Council also ensures that the key principles of good administrative law are followed in practice by the attendance of the Monitoring Officer (or her representative) at all decision making bodies.

The Council's Corporate Governance Scrutiny Committee undertakes the functions of an audit committee as identified by CIPFA Guidance (and as confirmed by the 2007/08 Use of Resources assessment). It has received reports and presentations from the District Auditor. It is independent of Cabinet and is politically balanced. It will be renamed in 2010 to make its role as the audit committee become more transparent, subject to approval by Council in May 2010.

The Council has a customer feedback complaints system which is administered by the Customer Services section. This is currently under review. This information is used to inform improved service delivery and customer satisfaction. The Ombudsman's Annual letter has been considered by the Council's Standards Committee and was positive.

The Risk Management Strategy was first approved by members in March 2006 and was reviewed in December 2009.

The Council maintains and reviews its strategic risk register through the Risk Management Group on a quarterly basis. The risks identified have been linked to Council priorities/strategic aims and lead officers have been identified to manage each risk. As part of the Council's Corporate Project Management Framework, all major projects have their own risk log. All reports going to Members require the author to set out the risk implications associated with the decision Members are being asked to make. Partnership working is identified as a strategic risk and covers the Council's key strategic partnerships, e.g. LSP, CDRP, Local Resilience Forum.

Risk management training has been made available to all members and appropriate staff and specific training was provided for Governance Scrutiny Members. Risk management update reports are included in the quarterly monitoring report to Cabinet.

The Risk Management Annual Report was presented to Cabinet in April 2009. Business Continuity Plans were also agreed by Cabinet in March 2008 and were tested during a business continuity exercise in December 2009.

The Risk Management Strategy states that the Portfolio Holder for Transforming Services and the Corporate Director take lead strategic responsibility for risk. Risk Management also forms a key element of the Council's Delivery Plan and the SMART (service and financial) Planning process. Guidance on what reports should consider is in place for report writers and training on report writing has been provided. Risk Management is an integral part of the Council's performance management arrangements. Risks are being linked to the Council's corporate priorities via the TEN system.

The Council is committed to the effective use of IT and information and has an ICT strategy which was reviewed in 2009 and IT Security Policy, which was reviewed in 2009. An officer has been appointed with overall responsibility for information management.

The Council has a Treasury Management Strategy which was reviewed in 2007, 2008 and 2009. Risks are fully evaluated as part of this strategy, and investment criteria were strengthened in 2007, 2008 and 2009. The Council has no money "frozen" in Icelandic banks. A further review of arrangements was carried out following publication of the Audit Commission report: "Risk and Return" (2009), and the Council's Treasury Management Strategy updated accordingly, and was agreed by Council in March 2010.

The Council's Whistle Blowing Policy is available on the Council's website and intranet. The Policy was reviewed by the Standards Committee at its meeting in March 2008 in the light of experience and best practice to widen its scope and impact.

The policy was widened to include Members, contractors, suppliers and service providers and people working in partnership with the Council (e.g. volunteers). The Standards Committee supported the revisions. The revised policy was adopted at the Council's Annual Meeting in May 2008.

The Council completed the Audit Commission's "Protecting the Public Purse" survey in 2009, which showed that apart from housing benefits no other cases of fraud had been identified.

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

A comprehensive induction programme exists for both Members and Officers which is developed to deal with all relevant core issues; the content of the material is regularly reviewed. The Council is committed to creating an environment where elected Members' skills can develop and thrive and a new Member Development Programme has recently been developed by the Member Development Working Party. The Member Development Working Group meets every two months, continues to lead this work and ensures that the Members' interests are at the heart of the programme. The Council is working within the LGA Member Charter which provides a framework in best practice.

Officers on behalf of the Council attend the Leicestershire and Rutland Improvement programme of training events and the Working Party has a Member Champion who attends the Partnership and reports back.

Six members have signed up to achieve the "First Certificate in Community Leadership" (SOLACE) which provides new insights into being a Councillor to encourage participation. All Councillors have been provided with the facility to

access the “Modern Councillor” courses provided by the “Learning Pool” who report back on a quarterly basis on usage.

The Council effectively manages its finances through principles and values set out in the Medium Term Financial Strategy (MTFS) which is updated annually and a proactive approach during 2009/10 has ensured that spending has been managed within available resources. Effective budget monitoring will continue to be essential. The Finance team were “highly commended” in the 2010 national LGC awards. The Legal Team have successfully retained their LEXCEL accreditation.

The Council's Value for Money Profile, as demonstrated in our Use of Resources exercise, continues to show we are generally a low spending Council when compared with districts overall and our family group. Benchmarking of central support services has also demonstrated good value for money. Our performance in priority areas continues to improve, so that we are now a good performer on tax collecting, benefits, litter and recycling.

More specifically, in support of the Gershon (efficiency) agenda, the Council will seek improvements via:

- (a) A range of service reviews carried out as part of the Value for Money programme.
- (b) Further developing its Procurement Strategy.
- (c) Improving its project management processes.
- (d) Maximising staff outputs via appropriate performance management (including Performance Related Pay (PRP)).
- (e) Continuing to maintain reduced sickness absence.
- (f) Targeting efficiencies in support of the requirements of the Council's medium term financial strategy.
- (g) Continuing to access external funding.

The Council's Developing People Management Strategy sets out how we intend to:

- Ensure that people management practices support the achievement of organisational goals and position the Council to meet future challenges effectively.
- Define what sort of employer North West Leicestershire wants/needs to be to achieve its strategic aims.
- Create an environment where talent is spotted and developed and the contribution of the human resource is maximised.
- Develop a framework within which individual people management strategies can be shaped.
- Enable the development of a coherent action plan with respect to people management issues.

To deliver the actions and ambitions set out in the Council Delivery Plan, it is recognised that the combined efforts of all our staff and the role of managers in leading and directing towards achievement of our aims and objectives, will be critical. The People Management Strategy and Workforce Development Plan support the Council's Delivery Plan and are part of a comprehensive review of HR policies which is currently being undertaken.

A detailed Corporate Induction Programme exists for all new employees with a three stage process.

There is a programme which is followed with checklist and the Chief Executive attends the final stage. During the second stage the line manager takes a specific lead in tailoring the programme to the individual.

All employees have an annual Performance Appraisal and Development (PADs) review with their line manager. The PAD's process has been reviewed for 2010. This review assesses the skills and knowledge of Officers and identifies any gaps and training and development needs to enable their role to be carried out effectively. Suitable courses and training and development programmes are then developed to suit the individual's requirements, including external facilitation. Training budgets are held by budget holders and are allocated according to the training needs identified. The Council encourages personal development through a number of trainee posts which enable career development, e.g. Environmental Health Officer and Planning.

The Council is committed to the Leicestershire and Rutland Improvement Partnership to develop staff through agreed Management Development Competences and a supported management development programme is being followed by those staff identified. CLT have recognised the need for their continuing training and development and a Leadership Development Programme is currently being undertaken. The Statutory Officers also access appropriate training and regularly attend externally facilitated events and workshops in their specialised areas. Regular workshops and the work of the Statutory Officers' Group ensures that the organisation understands their specific roles and functions. Overview and scrutiny members have had detailed training on finance.

The Council works with a number of external stakeholders from all sections of the community to contribute to and participate in the work of the Council.

The Council has come a long way over the past four years, and these improvements have been recognised by the Improvement and Development Agency (IDeA) (who carried out a Peer review) and through the Investors in People (IIP) assessment carried out in December 2009.

The IIP review found that the whole culture of the Council is about treating people fairly and staff felt managers were effective and good in leading, managing and developing them.

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

Our accountability to the local community is clearly set out in the Council's Constitution which is available on the Council's website along with other Council information. Our Communications Strategy sets out who we communicate with, and why and how we do it. The Council uses various means to communicate key messages to members of the public, such as the Vision magazine and for staff, the Chief Executive's roadshows, Inner Vision and the intranet, "The Grapevine". Both the website and intranet are currently being updated and improved. There is a communication programme developed with the relevant portfolio holder, which is considered and monitored by CLT on a regular basis.

The Council has a Statement of Community Involvement. There was wide consultation and involvement in its development, including Local Strategic Partnership Members, community groups through the Community Conference, businesses through Network Gold Survey and the community through BVPI

surveys. This strategy needs to be developed into a comprehensive, Corporate Consultation Strategy.

Developing the Sustainable Community Strategy has meant looking very carefully at the district, its communities and the work that various agencies, organisations and businesses are doing in the district. Most importantly we have looked at what people have said is important to them about North West Leicestershire, the things they want to see improved.

Using this as a starting point we have carried out much more detailed research into specific priorities by talking to key people in agencies and groups working in the district having established the Vision and Priorities, the specific actions needed to deliver the priorities have been set out.

The Sustainable Community Strategy forms the overarching strategy for the District and the Council. It is crucial that it links directly to the Local Area Agreement between the County Council and Central Government and forms the basis for the Local Development Framework, Housing Strategy and other key strategies and plans.

The Council has improved its approach to working at a local level through the appointment of a Head of Place Shaping and a Community Planning Manager. Area working arrangements are being developed.

If the Local Strategic Partnership and the organisations that sit on it are to be successful in achieving the Vision for North West Leicestershire set out in the Sustainable Community Strategy, it is essential that they work closely with the District's communities, finding out their views and listening to the comments they make. In developing the Local Development Framework (LDF), extensive consultation has taken place and a timetable for completion has been produced.

The Council's scrutiny arrangements are designed to ensure that key elements are externally focussed and involve all sections of the community and stakeholders as relevant. The provisions include a requirement for the Scrutiny Committees to report annually to the Council on their workings and make recommendations for future work programmes and amended working methods as appropriate, to ensure policies and relationships operate effectively.

To achieve community involvement we ensure that it:

- Takes place at the right time, leading to outcomes that are in the public interest;
- engages all sections of the community;
- is open, fair, transparent, and effective;
- gives ready access to information for all persons and groups at all stages;
- provides real opportunities to:
 - Contribute to identifying issues and objectives;
 - take an active part in developing the vision, options and proposals;
 - be consulted and make representations on formal proposals; and
 - get feedback and be informed about progress and outcomes.

As regards staff, the Council has adopted a consultation framework which involves staff at all levels and their Trade Union Representatives and Officials. A Business Improvement team made up of staff representations has also been set up. There are quarterly Directorate Consultation Meetings, an Executive Consultative Group (which

also meets quarterly) which is a policy discussion forum, and an Employee Consultative Group which considers unresolved issues. All groups have their functions/role clearly set out and meetings schedules over a 12 month period.

4. Review of Effectiveness

- 4.1 The Council has responsibility for conducting at least annually, a review of the effectiveness of the system of internal control. The review of effectiveness of the system of internal control is informed by the work of the Statutory Officers' Group, Corporate Leadership Team (CLT), Heads of Services and Service Managers 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 Corporate Governance Scrutiny Committee and comments of external auditors and other review agencies and inspectorates.

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

- The full Council plays a key role in maintaining and reviewing the effectiveness of the Council's governance arrangements. In particular, it has overall responsibility, as set out in the Constitution, for The Budget and Policy Framework, including the allocation of financial resources to different services and projects, proposed contingency funds, the Council Tax base, setting the Council Tax and decisions relating to the control of the Council's borrowing requirement, the control of its capital expenditure and the setting of virement limits.
- The Leader and six Members appointed by the Council make up the Cabinet, which has responsibility for all executive functions and for making recommendations to Council within the Budget and Policy Framework. Its remit is clearly set out in Part 3 of the Constitution and it plays a major role in reviewing key aspects of overall service delivery, including monitoring and effectiveness and related governance issues, including the consideration of the reports of external review bodies.
- The Corporate Governance Scrutiny Committee meets the external auditor to discuss findings in the Annual Audit Management Letter and reports and is responsible for ensuring that the Council's systems for internal control are sound by reviewing annually, control mechanisms, such as the Treasury Management Strategy, Prudential guidelines, risk, etc. and undertaking the role of an Audit Committee as defined by CIPFA.
- The Standards Committee has become a pro-active, effective support mechanism to the Council with revised Terms of Reference and full work programme to ensure continued probity and good governance of the Council's operations. This is demonstrated in the Standards Committee Annual Report to Council.
- The Council has the following control documents in place for internal control purposes:

Constitution	Employee Code of Conduct	Complaints Procedures
Financial Procedure Rules	Contact Procedure Rules	Procurement Framework
Anti-fraud and Corruption Policy	Whistle-Blowing Policy	Corporate Governance Assurance Framework
Member Officer Relations Protocol	Licensing Code of Conduct	Risk Management Strategy
Risk Action Plans	IT Security Policy	Code of Conduct for Members
Planning code of conduct	Local Code of Corporate Governance	Performance Management Framework
Proceeds of Crime Act (Anti Money Laundering)	Business Continuity Plan	Health and Safety Policy

All documents have been made available to both staff and Members.

- The Head of Legal and Democratic Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles and give full effect. She does this on an on-going basis.
- The Council has five Overview and Scrutiny Committees and a "Commission". The Committees (and members individually) 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. They allow people to have a greater say in Council matters by holding public hearings into matters of local concern and making recommendations to Cabinet for implementation. They also challenge proposed policies and decisions by undertaking pre-decision scrutiny, thereby adding value to the Council's decision making processes.
- All reports to Council and Cabinet, are checked by the 3 Statutory Officers as follows:

Head of Paid Service (Chief Executive) – reviews for Corporate Implications.
 The Section 151 Officer (Responsible Finance Officer) – reviews for financial implications.
 The Monitoring Officer – reviews for legal implications and legal risk.
- Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a five year plan from which the annual work plan is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director and Head of Service. The report includes recommendations for improvements that are included within an action plan and require agreement by service managers. The action plan is monitored on a quarterly basis by the Corporate Governance Scrutiny Committee.
- The Internal Audit Section is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section. A formal review of internal audit by the District Auditor was completed in 2009, and reported to the Corporate Governance Scrutiny Committee. The review concluded that District Audit have no concerns regarding the adequacy of the Council's overall control systems. The Internal Audit Manager reports at least annually to the Corporate Governance Scrutiny Committee.

The Internal Audit Services Manager may also report independently to this Committee on any issue where it is deemed necessary, or as required.

- The Risk Management Strategy is overseen by the Risk Management Group chaired by the Corporate Director. All reports to Council, Cabinet and Committees have a risk management section on the front page. All risks are actively managed through the TEN system.
- Assurance statements have been signed by Heads of Service and signed off by the relevant Director to ensure that there are adequate internal control and governance arrangements in their areas of responsibility and to provide an opportunity to inform improvement action planning requirements.
- The Statutory Officers have used the Assessment Framework within the Council's Local Code of Corporate Governance to assess compliance and review the effectiveness of our arrangements, which has informed the compilation of this statement. The overall level of governance assurance is considered to be substantial.

4.2 The Annual Governance Statement 2009/10 has been considered by the Corporate Governance Scrutiny Committee. We have been advised by them on the outcome of their review and the effectiveness of the Governance Framework. We plan to address any weaknesses or issues raised to ensure continuous improvement of the systems and governance processes. We will ensure that satisfactory measures are put in place to deal with those issues as set out below.

5. Significant Governance Issues

5.1 An Action Plan has been developed (see attached at Table 2) to further improve control or governance issues. Whilst no significant issues have emerged from a review of our internal control arrangements, a number of continuing improvements have been identified by the Statutory Officers' Group and other key officers of the Council, using all relevant internal information (including this statement) and any external assessments.

5.2 We propose over the coming year to take the necessary steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of our effectiveness and will monitor their implementation and operation as part of our next annual review.

Richard Blunt
Leader of the Council

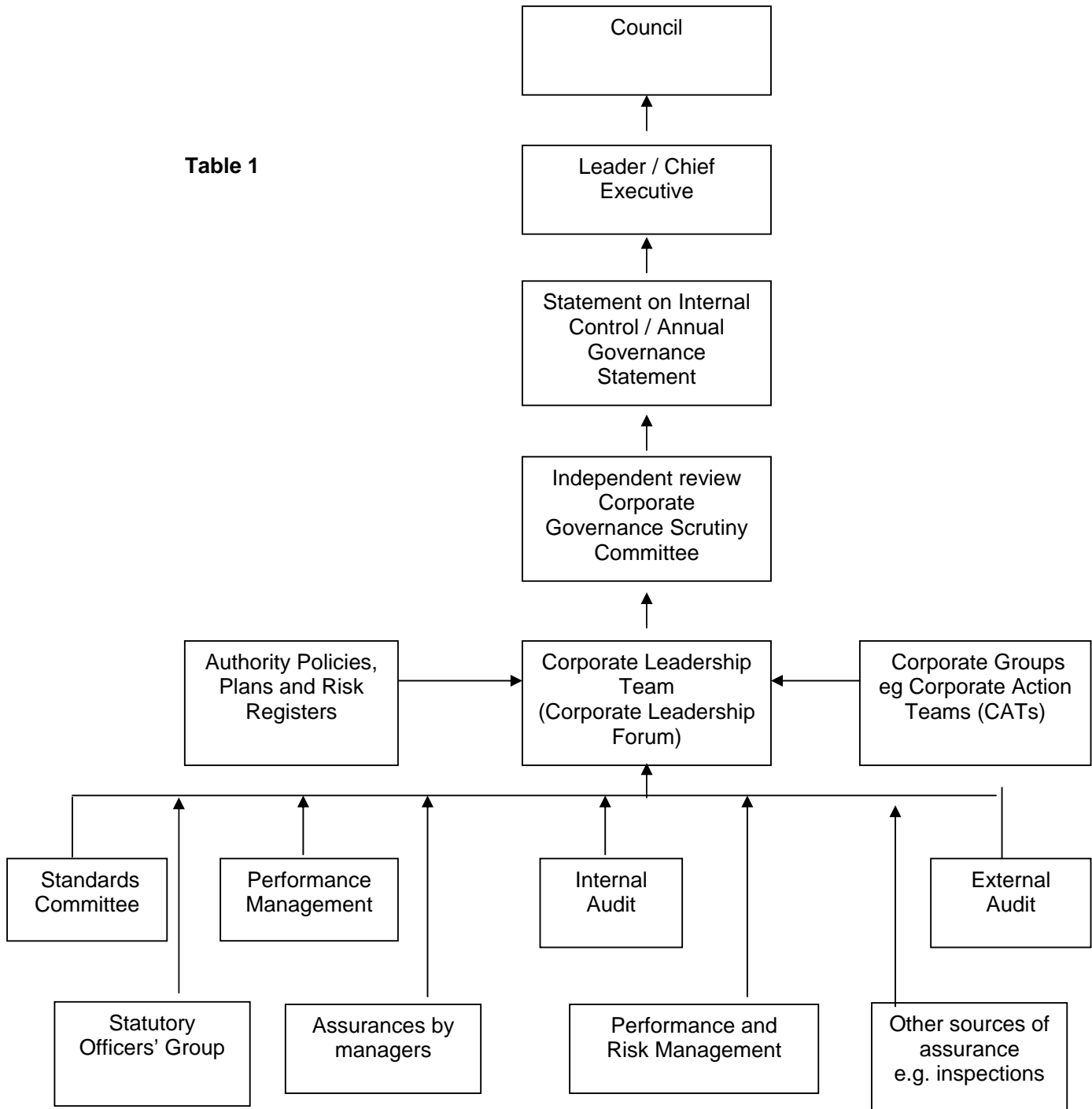
Christine Fisher
Chief Executive

Date: _____

Date: _____

GOVERNANCE ASSURANCE FRAMEWORK

Table 1



PROPOSED ACTION PLAN TO ADDRESS ANNUAL GOVERNANCE STATEMENT
AREAS FOR IMPROVEMENT 2009/10

Ref No	Issue	Proposed Action	By Whom	By When			
				30.06.10	30.09.10	31.12.10	31.3.11
1.	Production of HRA business plan and development of any outcomes of the consultation paper of Housing Reform.	HRA business plan produced and agreed by Cabinet.	Head of Housing		✓		
2.	Review of role and functions of Corporate Governance Scrutiny Committee.	Clarify title and role of the Committee.	Head of Legal & Democratic Services	✓			
3.	Review of Scrutiny Committee arrangements.	Reduce the member of Scrutiny Committees and review their roles.	Head of Legal and Democratic Services.	✓			
4.	Completion of HR policy reviews.	Prioritised review of key HR policies.	Human Resources Manager				✓
5.	Implementation and delivery of Value for Money Programme.	Implementation of projects within year 1 of the Value for Money Programme.	Chief Executive				✓
6.	Update of Internet and Intranet sites.	Update and re launch of internet and intranet.	Communications Manager		✓		
7.	Implementation of area based working	To introduce area based working arrangements in the District.	Head of Place Shaping				✓
8.	Production of corporate consultation strategy.	Update Corporate Consultation Strategy.	Community Planning Manager			✓	

GLOSSARY OF MAIN FINANCIAL TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

EARMARKED RESERVE – Money set aside for a specific purpose.

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

original estimate - the estimates for a financial year approved by the council before the start of the financial year.

revised estimate - an updated revision of the estimates for a financial year.

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

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

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

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

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

FRS 17 – A statement of recommended practice to account for the cost of pensions.

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.

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

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

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

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

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

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

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

OUTTURN - actual income and expenditure in a financial year.

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

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

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

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

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

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

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

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

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

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

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

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

COUNCIL'S VISION

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

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

This document is available in other formats on request