

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – 26 SEPTEMBER 2012**

Title of report	<b>ANNUAL STATEMENT OF ACCOUNTS 2011/12</b>
Contacts	<p>Councillor Nicholas Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Head of Finance / Section 151 Officer 01530 454520 <a href="mailto:ray.bowmer@nwleicestershire.gov.uk">ray.bowmer@nwleicestershire.gov.uk</a></p>
Purpose of report	For the Committee to consider and approve the Annual Statement of Accounts for 2011-12.
Reason for Decision	To comply with the Accounts and Audit Regulations 2011
Council Priorities	Value for Money
Implications:	
Financial/Staff	No direct implications.
Link to relevant CAT	None
Risk Management	Failure to prepare true and fair annual accounts would have a negative impact on the council's financial standing and reputation, and would be in breach of legislation.
Equalities Impact Assessment	No impact.
Human Rights	None identified.
Transformational Government	No direct implications.
Consultees	Audit Commission
Background papers	Working papers held in the Financial Planning section.
Recommendations	<p><b>(A) THAT THE COMMITTEE APPROVES THE ANNUAL STATEMENT OF ACCOUNTS</b></p> <p><b>(B) THAT THE CHAIRMAN OF THE MEETING IS AUTHORISED TO SIGN THE ACCOUNTS AS APPROVED</b></p> <p><b>(C) TO DELEGATE AUTHORITY TO THE COMMITTEE CHAIRMAN AND SECTION 151 OFFICER TO APPROVE ANY MINOR NON MATERIAL AMENDMENTS, AS AGREED WITH THE AUDITOR, TO THE ACCOUNTS ON BEHALF OF THE COMMITTEE</b></p>

## 1.0 BACKGROUND

- 1.1 The accounts of local authorities in the United Kingdom are covered by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 'Code'). This must be followed to meet the requirements of the Accounts and Audit Regulations 2011 to 'present a true and fair view' of the financial position of the authority.
- 1.2 The Code is based on International Financial Reporting Standards ('IFRS'), amended as necessary in respect of legislation governing local authorities, and as a result of these rules and guidance the layout of the accounts is effectively prescribed and contains:
- Explanatory Forward – this sets out the main points on Revenue and Capital.
  - Statement of Responsibilities – shows the responsibilities of the Council and Chief Financial Officer for these accounts.
  - Accounting Policies – technical explanation of main policies and assumptions used in preparing the accounts.
  - Movement in Reserves Statement – shows the movement in reserves during the year between usable and unusable reserves, and the actual change to the reserves after all adjustments.
  - Comprehensive Income & Expenditure Account (I&E) – costs of all functions and how they were financed
  - Balance Sheet – shows all the Council's assets and liabilities at the year end, both long and short term.
  - Cash Flow Statement – sets out the flow of cash into and out of the Council.
  - Notes to the Financial Statements – these explain in more detail the make up of the various amounts included in the above items.
  - HRA (Housing Revenue Account) Income & Expenditure Account – this shows income and expenditure regarding Council dwellings.
  - Collection Fund – sets out the transactions relating to the collection and distribution of Council Tax and National Non-Domestic Rates (NNDR), or Business Rates as they are more commonly known.
  - Special Expenses Accounts – summarises spending in the special expenses areas of the district with details of how this is paid for.
  - Auditor's Report – this is the report of the external auditors, the Audit Commission, on the accounts for the year.
  - Annual Governance Statement – this sets out the Council's governance procedures and reviews their effectiveness.
- 1.3 The published Statement of Accounts should provide electors, those subject to locally levied taxes and charges, members of the authority, employees, other stakeholders and interested parties clear information about the authority's finances. In addition, in order to ensure that the Council is making the best use of its resources Councillors are encouraged to undertake a robust review of these accounts and make sure that any issues are fully debated and any queries answered.
- 1.4 Basic questions answered by the accounts should be:
- What did the authority's services cost in the year of account?
  - Where did the money come from?
  - What were the authority's assets and liabilities at the year-end?
- 1.5 The Statement must comply with the Code so that a common pattern can be established across different authorities and for this reason it is essential that authorities define individual costs in line with the Service Reporting Code of Practice (SERCOP). There should also be good notes and explanations to the accounts to aid understanding

and, although by nature a technical document, the notes should be concise and understandable.

- 1.6 This paper is aimed at going a step further than the definitive notes to the accounts and explaining the wider context of the document and the contents. Each of the major sections of the accounts are explained below and a Glossary of Terms is shown on page 72 of the Accounts.

## **2.0 MAIN CHANGES TO ACCOUNTS**

- 2.1 This is only the second set of the Council's accounts prepared under IFRS. This was a major change from 2010/11.
- 2.2 At the time of writing this report the external audit was still in progress and it is anticipated that a revised version of the accounts will be presented at the meeting including minor amendments. The version attached reflects the position at 17 September 2012.

## **3.0 OTHER SECTIONS OF THE ACCOUNTS**

- 3.1 The Statement of Responsibilities on page 7 underlines the responsibility, conferred by law, on the Section 151 Officer for the proper administration of the financial affairs of the authority. The person presiding at the meeting approving the accounts must also sign this Statement. The S.151 Officer and also the auditors have to confirm that the accounts present a 'true and fair' view.
- 3.2 The Income & Expenditure Account on page 20, and the Notes on pages 23 to 66, is one of the core documents in the Statement and reports the net cost for the year of all the functions of the Council and how these were financed. There are three distinct sections of this account.
- 3.3 The first section on page 20 shows the costs of the authority's continuing operations, net of specific grants and income from fees and charges. This section combines the Housing Revenue Account with the General Fund activities and therefore represents information that is not shown elsewhere in the Council's financial reporting. This provides the Net Cost of Services of £93.1m.
- 3.4 The next section provides information on the income and expenditure relating to the council as a whole, i.e. these cannot be allocated to specific services, and shows how the Council's net expenditure was financed externally through Council Tax and General Government Grants and displays the gross Deficit on Provision of Services of £83.2m. Any gains and losses are then adjusted underneath this to give a Total Income & Expenditure figure of £85.2m. How this amount affects the council's reserves is then explained in the Movement in Reserves Statement on page 19.
- 3.5 The Balance Sheet (page 21 and corresponding notes on pages 23 to 66) is fundamental to the understanding of an authority's financial position at the year-end. It shows balances and reserves available and the authority's long-term indebtedness, together with the fixed and current assets employed in its operations.
- 3.6 The Assets and Liabilities include:
- Fixed Assets – As stated above these were revalued in 2011/12 and 'Tangible' fixed assets are recorded in the Balance Sheet using the principles set out on pages 15 to 17.

- Intangible Fixed Assets – this comprises computer software and ancillary costs.
- A list of movements in assets is shown in Note 9 on page 31.
- Long Term Debtors - represent mortgage loans owed to the Council from Right-to-Buy sales.
- Current Assets - are items that could be readily converted into cash and the order of these represents their convertibility.
- Other Long Term Liabilities is mainly the Pensions Liability of £27.8m– this large sum is calculated each year based on various parameters in accordance with IAS 19 and represents the difference in the scheme's assets compared to its liabilities. This is offset by a Pension Reserve in the final part of the balance sheet. The contributions to the scheme by both employees and the Council are targeted to eradicate any deficit over a period of 20 years.

- 3.7 Financing of the Assets less Liabilities is through various reserves and balances. This is more complicated in a local authority because there are no shareholder funds, or proprietor's funds, as one would have in a commercial enterprise. These reserves are explained in the Movement In Reserves Statement on page 19. The Capital Adjustment Account represents the financing costs of the fixed assets used less the in-year costs of utilising those assets, for example depreciation and impairment. This reserve is not a resource available to the Council and represents assets already acquired.
- 3.8 The Consolidated Cash Flow Statement (Page 22 and corresponding notes on pages 23 to 62 shows the significant elements of receipts and payments of cash by the authority in dealing with third parties.
- 3.9 The Housing Revenue Account (Pages 63 and 64, and notes on pages 65 to 67) is a 'ring fenced' account, although included in the Income & Expenditure Account, is separate from the General Fund and the entries are prescribed in legislation.
- 3.10 The Collection Fund (*Pages 68 and 69*) is another account prescribed by statute and deals with the transactions relating to the collection of Council Tax and the payment of precepts out to the County Council, Combined Fire Authority and the Police, as well as to North West Leicestershire District Council. The account represents a quasi 'trust' account as the balance on the account is shared out between the preceptors in proportion to the precepts levied in the year of the sharing decision. Each year a decision is made in January to estimate the balance on the account and a deemed surplus, or deficit, is allocated to each of the preceptors.
- 3.11 The National Non-Domestic Rates are collected on behalf of the Government and paid over during the year on fixed dates. The effect is neutral on the Council except for cash flow, if the collection is slower than it is paid over, the Council suffers the costs, and the opposite applies if they are collected earlier. The other point on this account is that the amount to be paid over is estimated at the beginning of the year but many changes can occur through revaluations and appeals, therefore by the end of the year the Council could owe the Government a substantial sum, or the other way round.
- 3.12 The Independent Auditors' Report will be explained by the external auditors.



# Annual Statement of Accounts 2011 - 2012

# CONTENTS

	PAGE N°
Explanatory Foreword	1
Statement of Responsibilities for the Statement of Accounts	7
Statement of Accounting Policies	8
Core Accounting Statements	
Movement in Reserves Statement	19
Comprehensive Income & Expenditure Account	20
The Balance Sheet	21
Cash Flow Statement	22
Notes to the Core Financial Statements	23
Other Accounting Statements	
Housing Revenue Account	63
Collection Fund	68
Special Expenses Accounts	70
Glossary of main financial terms	72

# EXPLANATORY FOREWORD

## 1 Introduction

The following pages summarise the financial activities of North West Leicestershire District Council for 2011/12.

The Council's Accounts have been produced in accordance with the Code of Practice on Local Authority Accounting 2011 – 'the Code'. Explanatory notes to the accounts have been included to give further information where appropriate. The layout of the accounts follows the recommendations of the Code.

For 2011/12 the accounts consist of these 'core' Financial Statements:

- Comprehensive Income & Expenditure Account which shows income and expenditure of all main services. This also includes the Statement of Total Recognised Gains & Losses which shows all gains and losses of the Council for the year and the aggregate change in its net worth.
- The Balance Sheet which sets out the overall financial position of the council at 31 March 2012 showing its assets, liabilities and reserves.
- Cash Flow Statement which summarises the movements of cash and cash equivalents into and out of the Council arising from transactions with third parties.
- Movement In Reserves Statement which shows the movement in the year on the different reserves held by the Council analysed into 'usable' reserves (ie those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (ie those that cannot be used to fund expenditure).
- Notes to the Core Financial statements which provide explanations of key figures within the statement.

Other financial statements:

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

## 2 Changes to the Statement of Accounts introduced in the 2011 Code

The 2011 Code has introduced some changes relating to Heritage Assets and exit packages notes and policies to the Accounts. The Council has prepared its Statement of Accounts based on International Financial Reporting Standards (IFRS).

### 3 Financial Summary 2011/12

#### 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.

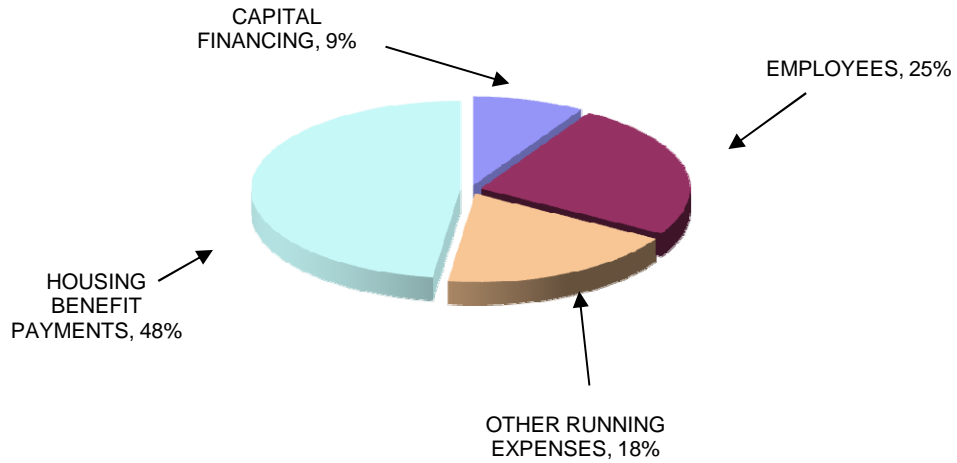
	<b>Original Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000's	£000's	£000's
<b>District</b>			
Net Expenditure on Services	<b>10,473</b>	<b>10,066</b>	<b>(407)</b>
<u>Funded by:-</u>			
Collection Fund Precept	5,059	5,059	<b>0</b>
Government Grants: RSG	1,291	1,302	<b>(11)</b>
NNDR	4,184	4,212	<b>(28)</b>
Council Tax Freeze Grant	141	141	<b>0</b>
New Homes Bonus	0	227	<b>(227)</b>
	<b>10,675</b>	<b>10,941</b>	<b>(266)</b>
Balance for year - added to/(taken from) General Fund Reserves	202	202	<b>0</b>
Underspends /Transferred to Value for Money Reserve	0	673	<b>673</b>
Balance brought forward	844	844	<b>0</b>
<b>Balance carried forward</b>	<b>1,046</b>	<b>1,046</b>	<b>0</b>
<b>Specials</b>			
Net Expenditure on Services	<b>651</b>	<b>627</b>	<b>(24)</b>
<u>Funded by:-</u>			
Special Expenses Precept	<b>651</b>	<b>651</b>	<b>0</b>
Balance for year - added to/(taken from) Special Expenses Reserves	0	24	<b>24</b>
Balance brought forward	60	60	<b>0</b>
<b>Balance carried forward</b>	<b>60</b>	<b>84</b>	<b>24</b>

Sound budgetary control allowed the Council to manage spending within available resources and a number of 'earmarked reserves' have been created to carry unspent money forward. These 'earmarked reserves' are shown in the Balance Sheet (see note 6, page 29). Working balances of £1,045,620 (District) and £83,943 (Special Expenses) were also carried forward.

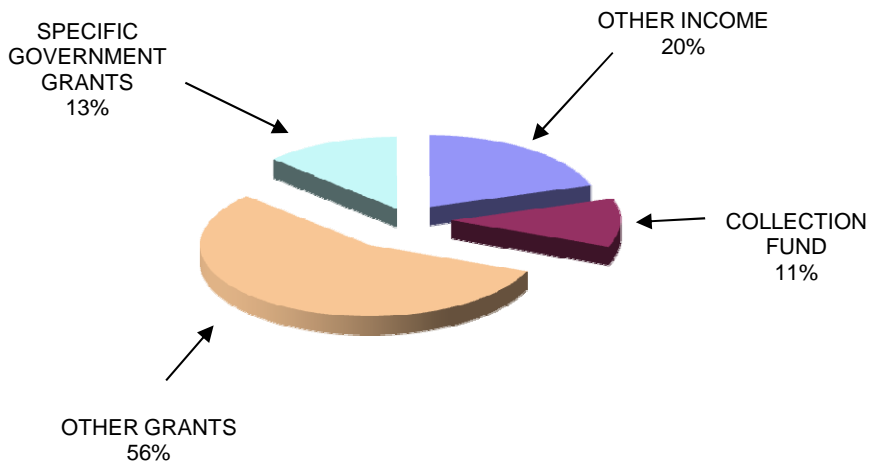
The money is spent on employees (25%), capital financing (9%), council tax benefits and rent allowances payments (48%) and other running expenses (18%). It is paid for by specific government grants (13%), other grants (56%), income from the Collection Fund – business rates and council tax (11%) and income from fees and charges and other contributions (20%). The services provided are cultural and related services (79%), corporate & democratic core (7%), central services to the public (7%), housing services (6%) and non-distributed (2%), Highways, Transport and Roads (-1%). The diagrams on the next page summarise this:



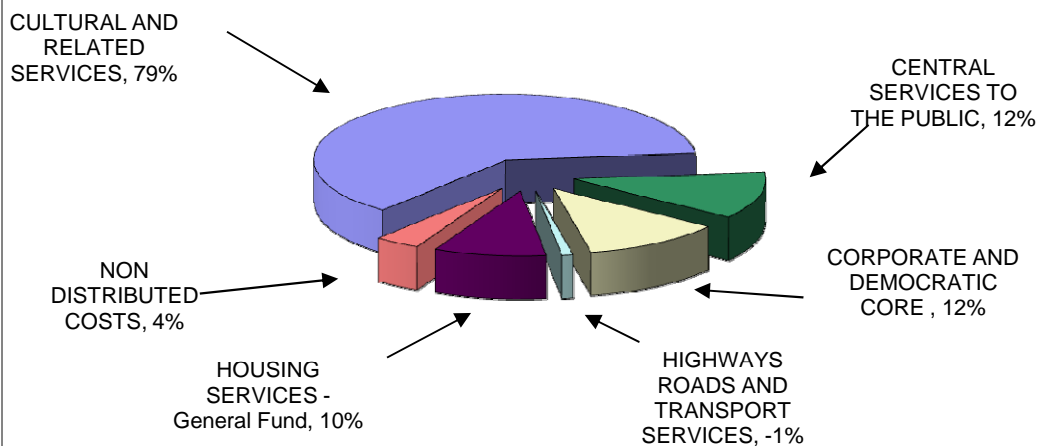
**WHERE THE MONEY IS SPENT  
GENERAL FUND 2011/12**



**WHERE THE MONEY COMES FROM  
GENERAL FUND 2011/12**



**THE SERVICES PROVIDED  
GENERAL FUND 2011/12**



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 £354,000. This is summarised below:

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000's	£000's	£000's
Net Expenditure on Services	9,804	13,484	<b>3,680</b>
Settlement Payment to Government for HRA self-financing	0	76,785	<b>76,785</b>
Housing subsidy paid to National Pool	4,571	4,615	<b>44</b>
<b>Total Expenditure</b>	<b>14,375</b>	<b>94,884</b>	<b>80,509</b>
<b>Funded by:-</b>			
Rent Income	14,076	14,224	<b>(148)</b>
Funding of settlement Payment to Government for HRA self-financing	0	76,785	<b>(76,785)</b>
Other	342	4,229	<b>(3,887)</b>
	<b>14,418</b>	<b>95,238</b>	<b>(80,820)</b>
Net Operating Expenditure	<b>(43)</b>	<b>(354)</b>	<b>(311)</b>
Balance b/f	1,467	1,467	0
Funding of net operating expenditure	43	354	311
<b>Balance carried forward</b>	<b>1,510</b>	<b>1,821</b>	<b>311</b>

The Government's housing subsidy system meant that £4,615,000 was paid to the Government in 2011/12. A review of the subsidy system has been carried out by the government and from 2012/13 it will be replaced by a new self-financing regime. On 28th March 2012 the Council took on debt from the government of nearly £77m financed by a loan. In return it will be able to keep its rental income. The net expenditure on services includes an amount of £3m as an impairment to its housing stock. It should be noted that this impairment does not reflect any concerns or issues with the condition of the council's housing stock.

c) Capital

The Council spent £3.915m on capital schemes in 2011/12. The main area of spending relates to improvements to Council houses. A summary is set out below:

	£'000	%
<b>HOUSING</b>		
Improvements & Modernisations	2,687	68.6%
Housing Improvement Grants	273	7.0%
<b>OTHER SERVICES</b>		
Parks & Recreation Grounds	12	0.3%
Waste Recycling	32	0.8%
IT & Software	206	5.3%
Transport Account Vehicles	307	7.8%
Leisure Services	118	3.0%
Council Offices/Registrars Office	280	7.2%
	<b>3,915</b>	<b>100.0%</b>

The capital spending was paid for as follows:

<b>CAPITAL EXPENDITURE</b>	£'000	%
<b>FINANCED:</b>		
Unsupported Borrowing	307	7.84
Revenue	760	19.41
Contribution/Other	219	5.59
Grants	241	6.16
Major Repairs Allowance (Housing)	2,388	61.00
	<b>3,915</b>	<b>100.00</b>

The Council's capital spending and financing was carried out in accordance with our Treasury Management Policy and Treasury Management Statement. At 31 March 2012 total external debt was £89,636,259 (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 £175,093,000 as at 31 March 2011, were valued at £172,527,000 as at 31 March March 2012.

4 a) 2011/12

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

- Financing the purchase of vehicles from reserves instead of leasing
- New Homes Bonus grant
- increased income from recycling

b) The future

- The Government is expected to announce the level of funding for 2013/14 and 2014/15 in autumn 2012. In addition the funding of Local Government changes significantly from April 2013 (Business Rates Retention). The Council is currently updating its Medium Term Financial Strategy to address these and other challenges and opportunities.
- The system for Council House financing changed from 1 April 2012 leaving the Council with a significant debt which it services from the Housing Revenue Account. The successful procurement and management of the contracts for delivering decent homes has significant financial implications and will continue to be a priority for the Council.

5 **Preparation of Accounts**

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

Ray Bowmer  
Head of Finance and S151 Officer

## THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

The Authority is required: -

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

### The Responsibilities of the Head of Finance

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

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

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

The Head of Finance has also: -

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2012.



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R Bowmer  
Head of Finance & Section 151 Officer



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Date

# STATEMENT OF ACCOUNTING POLICIES

## 1 GENERAL

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

## 2 ACCRUALS OF INCOME AND EXPENDITURE

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

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

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

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

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

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

## 3 CASH AND CASH EQUIVALENTS

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

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

## 4 EXCEPTIONAL ITEMS

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

## **5 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

## **6 EMPLOYEE BENEFITS**

### Benefits Payable During Employment

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

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

### Post Employment Benefits

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

The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

The assets of Leics. County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

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

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return; credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
- contributions paid to the Leics County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense. In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

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

## **7 EVENTS AFTER THE BALANCE SHEET DATE**

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

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

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



## 8 FINANCIAL INSTRUMENTS

### Financial Liabilities

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

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

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

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

### Financial Assets

Financial assets are classified into two types:

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

### Loans and Receivables

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

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

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

#### Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis;
- equity shares with no quoted market prices – independent appraisal of company valuations.

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

#### Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

## **9 GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

## **10 INTANGIBLE ASSETS**

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

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

## **11 INVENTORIES AND LONG TERM CONTRACTS**

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

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

## **12 INVESTMENT PROPERTY**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

### 13 LEASES

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

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

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

#### The Authority as Lessee

##### Finance Leases

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

Lease payments are apportioned between:

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

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

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

##### Operating Leases

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

### 14 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2011/12 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

## 15 PROPERTY PLANT AND EQUIPMENT

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Authority's underlying need to borrow]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## **16 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

### Provisions

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

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

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

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

### Contingent Liabilities

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

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

### Contingent Assets

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

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

## **17 RESERVES**

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

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

**18 REVENUE EXPENDITURE FUNDED UNDER STATUTE**

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

**19 VAT**

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

**20 HERITAGE ASSETS**

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

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

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

**21 OTHER MAJOR CHANGES IN 2011/12**

There are no Major Changes in 2011/12 Statement of Accounts.



## Movement in Reserves Statement

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

	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repair Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance as at 1 April 2010</b>	914	3,155	1,053	327	617	2,248	0	8,314	181,736	190,050
Surplus or (deficit) on provision of services	7,769	0	(63,907)	0	0	0	0	(56,138)	0	(56,138)
Other Comprehensive Expenditure and Income								0	10,977	10,977
<b>Total Comprehensive Expenditure and Income</b>	7,769	0	(63,907)	0	0	0	0	(56,138)	10,977	(45,161)
Adjustments between accounting basis & funding basis under regulations (Note 7)	(7,961)	0	64,244	0	231	(912)	262	55,864	(55,864)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	(192)	0	337	0	231	(912)	262	(274)	(44,887)	(45,161)
<b>Transfers to/from Earmarked Reserves</b>	182	(203)	77	(77)	0	0	0	(22)	100	78
<b>Increase/Decrease (movement) in Year</b>	(10)	(203)	414	(77)	231	(912)	262	(296)	(44,787)	(45,083)
<b>Balance as at 31st March 2011</b>	904	2,952	1,467	250	848	1,336	262	8,018	136,949	144,967
<b>Balance as at 1 April 2011</b>	904	2,952	1,467	250	848	1,336	262	8,018	136,949	144,967
<u>Movement in reserves during 2011/12</u>										
Surplus or (deficit) on provision of services	(2,980)	0	(80,191)	0	0	0	0	(83,171)		(83,171)
Other Comprehensive Expenditure and Income								0	(2,066)	(2,066)
<b>Total Comprehensive Expenditure and Income</b>	(2,980)	0	(80,191)	0	0	0	0	(83,171)	(2,066)	(85,237)
Adjustments between accounting basis & funding basis under regulations	3,932		80,534	0	42	320	(58)	84,770	(84,770)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	952	0	343	0	42	320	(58)	1,599	(86,836)	(85,237)
<b>Transfers to/from Earmarked Reserves</b>	(727)	727	12	(12)	0	0	0	0	0	0
<b>Increase/Decrease in Year</b>	226	727	355	(12)	42	320	(58)	1,599	(86,836)	(85,237)
<b>Balance at 31 March 2012 carried forward</b>	1,130	3,679	1,822	238	890	1,656	204	9,617	50,113	59,730

## Comprehensive Income and Expenditure Statement

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

2010/11				NOTES	2011/12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,352	(6,399)	953	Central Services to the Public		7,733	(6,798)	935
3,926	(1,010)	2,916	Cultural & Related Services		8,155	(3,124)	5,031
7,828	(2,851)	4,977	Environmental & Regulatory Services		6,992	(2,641)	4,351
1,748	(1,040)	708	Planning Services		2,165	(897)	1,268
1,565	(974)	591	Highways Roads and Transport		653	(730)	(77)
17,944	(17,418)	526	Housing Services - General Fund		19,736	(18,973)	763
77,685	(14,241)	63,444	Housing Services - HRA		18,099	(15,061)	2,774
0	0	0	Local Authority Housing Settlement Payment ( HRA Self Financing)		76,785	0	76,785
1,429	(10)	1,419	Corporate & Democratic Core		1,006	(51)	955
(8,348)	0	(8,348)	Past service costs - Pension		0	0	0
382	(19)	363	Non Distributed Costs		309	0	309
<b>111,511</b>	<b>(43,962)</b>	<b>67,549</b>	<b>Cost of Services</b>		<b>141,633</b>	<b>(48,275)</b>	<b>93,094</b>
		1,568	Other Operating Expenditure	7			1,612
		1,135	Financing and Investment Income and Expenditure	8			1,422
		(14,114)	Taxation and Non-Specific Grant Income	9			(12,957)
		<b>56,138</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>83,171</b>
		(424)	(Surplus)/Deficit on revaluation of non current assets				(5,509)
		0	(Surplus)/Deficit on revaluation of available for sale financial assets				0
		(10,553)	Actuarial gains/losses on pension assets/liabilities				7,575
		<b>(10,977)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>2,066</b>
		<b>45,161</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>85,237</b>

## Balance Sheet

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

31 March 2011		NOTES	31 March 2012	
£'000			£'000	£'000
163,686	Property Plant & Equipment		160,505	
6,287	Investment Property	11	10,241	
326	Intangible Assets	12	354	
0	Assets Held For Sale	13	350	
4,763	Surplus Assets	19	1,066	
31	Long Term Debtors		18	
<b>175,093</b>	<b>Long Term Assets</b>			<b>172,534</b>
116	Inventories	15	145	
3,625	Short Term Debtors	16	3,237	
3,949	Cash and Cash Equivalents	17	7,576	
<b>7,690</b>	<b>Current Assets</b>			<b>10,958</b>
(3,492)	Short Term Creditors	18	(4,022)	
<b>(3,492)</b>	<b>Current Liabilities</b>			<b>(4,022)</b>
(13,677)	Long Term Borrowing		(90,406)	
(20,239)	Other Long Term Liabilities		(27,949)	
(408)	Capital Grants Receipt In Advance		(1,385)	
<b>(34,324)</b>	<b>Long Term Liabilities</b>			<b>(119,740)</b>
<b>144,967</b>	<b>Net Assets</b>			<b>59,730</b>
8,018	Usable Reserves		9,617	
136,949	Unusable Reserves	21	50,113	
<b>144,967</b>				<b>59,730</b>

## Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as; operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

2010/11 £'000	Indirect Method	NOTES	2011/12 £'000
56,138	Net (surplus) or deficit on the provision of services		83,171
	<b>Noncash Movements</b>		
(4,590)	Depreciation		(4,618)
(63,398)	Impairment & downward valuations		(5,503)
(76)	Amortisations		(99)
(91)	Increase in impairment for provision for bad debts		(254)
141	(Increase)/decrease in creditors		(628)
(273)	Increase/(decrease) in debtors		800
(14)	(Increase)/decrease in stock		(28)
7,336	Pension liability		(360)
(608)	Carrying amount of non-current assets sold		(373)
477	Other non cash items charged to the net Surplus or Deficit on the Provision of Services		(843)
(61,096)	Adjust net surplus or deficit on the provision of services for noncash movements		(11,906)
597	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		144
(4,361)	Net Cash Flows from Operating Activities		71,409
4,104	Investing Activities	21	3,901
450	Financing Activities	22	(78,937)
193	Net increase or decrease in cash and cash equivalents		(3,627)
4,142	Cash and cash equivalents at the beginning of the reporting period		3,949
<b>3,949</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>17</b>	<b>7,576</b>

## 1. Critical Judgements In Applying Accounting Policies

In applying the accounting policies set out on pages 8 to 18, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. No such critical judgements are have been deemed to be necessary for 2011/12.

## 2. Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty.

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

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

	<b>£'000</b>
Pension Liability/Reserve Account	27,808

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. The Authority's actuaries provide an annual statement of the pension liabilities and assets.  However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pensions liability had increased by £7.806m as a result of estimates being corrected.

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

## 3. Events after the Balance Sheet Date.

There has been no major events to report after 31st March 2012.

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

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

2011/12

	General Fund Balance £'000	Housing Revenue Account £'000	Usable Reserves		Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
			Capital Receipts Reserve £'000	Major Repairs Reserve £'000		
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Charges for depreciation and impairment of non current assets	3,619	3,064				(6,683)
Revaluation losses on Property Plant and Equipment	0					
Movements in the market value of Investment Properties	899					(899)
Amortisation of intangible assets	99					(99)
Capital grants and contributions applied						0
Movement in the Donated Assets Account	0					
Revenue expenditure funded from capital under statute						0
Settlement Payment to Government for HRA Self - Financing				76,785		(76,785)
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				373		(373)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	(610)					610
Capital expenditure charged against the General Fund and HRA balances	(656)	(300)				956
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	58				(58)	
Application of grants to capital financing transferred to the Capital Adjustment Account						

	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(144)	144			
Use of the Capital Receipts Reserve to finance new capital expenditure						0
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(4)		4			0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	108		(108)			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			2			(2)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						0
<b>Adjustment involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA		751		(751)		
Use of the Major Repairs Reserve to finance new capital expenditure				1,071		(1,071)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(5)					5
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	361	(1)				(360)

2011/12 continued

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Employer's pensions contributions and direct payments to pensioners payable in the year						
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	55					(55)
<b>Adjustments involving the Unequal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements						
<b>Adjustments involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	8	6				(14)
<b>Total Adjustments</b>	<b>3,932</b>	<b>80,534</b>	<b>42</b>	<b>320</b>	<b>(58)</b>	<b>(84,770)</b>

2010/11 comparative figures

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation and impairment of non current assets	253	64,081				(64,334)
Revaluation losses on Property Plant and Equipment						
Movements in the market value of Investment Properties						
Amortisation of intangible assets	77					(77)



## 2010/11 comparative figures cont'd

	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Capital grants and contributions applied	40					(40)
Movement in the Donated Assets Account						
Revenue expenditure funded from capital under statute	(182)					182
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement			607			(607)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	(740)					740
Capital expenditure charged against the General Fund and HRA balances	(77)	(548)				625
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(262)				262	
Application of grants to capital financing transferred to the Capital Adjustment Account						
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(596)	596			
Use of the Capital Receipts Reserve to finance new capital expenditure			(43)			43
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(4)	(8)			12
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	317		(317)			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			3			(3)

2010/11 comparative figures cont'd

	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
<b>Adjustment involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA						
		729	(729)			
Use of the Major Repairs Reserve to finance new capital expenditure						
			(183)			183
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements						
		(3)				3
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement						
	(7,346)	10				7,336
Employer's pensions contributions and direct payments to pensioners payable in the year						
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements						
	(41)					41
<b>Adjustments involving the Unequal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements						

2010/11 comparative figures  
cont'd

	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3	(35)				32
<b>Total Adjustments</b>	<b>(7,961)</b>	<b>64,244</b>	<b>231</b>	<b>(912)</b>	<b>262</b>	<b>(55,864)</b>

## 5. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans into the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	Balance at 31/3/2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31/3/2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31/3/2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund:</b>							
General reserves	1,152	(606)	(8)	538	(281)	552	809
Value for Money reserve *	373	(440)	1,181	1,114	(142)	660	1,632
Coalville Project	119	(30)	0	89	(56)	0	33
Housing & Planning Delivery Grant Regeneration	282	(156)	0	126	(63)	0	63
Leisure Strategy/Project Grants	31	(11)	0	20	0	0	20
Ivanhoe Sink Fund	161	(32)	0	129	(34)	7	102
Hermitage Rec Grd Mtce Fund	102	0	10	112	0	10	122
Asset Protection Fund	50	(29)	0	21	0	0	21
Internal Insurance Fund	240	(87)	87	240	(10)	67	297
Building Control Fee Earning surplus	20	0	(20)	0	0	0	0
Industrial Units Maint Fund	33	(33)	0	0	0	0	0
Whitwick Business Centre	25	(13)	4	16	(10)	6	12
Capital Reserve	274	(45)	54	283	0	49	332
Transport Appropriation	230	0	0	230	(32)	0	198
Other	58	(28)	(2)	28	0	6	34
Total	5	(2)	1	4	0	0	4
<b>Total</b>	<b>3,155</b>	<b>(1,512)</b>	<b>1,307</b>	<b>2,950</b>	<b>(629)</b>	<b>1,356</b>	<b>3,679</b>
<b>HRA:</b>							
Housing Repairs Account	0	0	0	0	0	0	0
General Earmarked reserves	327	(102)	25	250	(75)	63	238
<b>Total</b>	<b>327</b>	<b>(102)</b>	<b>25</b>	<b>250</b>	<b>(75)</b>	<b>63</b>	<b>238</b>

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

## 6. Other Operating Expenditure

2010/11 £'000		2011/12 £'000
1,240	Parish Council Precepts	1,275
316	Payments to the Government Housing Capital Receipts Pool	108
12	Gains/losses on the disposal of non current assets	(71)
<u>1,568</u>	<b>Total</b>	<u>1,312</u>

## 7. Financing and Investment Income and Expenditure

2010/11 £'000		2011/12 £'000
939	Interest payable and similar charges	760
831	Pensions interest cost and expected return on pensions assets	277
(156)	Interest receivable and similar income	(141)
(479)	Income and expenditure in relation to investment properties and changes in their fair value	526
0	Other investment income	0
<u>1,135</u>	<b>Total</b>	<u>1,422</u>

## 8. Taxation and Non Specific Grant Income

2010/11 £'000		2011/12 £'000
(6,929)	Council tax income	(6,930)
(6,239)	Non domestic rates	(4,212)
(946)	Non-ringfenced government grants	(1,670)
0	Capital grants and contributions	(145)
<u>(14,114)</u>	<b>Total</b>	<u>(12,957)</u>

## 9. Property, Plant and Equipment

Movements on Balances

Movements in 2011/12:

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture, Equip.</b>	<b>Infra- structure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property Plant &amp; Equip. £'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>								
At 1 April 2011	144,293	18,100	3,144	23	118	4,763	0	170,441
Additions		905	438					1,343
Donations								
Revaluation increases/(decreases) recognised in the Revaluation Reserve	370	3,071		(23)				3,418
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(559)	(4,379)				(564)		(5,502)
Derecognition - Disposals	(373)							(373)
Derecognition - Other	(23)							(23)
Assets reclassified	(1,610)	(453)				(3,133)		(5,196)
Other movements in Cost or Valuation		(575)						(575)
<b>At 31 March 2012</b>	<b>142,098</b>	<b>16,669</b>	<b>3,582</b>	<b>0</b>	<b>118</b>	<b>1,066</b>	<b>0</b>	<b>163,533</b>

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture, Equip.</b>	<b>Infra- structure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property Plant &amp; Equip.</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2011	0	598	1,394	0	0	0	0	1,992
Depreciation charge	(3,443)					(39)		
Depreciation written out to the Revaluation Reserve								
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,443	560	578			39		4,620
Impairment losses/(reversals) recognised in the Revaluation Reserve								0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services								
Derecognition - Disposals								
Derecognition - Other								
Other movements in Depreciation and Impairment		(1,158)						(1,158)
<b>At 31 March 2012</b>	<b>0</b>	<b>0</b>	<b>1,972</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,454</b>
<b>Net Book Value</b>								
<b>At 31 March 2012</b>	142,098	16,669	1,610	0	118	1,066	0	161,561
<b>At 31 March 2011</b>	144,293	17,502	2,076	23	118	4,763	0	168,775

Comparative Movements in 2010/11:

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture, Equip.</b>	<b>Infra- structure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property Plant &amp; Equip.</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>								
At 1 April 2010	208,213	22,240	2,864	23	118	0	3	233,461
Additions	4,204	55	740				5	5,004
Donations								
Revaluation increases/(decreases) recognised in the Revaluation Reserve	67	364						431
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(67,584)	732						(66,852)
Derecognition - Disposals	(607)							(607)
Derecognition - Other		(536)						(536)
Assets reclassified (to)/from Held for Sale		(4,763)				4,763		0
Other movements in Cost or Valuation		8					(8)	0
<b>At 31 March 2011</b>	<b>144,293</b>	<b>18,100</b>	<b>3,604</b>	<b>23</b>	<b>118</b>	<b>4,763</b>	<b>0</b>	<b>170,901</b>

Comparative Movements in 2010/11:

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture, Equip.</b>	<b>Infra- structure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property Plant &amp; Equip.</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2010	0	542	875	0	0	0	0	1,417
Depreciation charge	(3,457)							(3,457)
Depreciation written out to the Revaluation Reserve								
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,457	592	653					4,702
Impairment losses/(reversals) recognised in the Revaluation Reserve								
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services								
Derecognition - Disposals								
Derecognition - Other								
Other movements in Depreciation and Impairment		(536)						(536)
<b>At 31 March 2011</b>	<b>0</b>	<b>598</b>	<b>1,528</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,126</b>



## 10. Investment Properties

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

2010/11 £'000		2011/12 £'000
803	Rental income from investment property	834
(324)	Direct operating expenses arising from investment property	(1,360)
<u>479</u>	Net gain/(loss)	<u>(526)</u>

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

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

2010/11 £'000		2011/12 £'000
6,108	Balance at the start of the year	6,287
	Additions:	
	Purchases	
	Construction	
	Subsequent expenditure	
	Disposals	
179	Net gains/losses from fair value adjustments	(899)
	Transfers:	
	To/from Inventories	
	To/from Property, Plant and Equipment	4,853
	Other changes	
<u>6,287</u>	Balance at the end of the year	<u>10,241</u>

## 11. Intangible Assets

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

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

<u>Other Asset</u>	
6 years	Revenue System

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £99k charged to revenue in 2011/12, most of this amount was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2011/12			2010/11		
	Internally Generated Assets £'000	Other Assets £'000	Total £'000	Internally Generated Assets £'000	Other Assets £'000	Total £'000
Balance at start of year						
- Gross carrying amounts		460	460	347	347	
- Accumulated amortisation		(134)	(134)	(57)	(57)	
Net carrying amount at start of year		326	326	290	290	
Additions:						
- Internal development						
- Purchases		127	127	113	113	
- Acquired through business combinations						
Assets reclassified as held for sale						
Other disposals						
Revaluations increases or decreases						
Impairment losses recognised or reversed directly in the Revaluation Reserve						
Impairment losses recognised in the Surplus/Deficit on the Provision of Services						
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services						
Amortisation for the period		(99)	(99)	(77)	(77)	
Other changes						
Net carrying amount at end of year		354	354	326	326	
Comprising:						
- Gross carrying amounts		587	587	460	460	
- Accumulated amortisation		(233)	(233)	(134)	(134)	
		354	354	326	326	

## 12. Assets Held for Sale

The council held the following assets for sale at 31st March 2012.

	Current		Non-Current	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
<b>Balance outstanding at start of year</b>	0	0	0	0
Assets newly classified as held for sale:				
- Property, Plant and Equipment	350			
- Intangible Assets				
- Other assets/liabilities in disposal groups				
Revaluation losses				
Revaluation gains				
Impairment losses				
Assets declassified as held for sale:				
- Property, Plant and Equipment				
- Intangible Assets				
- Other assets/liabilities in disposal groups				
Assets sold				
Transfers from non current to current				
Other movements				
<b>Balance outstanding at year end</b>	<u>350</u>	<u>0</u>	<u>0</u>	<u>0</u>

## 13. 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 £7,945,000 as a result. Since 2009/10, the carrying value in the balance sheet has diminished, as the interest paid in real terms is higher than the EIR recorded in the Income and Expenditure Account.

#### 14. Inventories

	Consumable Stores		Maintenance Materials		Total	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Balance outstanding at start of year	70	57	32	59	102	116
Purchases	654	673	48	28	702	701
Recognised as an expense in the year	(667)	(652)	(21)	(19)	(688)	(671)
Written off balances	0	(2)	0	0	0	(2)
Reversals of write-offs in previous years	0	0	0	1	0	1
Balance outstanding at year end	<b>57</b>	<b>76</b>	<b>59</b>	<b>69</b>	<b>116</b>	<b>145</b>

#### 15. Short-Term Debtors

31 March 2011 £'000		31 March 2012 £'000
1,788	Central Government bodies	644
173	Other local authorities	564
8	NHS bodies	166
43	Public Corporations and trading funds	36
1,614	Other entities and individuals	1,827
<b>3,625</b>		<b>3,237</b>

#### 16. Cash and Cash Equivalents.

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

31 March 2011 £'000		31 March 2012 £'000
4	Cash held by the Authority	4
495	Bank current accounts	230
3,450	Short-term deposits with building societies	7,342
<b>3,949</b>	<b>Total Cash and Cash Equivalents</b>	<b>7,576</b>

#### 17. Short-Term Creditors

31 March 2011 £'000		31 March 2012 £'000
427	Central Government bodies	1,253
787	Other local authorities	785
2	NHS bodies	8
204	Public Corporations and trading funds	114
2,072	Other entities and individuals	1,862
<b>3,492</b>		<b>4,022</b>

## 18. Usable Reserves

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

## 19. Unusable Reserves.

31 March 2011 £'000	31 March 2012 £'000
2,290 Revaluation Reserve	7,647
156,395 Capital Adjustment Account	72,019
(1,605) Financial Instruments Adjustment Account	(1,545)
4 Deferred Capital Receipts Reserve	2
(20,002) Pensions Reserve	(27,808)
78 Collection Fund Adjustment Account	23
(211) Accumulated Absences Account	(225)
<hr/> 136,949 <b>Total Unusable Reserves</b>	<hr/> 50,113

### Revaluation Reserve

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

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

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

2010/11 £'000	2011/12 £'000
1,945 <b>Balance at 1 April</b>	2,290
442 Upward revaluation of assets	5,576
Downward revaluation of assets and impairment losses not (18) charged to the Surplus/Deficit on the Provision of Services	(67)
<hr/> Surplus or deficit on revaluation of non-current assets not posted 424 to the Surplus or Deficit on the Provision of Services	<hr/> 5,509
Difference between fair value depreciation and historical cost (79) depreciation	(152)
0 Accumulated gains on assets sold or scrapped	0
(79)	(152)
Amount written off to the Capital Adjustment Account	
<hr/> 2,290 <b>Balance at 31 March</b>	<hr/> 7,647

## Capital Adjustment Account

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

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

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

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

<b>2010/11</b> <b>£'000</b>	<b>2011/12</b> <b>£'000</b>
219,616 <b>Balance at 1 April</b>	156,395
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
0 • Housing Reform Financing	(76,785)
(4,503) • Charges for depreciation and impairment of non-current assets	(4,477)
(63,264) • Revaluation losses on Property, Plant and Equipment	(6,896)
(77) • Amortisation of Intangible assets	(99)
165 • Revenue expenditure funded from capital under statute	
(607) • Amounts of non current assets written off on disposal or sale as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	(73)
(68,286)	(88,330)
0 Adjusting amounts written out of Revaluation Reserve	0
0 Net written out amount of the cost of non current assets consumed in the year	0
Capital financing applied in the year:	
43 • Use of Capital Receipts Reserve to finance new capital expenditure	0
3,656 • Use of the Major Repairs Reserve to finance new capital expenditure	2,388
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	
• Application of grants to capital financing from the Capital Grants Unapplied Account	
741 • Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	620
625 • Capital expenditure charged against the General Fund and HRA balances	946
5,065	3,954
0 Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0
0 Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0
156,395 <b>Balance at 31 March</b>	72,019

## Financial Instruments Adjustment Account

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

<b>2010/11</b> <b>£'000</b>	<b>2011/12</b> <b>£'000</b>
(1,741) <b>Balance at 1 April</b>	(1,605)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	
Proportion of premiums incurred in previous financial years to be charged against 132 the General Fund Balance in accordance with statutory requirements	55
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in 4 accordance with statutory requirements	5
<b>(1,605) Balance at 31 March</b>	<b>(1,545)</b>

## Pensions Reserve

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

<b>2010/11</b> <b>£'000</b>	<b>2011/12</b> <b>£'000</b>
(37,886) <b>Balance at 1 April</b>	(20,002)
10,553 Actuarial gains or losses on pensions assets and liabilities	(7,575)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and 5,310 Expenditure Statement	(2,079)
Employer's pensions contributions and direct payments to pensioners payable in 2,021 the year	1,848
<b>(20,002) Balance at 31 March</b>	<b>(27,808)</b>

## Deferred Capital Receipts Reserve

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

2010/11 £'000		2011/12 £'000
6	<b>Balance at 1 April</b>	4
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
	(2) Transfer to the Capital Receipts Reserve upon receipt of cash	(2)
4	<b>Balance at 31 March</b>	2

#### Collection Fund Adjustment Account

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

2010/11 £'000		2011/12 £'000
37	<b>Balance at 1 April</b>	78
	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year	
41	in accordance with statutory requirements	(55)
78	<b>Balance at 31 March</b>	23

#### Accumulated Absences Account

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

2010/11 £'000		2011/12 £'000
(242)	<b>Balance at 1 April</b>	(211)
242	Settlement or cancellation of accrual made at the end of the preceding year	211
(211)	Amounts accrued at the end of the current year	(225)
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration	
31	chargeable in the year in accordance with statutory requirements	(14)
(211)	<b>Balance at 31 March</b>	(225)



## 20. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2010/11 £'000		2011/12 £'000
(160)	Interest received	(142)
747	Interest paid	697
0	Dividends received	0
<u>587</u>		<u>555</u>

## 21. Cash Flow Statement - Investing Activities

2010/11 £'000		2011/12 £'000
4,701	Purchase of property, plant and equipment, investment property and intangible assets	4,045
0	Purchase of short-term and long-term investments	0
0	Other payments for investing activities	0
(597)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(144)
0	Proceeds from short-term and long-term investments	0
0	Other receipts from investing activities	0
<u>4,104</u>	<b>Net cash flows from investing activities</b>	<u>3,901</u>

## 22. Cash Flow Statement - Financing Activities

2010/11 £000		2011/12 £000
(142)	Cash receipts of short and long-term borrowing	(76,785)
(2,343)	Other receipts from financing activities	(2,990)
106	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	110
2,762	Repayments of short and long-term borrowing	12
67	Other payments for financing activities	716
<u>450</u>	<b>Net cash flows from financing activities</b>	<u>(78,937)</u>

## 23. Amounts Reported for Resource Allocation Decisions

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

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

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

### Directorate Income and Expenditure 2011/12

	<b>Chief Executive</b>	<b>Director of Services</b>	<b>Corporate Costs</b>	<b>General Fund Total</b>	<b>Housing Revenue Account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employee Related Costs	3,164	9,149	135	12,448	3,392	15,840
All Other Controllable Costs	26,615	5,378	172	32,165	8,412	40,577
<b>Total Expenditure</b>	<b>29,779</b>	<b>14,527</b>	<b>307</b>	<b>44,613</b>	<b>11,804</b>	<b>56,417</b>
Controllable Income	(26,418)	(7,647)	(48)	(34,113)	(15,305)	(49,418)
Net Expenditure	3,361	6,880	259	10,500	(3,501)	6,999

### Directorate Income and Expenditure 2010/11 Comparative Figures

	<b>Chief Executive</b>	<b>Director of Services</b>	<b>Corporate Costs</b>	<b>General Fund Total</b>	<b>Housing Revenue Account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employee Related Costs	4,000	9,729	75	13,729	3,287	17,016
All Other Controllable Costs	25,037	6,031	819	31,068	7,726	38,794
<b>Total Expenditure</b>	<b>29,037</b>	<b>15,760</b>	<b>894</b>	<b>44,797</b>	<b>11,013</b>	<b>55,810</b>
Controllable Income	(24,553)	(8,133)	(196)	(32,686)	(14,367)	(47,053)
Net Expenditure	4,484	7,627	698	12,111	(3,354)	8,757

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

<b>2010/11</b>	<b>2011/12</b>
<b>£000</b>	<b>£000</b>
8,757 Net expenditure in the (Directorate) Analysis	6,999
0 Net expenditure of services and support services not included in the Analysis	0
Amounts in the Comprehensive Income and Expenditure Statement not reported 56,749 to management in the Analysis	85,360
Amounts included in the Analysis not included in the Comprehensive Income and 2,043 Expenditure Statement	735
<b>67,549 Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>93,094</b>

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

2011/12	Directorate Analysis	Services & Support Services not in Analysis	Amounts not reported to management	Amounts not included in I & E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(23,969)		(1,456)	2,302		(23,123)	(834)	(23,957)
Recharge Income			(13,193)			(13,193)		(13,193)
Interest & Investment Income	(2)					(2)	(141)	(143)
Income from council tax, Government Grants and Contributions	(25,447)		(570)			(26,017)	(12,934)	(38,951)
Other Income						0	0	0
Contribution from Collection Fund						0	(23)	(23)
<b>Total Income</b>	<b>(49,418)</b>	<b>0</b>	<b>(15,219)</b>	<b>2,302</b>	<b>0</b>	<b>(62,335)</b>	<b>(13,932)</b>	<b>(76,267)</b>
Employee expenses	15,840		(41)	(132)		15,667	132	15,799
Other service expenses	40,577		1,877	(266)		42,188	266	42,454
Support Service Recharges, Depreciation, amortisation and impairment			21,752	(963)		20,789	962	21,751
HRA Self Financing			76,785			76,785		76,785
Interest Payments			206	(206)		0	760	760
Precepts & Levies						0	1,275	1,275
Payments to Housing Capital Receipts Pool						0	108	108
Net Pension Interest						0	277	277
Gain or Loss on Disposal of Non Current Assets						0	229	229
<b>Total Expenditure</b>	<b>56,417</b>	<b>0</b>	<b>100,579</b>	<b>(1,567)</b>	<b>0</b>	<b>155,429</b>	<b>4,009</b>	<b>159,438</b>
<b>Surplus or deficit on the provision of services</b>	<b>6,999</b>	<b>0</b>	<b>85,360</b>	<b>735</b>	<b>0</b>	<b>93,094</b>	<b>(9,923)</b>	<b>83,171</b>

2010/11 Comparatives	Directorate Analysis	Services & Support Services not in Analysis	Amounts not reported to management	Amounts not included in I & E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(22,627)		(1,306)	2,172		(21,761)	(804)	(22,565)
Recharge Income			(11,480)			(11,480)		(11,480)
Interest & Investment Income	(152)		(4)	155		(1)	(155)	(156)
Income from council tax, Government Grants and Contributions	(24,274)		(1,584)	40		(25,818)	(14,059)	(39,877)
Other Income						0	0	0
Contribution from Collection Fund						0	(55)	(55)
<b>Total Income</b>	(47,053)	0	(14,374)	2,367	0	(59,060)	(15,073)	(74,133)
Employee expenses	17,016		(8,017)	(158)		8,841	158	8,999
Other service expenses	38,794		3,186	(270)		41,710	270	41,980
Support Service Recharges, Depreciation,			75,954	104		76,058	(104)	75,954
Interest Payments						0	939	939
Precepts & Levies						0	1,240	1,240
Payments to Housing Capital Receipts Pool						0	317	317
Net Pension Interest						0	831	831
Gain or Loss on Disposal of Non Current Assets						0	11	11
<b>Total Expenditure</b>	55,810	0	71,123	(324)	0	126,609	3,662	130,271
<b>Surplus or deficit on the provision of services</b>	8,757	0	56,749	2,043	0	67,549	(11,411)	56,138

## 24. Agency Services

The Council, in partnership with Leicestershire County Council carries out the Decriminalised Parking Enforcement throughout North West Leicestershire which cost £144,562 in 2011/12 (£163,772 - 2010/11).

## 25. Members' Allowances

The total value of Members Allowances paid during the year was £208,784 (£239,301– 2010/11).

## 26. Officers' Remuneration

The number of employees whose remuneration, including redundancy payments but excluding pension contribution was £50,000 or more in bands of £5,000 were:			
2010/11	Remuneration Band	2011/12	
No of employees		No of employees	Left during year
2	£50,000 - £54,999	2	0
2	£55,000 - £59,999	2	0
1	£60,000 - £64,999	0	0
0	£65,000 - £69,999	0	1
0	£70,000 - £74,999	0	0
2	£75,000 - £79,999	1	0
0	£80,000 - £84,999	0	0
1	£85,000 - £89,999	0	0
0	£90,000 - £94,999	0	0
1	£95,000 - £99,999	0	0
1	£100,000 - £104,999	0	0
0	£105,000 - £109,999	0	0
0	£110,000 - £114,999	0	0
0	£115,000 - £119,999	0	0
1	£120,000 - £124,999	0	0
0	£125,000 - £129,999	1	0

2011/12 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		120,651	0	0	5,166	125,817	20,993	146,810
Director of Services		76,001	0	0	3,678	79,679	13,224	92,903
Head of Legal & Democratic Services		53,773	0	0	926	54,699	9,357	64,056
Head of Community Services		53,773	0	0	3,275	57,048	9,357	66,405
Head of Housing		53,773	0	0	2,843	56,616	9,357	65,973
Head of Planning & Engagement		52,693	0	0	907	53,600	9,169	62,769
		410,664	0	0	16,795	427,459	71,456	498,915

2010/11 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		117,938	0	0	4,920	122,858	22,998	145,856
Corporate Director	1	24,777	0	0	17	24,794	4,831	29,625
Director of Community Services	2	36,705	0	0	1,702	38,407	6,871	45,278
Director of Environment		74,712	0	0	3,047	77,759	13,986	91,745
Head of Finance	3	13,241	1,079	0	242	14,562	2,479	17,041
Head of Legal & Democratic Services		52,964	1,079	0	964	55,007	10,117	65,124
Head of Service Transformation	4	33,263	1,084	0	562	34,909	0	34,909
Head of Street Management	5	45,963	0	53,920	2,586	102,468	10,022	112,491
Head of Environmental Health	6	40,794	957	34,326	3,331	79,408	7,350	86,758
Head of Place Shaping		51,610	0	0	967	52,577	9,661	62,238
Head of Housing		52,964	1,079	0	2,662	56,705	10,117	66,822
Head of Leisure & Culture		52,349	1,084	0	3,240	56,673	10,003	66,676
Head of Neighbourhoods & Communities	7	25,810	1,080	0	489	27,379	5,034	32,413
		623,089	7,442	88,246	24,729	743,506	113,469	856,975

**Note 1:** The Corporate Director left on 16/7/10. The annual salary was £82,802.

**Note 2:** The Director of Community Services left on 19/9/10. The annual salary was £78,188.

**Note 3:** The Head of Finance left on 30/6/2010. The annual salary excluding performance related pay was £52,964.

**Note 4:** The Head of Service Transformation left on 31/10/10. The annual salary excluding performance related pay was £51,880.

**Note 5:** The Head of Street Management left on 31/1/11. The annual salary excluding performance related pay was £53,553.

**Note 6:** The Head of Environmental Health left on 18/2/11 and worked 32 hours per week. The full time equivalent annual salary excluding performance related pay was £51,880.

**Note 7:** The Head of Neighbourhoods & Communities left on 3/10/10. The annual salary excluding performance related pay was £50,800.

**Note 8:** Bonuses include performance related pay.

## 27. External Audit Costs

In 2011/2012 North West Leicestershire District Council incurred the following fees relating to external audit and inspection.

2010/11 £'000		2011/12 £'000
109	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	111
8	Fees payable to the Audit Commission in respect of statutory inspection	0
25	Fees payable to the Audit Commission for the certification of grant claims and returns	21
<b>142</b>		<b>132</b>

The Audit Commission issued a rebate in relation to 2011/12 fees.

## 28. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

2010/11 £000		2011/12 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
6,929	Council Tax Income	6,930
6,239	Redistributed NDR	4,212
906	Revenue Support Grant	1,302
0	Council Tax Freeze Grant	141
0	New Homes Bonus	227
40	Area Based Grant	0
0	Capital Grants and Contributions	145
<u>14,114</u>	<b>Total</b>	<u>12,957</u>
	<b>Credited to Services</b>	
22,702	Housing Benefit Subsidy	24,078
609	Housing Benefit Admin Grant	593
199	Concessionary Travel	0
151	Cost of Collection	148
662	Private Sector Grants	429
336	Supporting People Grant	336
311	Other Grants under £100k each	194
449	Locality Partnerships	454
0	Section 106	134
132	Active Together	103
110	Other Contributions under £100k each	150
<u>25,661</u>	<b>Total</b>	<u>26,619</u>



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

<b>31 March 2011</b> <b>£'000</b>	<b>31 March 2012</b> <b>£'000</b>
<b>Capital Grant Receipts in Advance</b>	
53 Affordable Housing	438
62 Recreation/Playground	437
287 Healthcare/PCT	415
5 CCTV	5
0 Police	26
0 Infrastructure	64
407 <b>Total</b>	1,385

## 29. Related Parties

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

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

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

During the year transactions with related parties arose as follows:

<b>2010/11</b> <b>(Receipts)/</b> <b>Payments</b> <b>£'000</b>		<b>2011/12</b> <b>(Receipts)/</b> <b>Payments</b> <b>£'000</b>
(24,456)	Central Government	
(662)	Revenue Grants (Benefits/RSG/other grants)	(26,103)
	Capital Grants (Improvement Grants)	(429)
33,208	Leicestershire County Council - Precept	33,385
1,668	Leicestershire Fire and Rescue	1,676
5,299	Leicestershire Police - Precept	5,328

### 30. Capital Expenditure and Capital Financing

#### Fixed Assets Valuation

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

- (i) Operational assets are included in the balance sheet at open market value in existing use or depreciated replacement cost where the asset is of a specialist nature, i.e. there is no market for such an asset.
- (ii) Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at open market value.
- (iii) Infrastructure and community assets are included in the balance sheet at historic cost, net of any depreciation.
- (iv) Council dwellings have been valued using the beacon principal, where a typical property is valued as being representative of a particular house type and location. The valuation for each of the beacon properties selected was on the basis of existing use value – Social Housing.

<b>Category</b>	<b>Date of Last Valuation</b>	<b>Basis of Valuation</b>	<b>Details of Valuers</b>
Council Dwellings	31.03.12	The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered Surveyors. In the case of housing stock this is based upon Existing Use Value for Social Housing.	Mr S Holland (MRICS), Chesterton Humberts
Other Land & Building	31.03.12	The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered	Mr S Holland (MRICS), Chesterton Humberts

Capital expenditure and financing is as follows: -

2010/11 £'000		2011/12 £'000
15,997	<b>Opening Capital Financing Requirement</b>	16,132
	Capital Investment:	
0	Housing Capital Finance (REFCUS)	76,785
5,004	Operational assets	3,642
0	Non-operational assets	0
1,025	Revenue Expenditure Funded from Capital Under Statute	273
	Sources of Finance:	
0	Capital Receipts	0
(1,350)	Government grants and other contributions	(460)
(4,891)	Revenue provision (including major repairs allowance)	(3,518)
15,785	<b>Closing Capital Financing Requirement</b>	92,854
	Explanation of movements in the year	
(212)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	76,722
(212)	<b>Increase/(decrease) in Capital Financing Requirement</b>	76,722

Major fixed assets held at 31st March 2012, are:-

2010/11 No		2011/12 No
	<b>LEISURE SERVICES</b>	
2	Leisure Centres with Pools	2
1	Markets	1
4	Cemeteries	4
	<b>COUNCIL DWELLINGS</b>	
2,649	Houses	2,648
1,020	Flats & Maisonettes	1,019
812	Bungalows	812
	<b>LAND</b>	
115	Parks & Open Spaces (acres)	115
	<b>OTHER</b>	
1	Office Properties	1
3	Depots	3
19	Off Street Car Parks	19
11	Public Conveniences	11
9	Industrial Estates/Business Units	9

### 31. Leases

#### Authority as Lessee

##### Finance Leases

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

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

<b>31 March 2011</b> <b>£'000</b>	<b>31 March 2012</b> <b>£'000</b>
0 Other Land and Buildings	0
347 Vehicles, Plant, Furniture and Equipment	237
<hr/> 347	<hr/> 237

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

<b>31 March 2011</b> <b>£'000</b>	<b>31 March 2012</b> <b>£'000</b>
Finance lease liabilities (net present value of minimum lease payments):	
• current	
335 • non current	212
Finance costs payable in future 27 years	14
<hr/> 308 Minimum lease payments	<hr/> 198

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000
Not later than one year	96	110	104	123
Later than one year and not later than five years	102	198	108	212
Later than five years	198	308	212	335

##### Operating Leases

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

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

<b>31 March 2011</b> <b>£'000</b>	<b>31 March 2012</b> <b>£'000</b>
175 Not later than one year	151
242 Later than one year and not later than five years	131
2 Later than five years	0
<hr/> 419	<hr/> 282

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

<b>2010/11</b> <b>£'000</b>	<b>2011/12</b> <b>£'000</b>
321 Minimum lease payments	195
0 Contingent rents	0
<hr/> 321	<hr/> 195

#### Authority as Lessor

The Authority is not a lessor.

### **32. Capitalisation of Borrowing Costs**

The Authority had new borrowing of £76,785,000 as part of the HRA Reform, the costs of this borrowing was charged to the Income and Expenditure Account, hence no borrowing costs were capitalised.

### 33. Termination Benefits

The authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £312,674 (£444,784 in 2010/11).

Compulsory	2010/11		2011/12	
	No.	£'000	No.	£'000
£0 - £20,000	13	74	21	125
£20,001 - £40,000	4	114	4	106
£40,001 - £60,000	2	104	2	82
£60,001 - £80,000	1	65	0	0
£80,001 - £100,000	1	83	0	0
	21	440	27	313
<u>Voluntary</u>				
£0 - £20,000	1	7	0	0

### 34. Pension Schemes Accounted for as Defined Contribution Schemes

As part of the terms and conditions of employment of its officers and other employees, the 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.

2010/11 £'000		2011/12 £'000
	<b>Net Cost of Services</b>	
2,118	■ current service cost	1,714
(8,348)	■ Past service costs	0
89	■ curtailments	88
(6,141)		1,802
	<b>Net Operating Expenditure</b>	
4,498	■ interest cost	3,925
(3,667)	■ expected return on assets in the scheme	(3,648)
831		277
(5,310)		
	<b>Amount charged to Income and Expenditure Account</b>	2,079
	<b>Amounts to be met from Government Grants and Local</b>	
(74)	■ movement on pension reserve	(75)
	<b>Actual amount charged against General Fund &amp; HRA for pensions in the year</b>	
1,947	■ employers' contributions payable to the scheme	1,773
74	■ unfunded discretionary benefit payments	75

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

Income & Expenditure Account contains details of the Authority's participation in the Local Government Pension Scheme (LGPS), administered by Leicestershire County Council. The following information was supplied by Hymans Robertson LLP on 23rd April 2012.

## Employers Membership Statistics

	Average Age	Number		Total Salaries/Pension £'000	
	31 March 2010	23 February 2012	31 March 2010	31 January 2012	31 March 2010
Actives	50	474	518	9,592	10,932
Deferred Pensioners	50	338	281	*	539
Pensioners	67	381	360	*	1,880

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

## PAYROLL

	2011/12 £'000	2010/11 £'000
Assumed total pensionable payroll based on contribution information provided	9,592	10,310

## INVESTMENT RETURNS

The return on the fund in market value terms for the year to 31 March 2012 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 2011 to 31 December 2011	(4.0%)
Estimated Return for Period from 1 April 2011 to 31 March 2012	0.5%

## UNFUNDED BENEFITS

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

LGPS Unfunded Pensions	Number at 23 February 2012	Annual Unfunded Pensions (£'000)
Male	33	62
Female	4	3
Dependants	10	10
<b>TOTAL</b>	<b>47</b>	<b>75</b>

## PROJECTED PENSION EXPENSE FOR YEAR 31/3/2012

Analysis of Projected Amount to be charged to operating profit for the year to 31 March 2013

Year Ended	31/03/2013 £'000	% of pay
Projected Current service cost	1,833	19.1%
Interest on Obligation	3,798	39.6%
Expected Return on Plan Assets	(2,778)	(29.00%)
Losses /(Gains) on Curtailment and Settlements	0	0.0%
<b>TOTAL</b>	<b>2,853</b>	<b>29.7%</b>

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £27,808,000 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 2012.

The main assumptions used in their calculations have been:

2010/11	Assumptions	2011/12
2.8%	Inflation/Pension Increase Rate	2.5%
5.1%	Salary Increase Rate	4.8%
7.1%	Expected Return on Assets	5.4%
5.5%	Discount Rate	4.8%

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	2010/11			2011/12		
	Value £	Asset Distribution %	Long Term Return %	Value £	Asset Distribution %	Long Term Return %
Equities	42,106	81.6	7.5	33,431	65.0	6.2
Bonds	3,612	7.0	4.9	8,230	16.0	3.9
Property	5,676	11.0	5.5	5,658	11.0	4.4
Cash	206	0.4	4.6	4,115	8.0	3.5
	<b>51,600</b>	<b>100.0</b>		<b>51,434</b>	<b>100.0</b>	

## Mortality

Life Expectancy is based on the Fund's Vitacurves with improvements from 2007 in line with the Medium Cohort and a 1% p.a. underpin. Based on these assumptions, the future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	20.9	23.3
Future pensioners	23.3	25.6

## Reconciliation of Present Value of the Scheme Liabilities

2010/11 £'000		2011/12 £'000
<b>88,948</b>	<b>Opening Defined Benefit Obligation</b>	<b>71,602</b>
2,118	Current Service cost	1,714
4,498	Interest cost	3,925
700	Contributions by Members	631
(12,074)	Actuarial losses/(Gains)	4,193
(8,348)	Past service costs/(Gains)	
89	Losses/(Gains) on Curtailments	88
(74)	Estimated Unfunded Benefits Paid	(75)
(4,255)	Estimated Benefits Paid	(2,836)
<b>71,602</b>		<b>79,242</b>



## Reconciliation of fair value of employer assets

2010/11 £'000	YEAR ENDED	2011/12 £'000
<b>51,062</b>	<b>Opening Fair Value of Employer Assets</b>	<b>51,600</b>
3,667	Expected Return on Assets	3,648
700	Contributions by Members	631
1,947	Contributions by the Employer	1,773
74	Contributions in respect of Unfunded Benefits	75
(1,521)	Actuarial losses/(Gains)	(3,382)
(74)	Estimated Unfunded Benefits Paid	(75)
(4,255)	Estimated Benefits Paid	(2,836)
<b>51,600</b>		<b>51,434</b>

## Scheme History

### Amounts for the current and previous accounting periods

YEAR ENDED	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Fair Value of Employer Assets	48,410	36,756	51,062	51,600	51,434
Present Value of Defined Benefit Obligation	(54,471)	(53,167)	(88,948)	(71,602)	(79,242)
Surplus/(Deficit)	(6,061)	(16,411)	(37,886)	(20,002)	(27,808)
Experience Gains/(Losses) on Assets	(5,942)	(15,555)	11,288	(1,521)	(3,382)
Experience Gains/(Losses) on Liabilities	(2,157)	101	(104)	(675)	(875)
Actuarial Gains/ (Losses) on Employer Assets	(5,942)	(15,555)	11,288	(1,521)	(3,382)
Actuarial Gains/ (Losses) on Obligations	8,318	5,277	(32,462)	12,074	(4,193)
Actuarial Gains/ (Losses) recognised in SRIE	2,376	(10,278)	(21,174)	10,553	(7,575)

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

YEAR ENDED	2010/11 £'000	2011/12 £'000
Actuarial Gains/(Losses) on Plan Assets	(1,521)	(3,382)
Actuarial Gains/ (Losses) on Obligations	12,074	(4,193)
<b>Actuarial Gain/ (Loss) Recognised in SRIE</b>	<b>10,553</b>	<b>(7,575)</b>
<b>Cumulative Actuarial Gains and Losses</b>	<b>(20,731)</b>	<b>(28,306)</b>

## Balance Sheet

2010/11 £'000	YEAR ENDED	2011/12 £'000
51,600	Fair Value of Employer Assets	51,434
(70,513)	Present Value of Funded Liabilities	(78,107)
(18,913)	Net (Under)/ Overfunding in Funded Plans	(26,673)
(1,089)	Present Value of Funded Liabilities Unrecognised Past Service Cost	(1,135)
<b>(20,002)</b>	<b>Net Asset/(Liability)</b>	<b>(27,808)</b>
(20,002)	Amount in the Balance Sheet	
	Liabilities	(27,808)
	Assets	
<b>(20,002)</b>	<b>Net Asset/(Liability)</b>	<b>(27,808)</b>

### 35. Contingent Liabilities

#### 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.

### 36. Nature and Extent of Risks Arising from Financial Instruments

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

2010/11 £'000		2011/12 £'000
	<b><u>FINANCIAL LIABILITIES</u></b>	
15,618	Financial Liabilities at Amortised Cost	92,974
	<b><u>FINANCIAL ASSETS</u></b>	
6,334	Loans and Receivables	9,787

#### Fair Value of Assets and Liabilities carried at Amortised Cost

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

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

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

2010/11 £000's	Period of Maturity	2011/12 £000's
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
11,690	Maturity in over 10 years	88,475
<b>12,690</b>		<b>89,475</b>

The Fair Values are calculated are as follows:

2010/11			2011/12	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
16,742	17,066	Financial Liabilities	92,974	98,257
7,290	7,290	Loans and Receivables	9,787	9,787

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

#### Financial Instruments Gains/Losses

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

#### Financial Instruments - Nature and Extent of Risk

##### Credit Risk.

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

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

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

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

The Council has £3,160,815 of General Debtors, for which a provision for doubtful debts of £344,495 has been made in relation to Sundry Debtors of £1,561,890.

##### Liquidity Risk.

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

## **Market Risk.**

### **Interest Rate Risk.**

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

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

### **Price Risk.**

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

## **37. Building Control Charges**

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

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
	<b>Chargeable Work</b>	
117	Expenditure	191
(108)	Income	(165)
9	(Surplus) / Deficit	26
	<b>Non-Chargeable Work</b>	
135	Expenditure	109
(12)	Income	(5)
123	(Surplus) / Deficit	104

## **38. Jointly Controlled Partnerships**

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

All partners contribute towards the operation of the partnership which is classified as a Jointly Controlled Operation. On this basis, each partner accounts for their share of contributions within their Statement of Accounts. The funding provided by Northwest Leicestershire District Council in 2011/12 was £1.09 million.

# HOUSING REVENUE ACCOUNT (HRA)

## HOUSING INCOME AND EXPENDITURE ACCOUNT

2010/11			NOTES	2011/12	
£'000	£'000		£'000	£'000	
	(13,151)	<b>INCOME</b>			
(92)		Rents - Dwellings	H4	(14,115)	
(27)		Rents - Garages / Sites		(91)	
(3)		Rents - Shops		(13)	
		Rents - Other		(5)	
	(122)			(109)	
	(502)	Charges for Services and Facilities		(500)	
	(337)	Supporting People Grant		(337)	
	(99)	Other Income		0	
	(30)	Decrease in Bad Debt Provision		0	
	<b>(14,241)</b>	<b>TOTAL INCOME</b>		<b>(15,061)</b>	
		<b>EXPENDITURE</b>			
	3,967	Repairs & Maintenance		4,075	
		Supervision & Management			
		- General		1,935	
1,824		- Special		575	
519					
	2,343	Capital Charges		2,510	
	67,555	- Depreciation & Impairment of Fixed Assets	H8/9	6,521	
	0	Settlement payment to Government for HRA self-financing		76,785	
	3,818	Housing Subsidy Payments to the National Pool	H10	4,615	
	0	Increase in provision for Bad or Doubtful Debts		86	
	2	Debt Management Expenses		28	
	<b>77,685</b>	<b>TOTAL EXPENDITURE</b>		<b>94,620</b>	
		<b>NET COST OF HRA SERVICES INCLUDED IN INCOME &amp; EXPENDITURE ACCOUNT</b>		<b>79,559</b>	
	158	Housing Share of Corporate & Democratic Costs		177	
	19	Housing Share of other amounts included in the whole authority cost of services but not allocated to specific services		21	
	<b>63,621</b>	<b>NET COST OF HRA SERVICES</b>		<b>79,757</b>	
	12	(Gain) or Loss on Sale of HRA Fixed Assets		229	
	165	Interest Payable & Similar Items		174	
	110	Amortisation of Premiums & Discounts		31	
	(1)	Interest on Sale of Council Houses		0	
	<b>63,907</b>	<b>(SURPLUS)/DEFICIT ON HRA SERVICES</b>		<b>80,191</b>	

<b>STATEMENT OF MOVEMENT ON THE HRA BALANCE</b>		
<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
63,907	Deficit on Housing Income and Expenditure Account	80,191
(64,321)	Amounts Required by Statute to be Taken into Account (detailed below)	(80,544)
(414)		(353)
(1,053)	HRA Balance Brought Forward	(1,467)
(1,467)	HRA Balance Carried Forward	(1,820)

<b>ANALYSIS OF THE MOVEMENT IN THE HRA BALANCE</b>		
<b>2010/11 £'000</b>	<b>Amounts Required to be Taken Into Account</b>	<b>2011/12 £'000</b>
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year	
(12)	Gain or Loss on Sale of HRA Fixed Assets	(229)
35	Employee Benefits adjustment	(6)
(222)	Net charges for retirement benefits in accordance with IAS 19	(347)
0	Settlement payment to Government for HRA self-financing	(76,785)
(64,081)	Impairment of Fixed Assets	(3,062)
(64,280)		(80,429)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year	
(729)	Transfer To/(From) Major Repairs Reserve	(751)
213	Employer's contributions payable to Leicestershire County Council Pension Fund	348
548	Capital Expenditure funded by the HRA	300
(73)	Transfer To/(From) Reserves	(12)
(41)		(115)
(64,321)	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(80,544)

# NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

## H1 MOVEMENT IN DWELLING STOCK

The Council was responsible for managing an average of 4,363 dwellings during 2011/2012. The movement in the stock was as follows:-

2010/11		2011/12
4,383	Stock at 1st April	4,356
(4)	Less: Right to buy Sales	(2)
(8)	Less: Other Sales	0
0	Less: Demolitions	0
(30)	Less: Transfers out of stock	(17)
0	Less: Conversions	0
15	Add: Transfers back into stock	33
<b>4,356</b>		<b>4,370</b>

## H2 PROPERTY TYPES IN DWELLING STOCK

The properties owned by the Council at 31st March 2012 comprise the following:-

	Flats/Maisonettes	Bungalows	Houses	Total
<b>In stock</b>				
Bed sits	60	4	0	64
1 Bedroom	512	323	1	836
2 Bedroom	348	476	399	1,223
3 Bedroom	6	7	2,083	2,096
4 Bedroom	0	0	148	148
5 Bedroom	0	0	3	3
	<b>926</b>	<b>810</b>	<b>2,634</b>	<b>4,370</b>
<b>Transferred out of stock</b>				
Bed sits	28	0	0	28
1 Bedroom	57	2	0	59
2 Bedroom	4	0	5	9
3 Bedroom	4	0	9	13
4 Bedroom	0	0	0	0
5 Bedroom	0	0	0	0
	<b>93</b>	<b>2</b>	<b>14</b>	<b>109</b>
<b>Total</b>	<b>1,019</b>	<b>812</b>	<b>2,648</b>	<b>4,479</b>

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

2010/11 Balance £'000		2011/12 Balance £'000
147,750	Dwellings (inc garages)	148,953
1,191	Other Land and Buildings	482
<b>148,941</b>	<b>OPERATIONAL ASSETS</b>	<b>149,435</b>
4,732	Surplus Assets	1,046
<b>4,732</b>	<b>NON-OPERATIONAL ASSETS</b>	<b>1,046</b>
<b>153,673</b>	<b>TOTAL ASSETS</b>	<b>150,481</b>

The vacant possession value of dwellings within the Authority's HRA as at 31st March 2012 was £415,606,500 (31st March 2011 £417,939,000). 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.

#### 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 £62.34 per week in 2010/11 (£58.09 2010/11) there being an average increase of 7.32% (3.85% 2010/11) over the previous year. During the year 0.69% (0.55% 2010/11) of rentable properties were vacant.

Rent income can be analysed as follows:-

2010/11 £'000		2011/12 £'000
6,116	Collectable from Tenants	6,547
7,035	Rent Rebates	7,569
13,151		14,116
122	Non - Dwelling Rents	109
<b>13,273</b>		<b>14,225</b>

In accordance with the revised accounting practice for rental income there is a favourable effect of £ 73k for the year 2011/12.

#### H5 RENT ARREARS

During the year total rent arrears, as a proportion of gross rent income were 1.49% (2010/11 - 1.83%). The arrears figures are as follows:-

2010/11 £'000		2011/12 £'000
391	Total Current and Former Tenant Arrears	335
(144)	Less: Accounts in credit	(118)
247	Net Arrears	217

Amounts written off during the year were £74,602 (2010/11 - £9,122). At 31st March the Provision for doubtful debts stood at £266.629 (2010/11 - £303,871).

#### H6 MAJOR REPAIRS RESERVE

2010/11 £'000		2011/12 £'000
(2,247)	Balance at 1st April 2010	(1,336)
(3,474)	Amounts transferred to Reserve during year	(3,459)
	Amounts transferred from Reserve to finance Capital	
	Expenditure:	
3,656	Dwellings	2,388
0	Other Property	0
729	Depreciation in excess of / (less than) MRA	751
<b>(1,336)</b>	<b>Balance at 31st March 2011</b>	<b>(1,656)</b>



## H7 CAPITAL EXPENDITURE & RECEIPTS

Total Capital Expenditure within the authority's HRA during the financial year was £2,688,013 (dwellings £2,654,392 and Other Property £33,621) . The sources of funding are shown below:

2010/11 £'000		2011/12 £'000
3,656	Major Repairs Reserve	2,388
453	Revenue Contribution	300
95	Other Contributions	0
<b>4,204</b>		<b>2,688</b>

Total Capital Receipts from disposals of Council Dwellings within the authority's HRA. stock during the financial year were £ 144,000. There were no sales of land or other property during the financial year.

## H8 DEPRECIATION OF HRA FIXED ASSETS

2010/11 £'000		2011/12 £'000
3,411	Dwellings (excl. garages)	3,407
63	Other Land and Buildings	52
<b>3,474</b>	<b>OPERATIONAL ASSETS</b>	<b>3,459</b>

## H9 IMPAIRMENT OF HRA FIXED ASSETS

2010/11 £'000		2011/12 £'000
64,127	Dwellings (excl. garages)	3,033
(46)	Other Land and Buildings	293
<b>64,081</b>	<b>OPERATIONAL ASSETS</b>	<b>3,326</b>

The impairment charge in 2010/11 reflects the change in the basis of the valuation of the dwellings. This change relates to the discount factor applied to the market value reflecting the tenanted social housing use of the property. This factor increased from 50% to 66%, and had the effect of reducing the valuation resulting in the impairment charge.

## 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:

2010/11 £'000		2011/12 £'000
6,330	Management & Maintenance	6,331
2,745	Major Repairs Allowance	2,708
826	Charges for Capital	678
(1)	Interest on Receipts	0
(13,717)	Guideline Rent Income	(14,332)
<b>(3,817)</b>	<b>Housing element entitlement</b>	<b>(4,615)</b>
(1)	Prior year adjustment	0
<b>(3,818)</b>	<b>H.R.A. SUBSIDY ENTITLEMENT</b>	<b>(4,615)</b>

## COLLECTION FUND

### COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2010/11 £'000		2011/12	
		£'000	£'000
	<b>INCOME</b>		
(41,758)	Council Tax (Net of benefits, discounts for prompt payment and transitional relief)		(41,980)
(5,792)	Transfers from General Fund:- - Council Tax Benefit		(5,788)
(45,473)	Business Ratepayers		(45,006)
(93,023)			(92,774)
	<b>EXPENDITURE</b>		
	Precepts and Demands:-		
33,208	L.C.C.	33,385	
5,299	Leicestershire Police	5,328	
1,668	Leicestershire Fire and Rescue	1,676	
6,874	N.W.L.D.C. (including Parish and Specials)	6,906	
	Contributions:-		
98	- Towards previous year's Collection Fund Surplus	535	
47,147			47,830
	Business Rate:-		
44,959	Payment to National Pool	44,719	
363	Increase in doubtful debt provision	139	
151	Costs of Collection	148	
45,473			45,006
	Bad and Doubtful Debts / Appeals		
125	- Provisions	315	
125			315
92,745			93,151
(278)	Movement on fund balance - (Surplus) / Deficit for the year		377
(255)	Collection Fund Balance at 1st April 2011		(533)
(533)	<b>Collection Fund Balance at 31st March 2012</b>		(156)

## 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(-)	50	5/9	28
A	8,261	6/9	5,507
B	11,175	7/9	8,692
C	6,151	8/9	5,467
D	5,103	9/9	5,103
E	3,148	11/9	3,847
F	1,273	13/9	1,839
G	795	15/9	1,325
H	38	18/9	76
	35,994		31,884
<b>Less: 1.5% Allowance for Valuation Appeals &amp; Irrecoverables.</b>			478
<b>COUNCIL TAX BASE for 2011/12</b>			<b>31,406</b>

### C3 INCOME FROM BUSINESS RATEPAYERS

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

The total Non-Domestic Rateable Value at the 31st March 2012, was £111,713,122 (£112,081,371 - 31st March 2011).

The National Non-Domestic multiplier for the year was 43.3p (41.4p - 2010/2011).

The Small Business Rate Multiplier was 42.6p (40.7p - 2010/11).

## SPECIAL EXPENSES ACCOUNT

2010/11 £		2011/12	
		£	£
	<b>COALVILLE URBAN DISTRICT AREA</b>		
65,445	Balance brought forward	33,416	
666,938	Collection Fund Precept	404,496	
732,383			437,912
	<b>EXPENDITURE</b>		
203,812	Parks, Open Spaces & Allotments	791,613	
95,891	Burial Grounds	38,363	
64,614	Other Expenses	59,930	
67,000	R.C.C.O.	10,000	
10,000	Contribution to Improvement Fund	10,000	
(61,468)	Asset Management Revaluation Account	(63,432)	
270,515	Impairment	(468,482)	
26,392	Contribution to Ear-Marked Reserves	8,072	
676,756			386,064
<b>55,627</b>	Balance carried forward		<b>51,848</b>
	<b>HUGGLESCOTE</b>		
0	Balance brought forward	7,217	
0	Collection Fund Precept	67,774	
0			74,991
	<b>EXPENDITURE</b>		
0	Parks, Open Spaces & Allotments	48,606	
0	Burial Grounds	23,287	
0	Other Expenses	3,870	
0	Asset Management Revaluation Account	(10,820)	
0	Impairment	(946)	
0	Contribution to Ear-Marked Reserves	3,573	
0			67,570
<b>0</b>	Balance carried forward		<b>7,421</b>
	<b>WHITWICK</b>		
0	Balance brought forward	14,994	
0	Collection Fund Precept	165,820	
0			180,814
	<b>EXPENDITURE</b>		
0	Parks, Open Spaces & Allotments	129,864	
0	Burial Grounds	19,626	
0	Other Expenses	4,990	
0	Asset Management Revaluation Account	(3,002)	
0	Impairment	(4,110)	
0	Contribution to Ear-Marked Reserves	12,420	
0			159,788
<b>0</b>	Balance carried forward		<b>21,026</b>
	<b>COLEORTON PARISH AREA</b>		
1,137	Balance brought forward	941	
2,814	Collection Fund Precept	2,804	
3,951			3,745
	<b>EXPENDITURE</b>		
1,080	Parks & Open Spaces	1,130	
1,930	Burial Grounds	2,030	3,160
<b>941</b>	Balance carried forward		<b>585</b>
	<b>MEASHAM PARISH AREA</b>		
298	Balance brought forward	296	
1,718	Collection Fund Precept	1,725	
2,016			2,021
	<b>EXPENDITURE</b>		
1,720	Burial Grounds		1,800
<b>296</b>	Balance carried forward		<b>221</b>

## SPECIAL EXPENSES ACCOUNT CONT'D

2010/11 £		2011/12	
		£	£
	<b>STRETTON-EN-LE-FIELD</b>		
380	Balance brought forward	278	
1,198	Collection Fund Precept	1,255	
1,578			1,533
	<b>EXPENDITURE</b>		
1,300	Burial Grounds		1,290
<b>278</b>	Balance carried forward		<b>243</b>
	<b>OSGATHORPE</b>		
340	Balance brought forward	339	
319	Collection Fund Precept	328	
659			667
	<b>EXPENDITURE</b>		
320	Parks & Open Spaces		340
<b>339</b>	Balance carried forward		<b>327</b>
	<b>LOCKINGTON / HEMINGTON</b>		
1,091	Balance brought forward	1,162	
2,721	Collection Fund Precept	2,754	
3,812			3,916
	<b>EXPENDITURE</b>		
960	Parks & Open Spaces	1,010	
1,690	Burial Grounds	1,770	2,780
<b>1,162</b>	Balance carried forward		<b>1,136</b>
	<b>KEGWORTH</b>		
334	Balance brought forward	332	
378	Collection Fund Precept	372	
712			704
	<b>EXPENDITURE</b>		
380	Parks & Open Spaces		400
<b>332</b>	Balance carried forward		<b>304</b>
	<b>RAVENSTONE</b>		
267	Balance brought forward	273	
326	Collection Fund Precept	325	
593			598
	<b>EXPENDITURE</b>		
320	Parks & Open Spaces		340
<b>273</b>	Balance carried forward		<b>258</b>
	<b>OAKTHORPE &amp; DONISTHORPE</b>		
707	Balance brought forward	719	
3,532	Collection Fund Precept	3,524	
4,239			4,243
	<b>EXPENDITURE</b>		
3,520	Parks & Open Spaces		3,670
<b>719</b>	Balance carried forward		<b>573</b>

## GLOSSARY OF MAIN FINANCIAL TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

**EARMARKED RESERVE** – Money set aside for a specific purpose.

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

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

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

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

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

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

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

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

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

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

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

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

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

**IFRS** – International Financial Reporting Standards

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

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

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

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

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

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

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

**OUTTURN** - actual income and expenditure in a financial year.

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

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

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

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

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

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

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

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

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

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

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

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



## **COUNCIL'S VISION**

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

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

This document is available in other formats on request