



# Annual Statement of Accounts 2008 - 2009

# INDEX

	PAGE N°
Explanatory Foreword	1
Statement of Accounting Policies	6
Statement of Responsibilities for the Statement of Accounts	11
Core Accounting Statements	
Income & Expenditure Account	12
Statement of Movement of General Fund Balance	12
Statement of Total Recognised Gains & Losses	13
The Balance Sheet	14
Cash Flow Statement	15
Notes to the Core Financial Statements	16
Other Accounting Statements	
Housing Income & Expenditure Account	36
Statement of movement on the HRA Balance	37
Collection Fund	41
Special Expenses Accounts	43
Annual Governance Statement	45
Glossary of main financial terms	57

# EXPLANATORY FOREWORD

## 1 Introduction

The following pages summarise the financial activities of North West Leicestershire District Council for 2008/09.

The Council's Accounts have been produced in accordance with the Code of Practice on Local Authority Accounting 2008 – a Statement of Recommended Practice (SORP). Explanatory notes to the accounts have been included to give further information where appropriate. The layout of the accounts follows the recommendations of the SORP.

For 2008/09 the accounts consist of:

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

The “core” financial statements:

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

Other financial statements:

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

## 2 Changes to the Statement of Accounts introduced in the 2008 SORP

The 2008 SORP has introduced some changes in the layout and content of the Statement of Accounts. The main change has been how we account for assets and the defined benefit pension scheme (FRS 17).

### 3 Financial Summary 2008/09

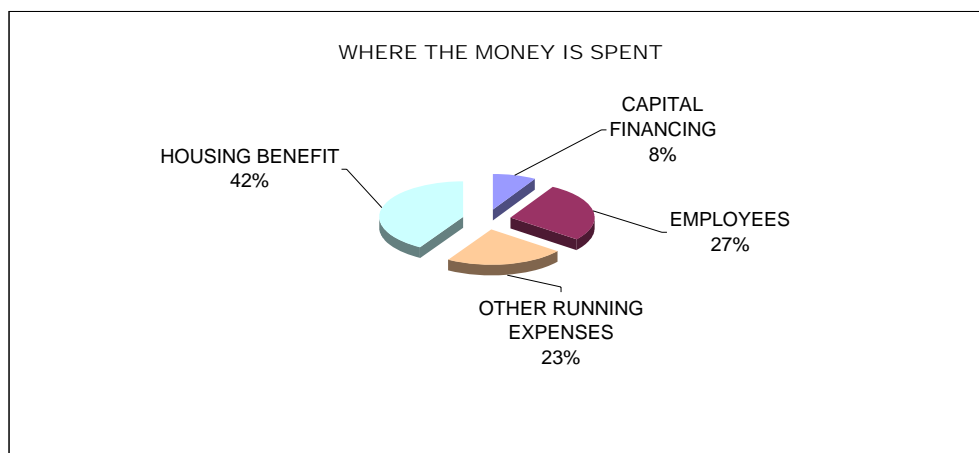
#### a) Revenue – General Fund

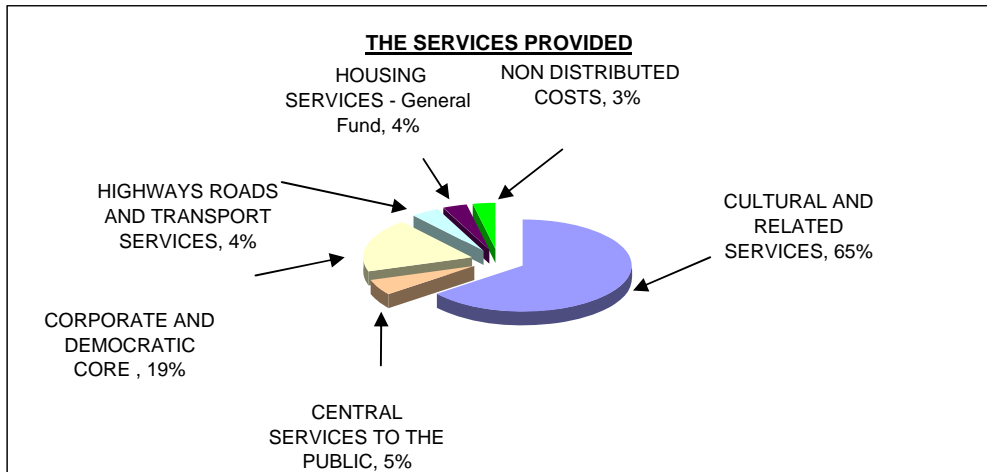
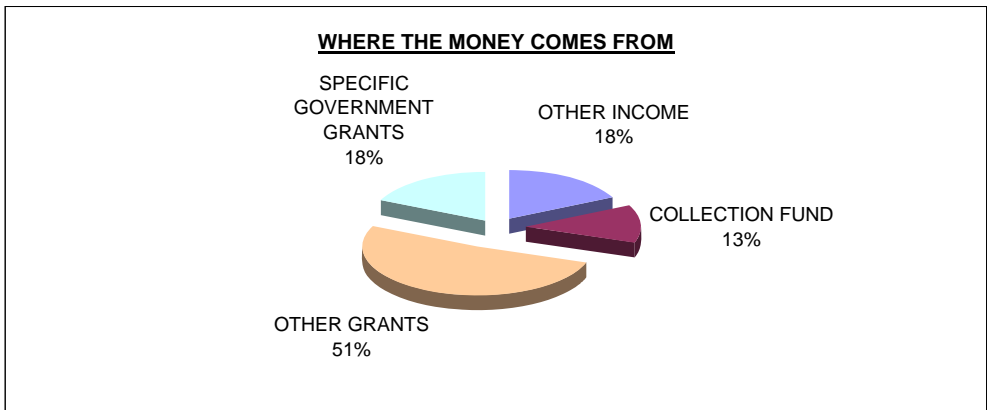
The General Fund summarises expenditure of the Council's main services which are paid for, in part by the Council Tax. A summary of general fund spending is set out below, showing that there was a small under spend of £19,000.

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000's	£000's	£000's
Net Expenditure on Services	<b>11,717</b>	<b>11,698</b>	<b>(19)</b>
<b>Funded by:-</b>			
Collection Fund Precept	4,827	4,827	<b>0</b>
Government Grants: RSG	841	841	<b>0</b>
NNDR	6,041	6,041	<b>0</b>
	<b>11,709</b>	<b>11,709</b>	<b>0</b>
Contribution from Other Funds (Net)	0	41	<b>41</b>
Balance for year - added to / (taken from) General Fund Reserves	(8)	11	<b>19</b>
Balance brought forward	792	792	0
<b>Balance carried forward</b>	<b>784</b>	<b>844</b>	<b>60</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 balance sheet note B14, page 30). A working balance of £844,000 was also carried forward.

The money is spent on employees (27%), capital financing (8%), council tax benefits and rent allowances payments (42%), and other running expenses (23%). It is paid for by specific government grants (18%), other grants (51%), income from the collection fund – business rates and council tax (13%), and income from fees and charges and other contributions (18%). The services provided are cultural and related services (65%), corporate & democratic core (19%), central services to the public (5%), highway, roads and transport services (4%), housing services (4%) and non-distributed costs (3%). The diagrams below summarise this:





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 deficit of £279,000, mainly as a result of a change in accounting practice for rent income and the funding of housing improvement works from earmarked reserves. This is summarised below:

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000's	£000's	£000's
Net Expenditure on Services	8,475	27,975	<b>19,500</b>
Housing subsidy paid to National Pool	4,405	4,406	<b>1</b>
<b>Total Expenditure</b>	<b>12,880</b>	<b>32,381</b>	<b>19,501</b>
<u>Funded by:-</u>			
Rent Income	12,880	12,624	<b>(256)</b>
Other	0	19,478	<b>19,478</b>
	<b>12,880</b>	<b>32,102</b>	<b>19,222</b>
<b>Net Operating Expenditure</b>	<b>0</b>	<b>279</b>	<b>279</b>
Balance b/f	822	618	(204)
Transfer to/from earmarked reserves	(204)	204	408
Funding of net operating expenditure		(279)	(279)
<b>Balance carried forward</b>	<b>618</b>	<b>543</b>	<b>(75)</b>

The Government's housing subsidy system meant that £4.406m was paid to the Government in 2008/09. A review of the subsidy system is currently being carried out by the Government. Actual figures also include an "impairment" charge of £20m which reflects the significant reduction in asset valuations at 31 March 2009.

c) Capital

The Council spent £1.89m on capital schemes in 2008/09. The main area of spending relates to improvements to Council houses. A summary is set out below:

	£000's	%
<b>HOUSING</b>		
Improvements & Modernisations	983	52.04
Housing Improvement Grants	583	30.86
<b>OTHER SERVICES</b>		
Parks & Recreation Grounds	135	7.15
IT & Software	69	3.65
Transport Account Vehicles	47	2.49
Replacement Telephony/Network Upgrade	25	1.32
Other Schemes	47	2.49
	<b>1,889</b>	<b>100.00</b>

The capital spending was paid for as follows:

<b>CAPITAL EXPENDITURE</b>	£000's	%
<b>FINANCED:</b>		
Unsupported Borrowing	122	6.46
Revenue	51	2.70
Contribution/Other	123	6.51
Grants	610	32.29
Major Repairs Allowance (Housing)	983	52.04
	<b>1,889</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 2009 total external debt was £15.637m (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 £251m as at 31/3/08, were valued at £226m as at 31/03/09, reflecting the significant fall in property prices during the course of the year.

#### 4 2008/09 - Commentary

- a) In last year's accounts I reported that in order to deliver the 2008/09 budget, the Council needed to:
- i) Closely manage financial risks, including uncertainties around Concessionary Travel costs and closely monitor spending during the year. (Note: financial risks were managed positively and general fund spending is within budget).
  - ii) Achieve efficiency savings and deliver improved services through an innovative service transformation programme. (Note: Further efficiency savings in excess of £500,000 were achieved).
  - iii) Maintain a prudent level of reserves and maintain a minimum working balance currently estimated at £585,000 (NB. Reserves stood at £792,000 at 31.03.08).
  - iv) Conclude the housing 'stock options' work and determine future ownership arrangements for our Council housing stock so that we can achieve the 'decent homes' standard. (Note: Following a housing 'test of opinion' the Council has decided to retain the Council housing stock).
- b) 2008/09 proved to be an extremely challenging financial year, with the UK economy falling into recession as a result of a collapse of confidence in the global banking system, the "credit crunch", escalating energy costs and a massive reduction in interest rates.

- c) The Council had to meet substantial additional costs in 2008/09, in addition to the efficiency savings of over £300,000 which were already identified during last year's budget process:
- Fuel and energy costs rose significantly (but should reduce in 2009) by around £160,000.
  - Income from industrial units fell significantly by around £80,000.
  - Building Control income reduced by approximately £66,000.
  - Concessionary travel costs continued to rise significantly, and in November 2008 the Council was notified that there could be additional costs in excess of £100,000 in 2008/09 and future years. Actual costs were £576,500 in 2007/08 and could be in excess of £800,000 in 2009/10, which would be more than the Government grant we receive, which is currently £795,000 in 2009/10.
- d) The Council acted positively to reduce its cost base, by deleting 2 heads of services posts and "freezing" a number of vacant posts. By taking prompt action to manage additional costs of almost £500,000 which could not have been foreseen, the general fund was within the approved budgets.

## 5 The Future

- a) The Council's general fund budget for 2009/10 was set at £11.954m, based on a 2% district council tax increase, the lowest in Leicestershire for the second year running, recognising the importance attached to protecting the interests of the local council tax payer.
- b) However, there are significant financial challenges to be faced by the Council over the medium term:
- Demand for Concessionary Travel is likely to cost the Council up to £200,000 more than originally estimated over the period April 2009 / March 2011, based on the latest estimates from Leicestershire County Council, and could increase further.
  - Income streams are likely to reduce as a result of the economic climate and these currently provide around £6m per year.
  - Housing benefit and homelessness expenditure will increase during a period of recession and tax collection rates could fall.
  - Internal priorities may require the allocation of additional resources e.g. recommendations from the recent Recycling Task and Finish Group.
  - New initiatives will have to be considered, such as the introduction of participatory budgeting.
  - Significant Investment is required to improve the Council's Housing Stock to meet the decent homes standard and a 5 year business plan is being prepared.
- c) The Council's Medium Term Financial Strategy (MTFS), updated in March 2009 recognises that we operate in a difficult financial environment, and that the economy has now moved into recession. A continued emphasis on effective planning and sound budgetary control is required to deliver further efficiency savings to meet the challenges that lie ahead, and enable the Council to deliver its priorities. It is clear that the general fund will face considerable financial pressures, as the opportunity to increase resources will be limited, and there are already additional spending requirements to accommodate. Annual savings of around £500,000 a year are likely to be required beyond 2009/10.
- d) Pension Fund net liabilities have increased from £6m on 1 April 2008 to £16.4m on 31 March 2009, reflecting the difficult financial conditions during the year. The deficit on the Fund will be made good by increased contributions.
- e) There are therefore, major challenges for future years. The Chancellor's budget statement on the 22 April 2009 announced significant additional public sector borrowing, and reductions in the growth of public sector spending. As a result the Council faces many years of spending restraint, and must therefore manage its finances prudently and efficiently, taking full account of financial risks.

## 6 Courtesies

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

Alan Davies  
Corporate Director  
S151 Officer

June 2009

# STATEMENT OF ACCOUNTING POLICIES

## 1 GENERAL

The general principles adopted in preparing this Statement of Accounts are those recommended in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain (the SORP 2008). The Statement of Accounts also complies with the CIPFA Best Value Accounting Code of Practice (the BVACOP 2008). Both the SORP and the BVACOP are recognised by statute as representing proper accounting practice.

## 2 CHANGES IN ACCOUNTING POLICIES

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

- Under the 2008 SORP the Council has adopted the amendment to FRS 17, Reteriment Benefits. As a result quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value.
- Also in accordance with recommended guidance the Housing Tenants Rent Income is now calculated on a daily basis compared to complete weeks in past years. This years Housing Revenue Account includes rent as and up to 31 March 2009.

## 3 ACCRUALS OF INCOME AND EXPENDITURE

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

### ***Customer and Client Receipts***

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

### ***Employee Costs***

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

### ***Interest***

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

### ***Supplies and Services***

Payments to creditors are included in the accounts where the payments relate to goods or services received prior to 1st April 2009. An exception to this relates to regular utility payments that are charged on the basis of the latest meter reading. This exception is applied consistently each year and therefore does not have a material effect on the accounts.

## 4 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### ***Contingent Liabilities***

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

### **Contingent Assets**

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

## **5 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS**

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

## **6 DISCONTINUED OPERATIONS**

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

## **7 FIXED ASSETS (TANGIBLE AND INTANGIBLE)**

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

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

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

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

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

Net current replacement cost is assessed as:

- non-specialised operational properties – existing value
- specialised operational properties – depreciated replacement cost
- properties and surplus assets – market value

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

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value, for example, as a result of obsolescence or physical damage. Where impairment is identified as part of the review or as a result of a valuation exercise, this is accounted for as follows:

- where a balance in respect of the asset is held in the Revaluation Reserve, charging the impairment to the reserve (to the extent that it is less than or equal to the pre-existing balance); or

- where this is no balance in respect of the asset in the Revaluation Reserve, or to the extent that the impairment amount exceeds any such balance, to the relevant service account.

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

## 8 DEPRECIATION AND IMPAIRMENT

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

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

## 9 CHARGES TO REVENUE FOR FIXED ASSETS

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

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

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

## 10 FIXED ASSETS - DISPOSALS

Amounts received from disposals of General Fund assets are credited to the Usable Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Council's borrowing requirement.

Amounts received from disposals of HRA assets are subject to the "Pooling of capital Receipts" process, whereby 50% of net receipts realised from the sale of land and 75% from the sale of dwellings is paid over to the Government's central pool for distribution to those authorities most in need.

## 11 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

## **12 STOCKS AND WORKS IN PROGRESS**

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

## **13 OVERHEADS**

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

## **14 RESEARCH AND DEVELOPMENT**

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

## **15 PROVISIONS (including provisions for bad and doubtful debts)**

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

## **16 RESERVES**

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

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

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

## **17 INVESTMENTS**

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

## **18 PENSION COSTS**

The Council makes contributions to the Leicestershire County Council Pension Fund, which is a defined benefit pension scheme. The Council's contributions to the Fund are based upon periodic actuarial valuations and set at a level sufficient to enable the fund to meet its accrued liabilities. The last formal valuation of the Fund was at 31st December, 2008. The Council's contributions are set as a percentage of pensionable pay and charged to service expenditure alongside employees pay.

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

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

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

## **19 VAT**

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

## **20 GOVERNMENT GRANTS**

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

## **21 POST BALANCE SHEET EVENTS**

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

## **22 FINANCIAL LIABILITIES**

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

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

## **23 FINANCIAL ASSETS**

### **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

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

## **The Authority's Responsibilities**

The Authority is required: -

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

## **The Responsibilities of the Corporate Director**

The Corporate Director is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2008 ('the Code of Practice').

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

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

The Corporate Director has also: -

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

I certify that the Statement of Accounts presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2009.

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A. Davies

Corporate Director & Section 151 Officer

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Date

## **Approval of the Accounts**

This Statement of Accounts was approved by the Corporate Governance Scrutiny Committee at its meeting on 25 June 2009.

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Councillor Tony Gillard  
Chairman

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Date

## INCOME AND EXPENDITURE ACCOUNT

2007/08		NOTES	2008/09		
Net Expenditure			Gross Expenditure	Income	Net Expenditure
£'000			£'000	£'000	£'000
767	Central Services to the Public	IE3	6,209	(5,491)	718
8,324	Cultural Environmental and Planning Services		13,467	(4,784)	8,683
737	Highways Roads and Transport		1,527	(967)	560
643	Housing Services - General Fund	IE3	14,013	(13,543)	470
319	Housing Services - HRA		32,851	(13,277)	19,574
2,352	Corporate & Democratic Core		2,792	(37)	2,755
40	Non Distributed Costs		552	0	552
<b>13,182</b>	<b>Net Cost of Services</b>	IE9	<b>71,411</b>	<b>(38,099)</b>	<b>33,312</b>
0	(Gains)/loss on disposal of fixed assets				(226)
1,070	Parish Council Precepts	IE1			1,108
34	Deficit/(Surplus) on Trading Accounts	IE7			1,115
932	Interest Payable and Similar Charges (Including premiums)				922
792	Contribution of Housing Capital Receipts to Pool				653
(457)	Interest & Investment Income				(637)
(375)	Pension Interest Loss & Return on Pension Assets	IE9			248
<b>15,178</b>	<b>Net Operating Expenditure</b>				<b>36,495</b>
(6,387)	Demand on Collection Fund				(6,597)
(147)	Local Authority Business Growth Incentive				0
(961)	General Government Grants				(863)
(5,730)	Non-Domestic Rate Distribution				(6,041)
<b>1,953</b>	<b>Deficit for Year</b>				<b>22,994</b>

\* Notes to the Core Accounting Statements are now grouped together starting at page 16

### STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007/08		NOTES	2008/09	
Net Expenditure				Net Expenditure
£'000			£'000	£'000
1,953	Deficit on Income and Expenditure Account		22,994	
(1,905)	Net Additional Adjustments (see Table of Reconciliation)		(23,063)	
<b>48</b>	<b>General Fund (Surplus)/Deficit for the Year</b>			(69)
	<b>Balances brought forward 1st April 2008</b>			
(779)	General Fund		(793)	
(105)	Special Expenses		(42)	
				(835)
(835)				(904)
	<b>Balances carried forward at 31st March 2009</b>			
(793)	General Fund			(844)
(42)	Special Expenses			(60)
<b>(835)</b>				<b>(904)</b>

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

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

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

## RECONCILIATION OF MOVEMENT ON GENERAL FUND

	2007/08 £'000	2008/09 £'000
<b>Included in the Income &amp; Expenditure Account Not Affecting General Fund Balance</b>		
Depreciation and Impairment on Fixed Assets	(858)	(24,013)
Government Grants Deferred - Amortisation	145	145
Revenue expenditure funded from capital under statute	(177)	(44)
HRA depreciation in excess of major repairs allowance	(1,012)	258
Profit/loss on Fixed Asset Disposal	0	226
FRS 17 Reversal of Pensions	1,894	1,851
Effective Interest Rate	(138)	(123)
<b>Sub Total</b>	<b>(146)</b>	<b>(21,700)</b>
<b>Not Included in the Income &amp; Expenditure Account Affecting General Fund Balance</b>		
Minimum Revenue Provision	553	517
Revenue Contributions to Capital Spending	165	51
Housing Capital Receipts Pooling Payment	(793)	(653)
FRS 17 Employer Contributions	(1,552)	(1,986)
<b>Sub Total</b>	<b>(1,627)</b>	<b>(2,071)</b>
<b>Other Items Required to be Taken Into Account</b>		
HRA Balances	202	(279)
Transfers to and From Reserves	(334)	987
<b>Sub Total</b>	<b>(132)</b>	<b>708</b>
<b>Total Adjustments (see movement in General Fund Balance)</b>	<b>(1,905)</b>	<b>(23,063)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

2007/08 £000		2008/09 £000
(1,953)	(Deficit) on the Income and Expenditure Account	(22,994)
3,137	Asset Revaluation Amount	87
2,104	Change in Pension Liabilities	(10,278)
(1,632)	Change In Premiums Adj	0
143	Other Changes in Net Worth	(142)
1,799	<b>Change in Net Worth</b>	<b>(33,327)</b>
	<b>Balance Sheet</b>	
227,212	Opening Total Assets Less Liabilities	229,011
229,011	Closing Total Assets Less Liabilities	195,684
1,799	<b>Change in Net Worth</b>	<b>(33,327)</b>

**BALANCE SHEET  
AS AT 31ST MARCH 2009**

2007/08		NOTES	2008/09	
£'000			£'000	£'000
	<b>Fixed Assets</b>			
253	Intangible Fixed Assets		272	
	Tangible Fixed Assets			
	Operational assets:-			
220,876	Council Dwellings (inc garages)		198,402	
28,502	Other Land & Building		25,682	
118	Community Assets		118	
23	Infrastructure Assets		23	
1,414	Vehicles, Plant & Equipment		1,260	
	Non-Operational Assets:-			
14	Assets under construction		30	
251,200	<b>Total Fixed Assets</b>	B1		225,787
34	Long Term Debtors	B2		37
251,234	<b>TOTAL LONG TERM ASSETS</b>			225,824
	<b>Current Assets</b>			
2,870	Investments	B3	7,557	
135	Stock & W.I.P.	B4	107	
3,439	Debtors	B5	3,433	
482	Cash and Bank		174	
6,926	<b>Total Current Assets</b>			11,271
	<b>Current Liabilities</b>			
(3,672)	Creditors	B6	(5,227)	
(3,672)	<b>Total Current Liabilities</b>			(5,227)
254,488	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			231,868
(15,966)	Long-Term Borrowing	B7	(16,108)	
(6,061)	Liability related to Defined Benefit Pension Scheme	B13	(16,411)	
(2,892)	Deferred Government Grants		(2,805)	
(349)	Capital Grants Unapplied		(663)	
(209)	Deferred Liabilities	B7	(197)	
				(36,184)
229,011	<b>TOTAL ASSETS LESS LIABILITIES</b>			195,684
	<b>FINANCED BY:-</b>			
3,166	Revaluation Reserve	B14	3,227	
228,479	Capital Adjustment Account	B14	203,506	
(1,885)	Financial Instrument Adjustment Account		(1,869)	
597	Usable Capital Receipts	B14	566	
410	Major Repairs Reserve	B14	2,098	
22	Deferred Capital Receipts	B14	12	
	Reserves:-			
(6,061)	Pension Reserve		(16,411)	
268	Capital Reserve	B14	202	
110	Collection Fund Balance	B15	(21)	
2,148	General Fund Earmarked Reserve	B14	2,642	
67	H.R.A. Earmarked Reserve	B14	247	
34	D.L.O. Earmarked Reserve	B14	38	
	Revenue Balances:-			
792	General Fund		844	
822	H.R.A.		543	
42	Special Expenses		60	
229,011	<b>NET WORTH</b>	B22		195,684

## CASH FLOW STATEMENT

2007/08			Notes	2008/09	
£000's	£000's			£000's	£000's
		<b>REVENUE ACTIVITIES</b>			
		<b>Cash Outflows</b>			
14,939		Cash paid to and on behalf of employees		15,648	
793		Payments to Capital Receipts Pool		653	
14,600		Other Operating Cash Payments		17,921	
11,770		Housing Benefits Paid Out		6,338	
35,687		Precepts paid out		37,773	
40,848		Non-Domestic Rate payments to National Pool		42,271	
	118,637				120,604
		<b>Cash Inflows</b>			
(7,382)		Rents (after rebates)		(6,969)	
(37,662)		Council Tax Income		(39,679)	
(39,981)		Local Non-Domestic Rate Income		(44,325)	
(5,730)		Non-Domestic Rate Receipts from National Pool		(6,041)	
(17,338)		DWP grants for benefits	CF5	(17,907)	
(1,448)		Government Grants	CF5	(1,760)	
(10,344)		Cash received from goods and services		(6,170)	
(2,280)		Other Operating cash receipts		(2,820)	
	(122,165)				(125,671)
	(4,072)	<b>Revenue Activities Net Cash Inflow</b>	CF1		(5,067)
		<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
		<b>Cash Outflows</b>			
656		Interest paid		661	
		<b>Cash Inflow</b>			
(611)		Interest received		(696)	
	45	<b>Servicing of Finance Net Cash Outflow</b>			(35)
		<b>CAPITAL ACTIVITIES</b>			
		<b>Cash Outflows</b>			
4,522		Purchase of Fixed Assets		1,348	
		<b>Cash Inflows</b>			
(1,249)		Sale of Fixed Assets		(568)	
0		Capital Grants Received		0	
(44)		Other Capital Cash Receipts		(69)	
(1,293)				(637)	
	3,229				711
	0	<b>ACQUISITIONS and DISPOSALS</b>			0
	(798)	<b>Net Cash (Inflow) / Outflows Before Financing</b>			(4,391)
		<b>MANAGEMENT OF LIQUID RESOURCES</b>			
	(130)	Net increase/(decrease) in short term deposits	CF3		4,687
		<b>FINANCING</b>			
		<b>Cash Outflow</b>			
376		Repayments of amounts borrowed		12	
		<b>Cash Inflow</b>			
0		New Loans raised		0	
	376	<b>Net Cash (inflows) / outflows from Financing</b>	CF4		12
	(8)	<b>(Increase) / Decrease in Cash</b>	CF2		308

## NOTES RELATING TO THE INCOME & EXPENDITURE ACCOUNT

### IE1 DISTRICT EXPENDITURE REQUIREMENT

The District budget requirement for the year was £11,709,264 (£11,449,243 - 2007/08) . The District precept was £4,821,280 (£4,703,529 - 2007/08). The Special Expenses precept for the year was £660,933 (£642,113 - 2007/08), whilst the Parish precept was £1,108,214 (£1,069,509 - 2007/08).

### IE2 LOCAL GOVERNMENT ACT 2000/S137 LOCAL GOVERNMENT ACT 1972

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well-being in their area. Expenditure amounted to £102,017 in 2008/09. (£97,467 - 2007/08). It is mostly used to provide grants to the voluntary sector serving the community within the District.

### IE3 REIMBURSEMENT OF HOUSING BENEFIT

Includes Housing Benefit administered by the Council. The cost of all rebates (rent and council tax) is mostly reimbursed by Government. The net cost to the General Fund is £31,829 (£92,270 - 2007/08).

### IE4 ADVERTISING & PUBLICITY

Section 5 of the Local Government Act 1986 requires the Council to keep a separate account of their expenditure on advertising and publicity. During the year the following expenditure was incurred: -

<b>ADVERTISING &amp; PUBLICITY EXPENSES</b>	<b>2007/08 £000's</b>	<b>2008/09 £000's</b>
Recruitment & Advertising	113	18
Other Advertising	44	31
Civic Newsletter	58	54
Publicity & Promotion	49	25
<b>TOTAL</b>	<b>264</b>	<b>128</b>

### IE5 BUILDING CONTROL ACCOUNT

The Building Control (Local Authority Charges) Regulations 1998 came into force on 1 April 1999. The regulations require local authorities to prepare systems within which they will determine and recover charges for the performance of the prescribed building regulation control functions.

The statement below shows the total cost of the Building Control function split between the fee earning and non-fee earning work. The statement shows that over the past three-year period of the scheme's operation, sufficient income has been recovered from the fee earning work.

<b>BUILDING CONTROL</b>	<b>2006/07 £000's</b>	<b>2007/08 £000's</b>	<b>2008/09 £000's</b>	<b>3 Year Total £000's</b>
<b><u>FEE EARNING WORK</u></b>				
Expenditure	227	227	238	692
Fee Income	(242)	(274)	(203)	(719)
<b>(SURPLUS) / DEFICIT</b>	<b>(15)</b>	<b>(47)</b>	<b>35</b>	<b>(27)</b>
<b><u>NON FEE EARNING WORK</u></b>				
Expenditure	141	159	160	460
Fee Income	(7)	(2)	(27)	(36)
<b>(SURPLUS) / DEFICIT</b>	<b>134</b>	<b>157</b>	<b>133</b>	<b>424</b>
<b>TOTAL (SURPLUS) / DEFICIT</b>	<b>119</b>	<b>110</b>	<b>168</b>	<b>397</b>

## IE6 AGENCY SERVICES

The Council, in partnership with Leicestershire County Council carries out the Decriminalised Parking Enforcement throughout North West Leicestershire which cost £154,216.

## IE7 TRADING OPERATIONS

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

<b>TRADING OPERATIONS</b>	<b>2007/08 £000's</b>	<b>2008/09 £000's</b>
<b><u>INDUSTRIAL UNITS</u></b>		
Expenditure	564	1,301
Income from Rents	(733)	(724)
(Surplus) / Deficit	(169)	577
<b><u>MARKET UNDERTAKINGS</u></b>		
Expenditure	243	555
Income from Rents	(166)	(147)
(Surplus) / Deficit	77	408
<b>TOTAL (SURPLUS) / DEFICIT</b>	<b>(92)</b>	<b>985</b>

2008/09 includes impairment charges of £1,014,497 (£696,797 Industrial Units, £317,700 Market). No impairment charges were made in 2007/08.

Additional Internal Trading Accounts are maintained for support services provided in a limited internal market. The unallocated balance on these accounts at the year end was £130,079 (£125,979 07/08).

## IE8 LEASES

The Council's practice is generally to acquire the use of vehicles and equipment through operating leases. The capital value of new operating leases this year was £476,248 (2007/08 - £612,395) and the total capital value of lease agreements at 31st March was £2,519,821 (2007/08 - £2,258,924). Lease rentals and hire purchase payments charged to revenue accounts during the year amounted to £491,202 (2007/08 - £521,036).

The Authority is committed to making payments of £520,292 under operating leases in 2009/10 comprising the following elements:

	<b>£000's</b>
Leases expiring in 2009/2010	0
Leases expiring between 2010/2011 and 2013/2014	430
Leases expiring after 2013/2014	90

## IE9 PENSIONS

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

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

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

	2007/08	2008/09
	£000's	£000's
<b>Net Cost of Services</b>		
■ current service cost	1,764	1,233
■ Past service costs	0	505
■ curtailments	31	0
	1,795	1,738
<b>Net Operating Expenditure</b>		
■ interest cost	3,208	3,766
■ expected return on assets in the scheme	(3,583)	(3,518)
	(375)	248
<b>Amount charged to Income and Expenditure Account</b>	1,420	1,986
<b>Amounts to be met from Government Grants and Local Taxation</b>		
■ movement on pension reserve	(59)	(92)
<b>Actual amount charged against General Fund &amp; HRA for pensions in the year:</b>		
■ employers' contributions payable to the scheme	1,624	1,822
■ unfunded discretionary benefit payments	90	92

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

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

## IE10 OFFICERS EMOLUMENTS

Remuneration Band	2007/08	2008/09	
		No of Employees	Left During Yr
£50,000 - £59,999	5	5	1
£60,000 - £69,999	1	1	0
£70,000 - £79,999	1	2	0
£80,000 - £89,999	-	1	0
£90,000 - £99,999	1	0	0
£100,000 - £109,999	0	0	0
£110,000 - £119,999	0	1	0
£120,000 - £129,999	1	0	0

## IE11 MINIMUM REVENUE PROVISION

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

	2007/08	2008/09
	£000's	£000's
Non Housing Amount	567	517
Less Commutation Adjustment	(14)	0
<b>Minimum Revenue Provision charged to I &amp; E Account</b>	<b>553</b>	<b>517</b>

## IE12 MEMBERS' ALLOWANCES

The total value of Members Allowances paid during the year was £250,810 (£230,505– 2007/08).

## IE13 LOCAL AUTHORITY (GOODS AND SERVICES ACT) 1970

The Council is empowered by this Act to provide goods and services to other public bodies. The Council provides grounds maintenance and street cleansing services to parish councils. The income from these services amounted to £4,671 in 2008/09, (£7,228 - 2007/2008).

## IE14 AUDIT COSTS

In 2008/2009 North West Leicestershire District Council incurred the following fees relating to external audit and inspection.

	2007/08	2008/09
	£000's	£000's
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	120	111
Fees payable to the Audit Commission in respect of statutory inspection	16	9
Fees payable to the Audit Commission for the certification of grant claims and returns	42	39
Fees payable in respect of other services provided by the appointed auditor	1	3
	<b>179</b>	<b>162</b>

## IE15 RELATED PARTY TRANSACTIONS

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

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

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

During the year transactions with related parties arose as follows:

	Receipts	Payments
	£000's	£000's
Central Government		
Revenue Grants (Benefits/RSG/other grants)	19,027	
Capital Grants (Improvement Grants)	640	
Leicestershire County Council - Precept		31,254
Leicestershire Fire and Rescue		1,545
Leicestershire Police - Precept		4,974

Government Grants are analysed in note CF5, page 35.

## IE16 PRIOR YEAR ADJUSTMENTS

The Council has adopted the amendment to FRS 17, Reteriment Benefits under SORP 2008. As a result quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value. This has increased the Council Pensions Liabilities to £6.061m from £5.800m as at the end of 31st March 2008.

## IE17 STATEMENT OF ACCOUNTS AUTHORISATION

The Statement of Accounts were authorised for issue to Corporate Governance Scrutiny Committee on the 19th June 2009 by the Corporate Director. All financial events up to and including this date have been considered in these accounts. The Statements were issued subject to audit at this date.

## NOTES RELATING TO THE BALANCE SHEET

### B1 FIXED ASSETS

<b>Operational Assets</b>	<b>Council Dwellings £' 000</b>	<b>Other Land &amp; Building £' 000</b>	<b>Vehicles, Plant &amp; Equipment £' 000</b>	<b>Community Assets £' 000</b>	<b>Infrastructure Assets £' 000</b>	<b>Assets Under Construction £' 000</b>	<b>Authority's Balance Sheet £' 000</b>	<b>Intangible Assets £' 000</b>
<b>Cost or Valuation</b>								
At 1 April 2008	220,876	30,935	2,401	118	23	14	254,367	352
Additions/Capex	983	41	187	0	0	16	1,227	69
Disposals	(342)	0	0	0	0	0	(342)	0
Capex Non Enhancing Value	(983)	0	0	0	0	0	(983)	0
Revaluations	(22,132)	(5,294)	0	0	0	0	(27,426)	0
At 31 March 2009	198,402	25,682	2,588	118	23	30	226,843	421
<b>Depreciation &amp; Impairments</b>								
At 1 April 2008	0	2,433	987	0	0	0	3,420	99
Charge for 2008/09	2,413	489	341	0	0	0	3,243	50
Disposals		0	0	0	0	0	0	0
Revaluations	(2,413)	(2,922)	0	0	0	0	(5,335)	0
At 31 March 2009	0	0	1,328	0	0	0	1,328	149
<b>Balance Sheet as at 31 March 2009</b>	<b>198,402</b>	<b>25,682</b>	<b>1,260</b>	<b>118</b>	<b>23</b>	<b>30</b>	<b>225,515</b>	<b>272</b>
<b>Balance Sheet as 1st April 2008</b>	<b>220,876</b>	<b>28,502</b>	<b>1,414</b>	<b>118</b>	<b>23</b>	<b>14</b>	<b>250,947</b>	<b>253</b>

## B1 FIXED ASSETS

### Fixed Assets Valuation

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

- (i) Operational assets are included in the balance sheet at open market value in existing use or depreciated replacement cost where the asset is of a specialist nature, i.e. there is no market for such an asset.
- (ii) Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at open market value. The Council does not hold any Non Operational Assets as at 31st March 2009
- (iii) Infrastructure and community assets are included in the balance sheet at historic cost, net of any depreciation.
- (iv) Council dwellings have been valued using the beacon principal, where a typical property is valued as being representative of a particular house type and location. The valuation for each of the beacon properties selected was on the basis of existing use value – Social Housing.

A Full Valuation of all the Authority's Land and Building & Housing Stock was undertaken by Mr J Leney (MRICS) as at 1st April 2009 resulting in a decrease in the Councils Housing stock of £20.51m and Other Land and Buildings of £2.372m. These valuations were undertaken by Mr J Leney (MRICS), Head of Property, Charnwood Borough Council. The following statement shows when the values of assets were updated as a result of a desktop review.

Category	Date of Last Valuation	Basis of Valuation	Details of Valuers
Council Dwellings	01.04.09	The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered Surveyors. In the case of housing stock this is based upon Existing Use Value for Social Housing.	Mr J Leney (MRICS), Head of Property, Charnwood Borough Council.
Other Land & Building	01.04.09	The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered Surveyors.	Mr J Leney (MRICS), Head of Property, Charnwood Borough Council.

Capital expenditure and financing is as follows: -

2007/08 £000's		2008/09 £000's
17112	<b>Opening Capital Financing Requirement</b>	16,673
	Capital Investment:	
2575	Operational assets	1,305
	Non-operational assets	
544	Revenue Expenditure Funded from Capital Under Statute	583
	Sources of Finance:	
-75		
(586)	Government grants and other contributions	(733)
(2,897)	Revenue provision	(1,549)
16673	<b>Closing Capital Financing Requirement</b>	16,279
	Explanation of movements in the year	
(439)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(394)
(439)	<b>Increase/(decrease) in Capital Financing Requirement</b>	(394)

Major fixed assets held at 31st March 2009, are:-

	No.
<b>LEISURE SERVICES</b>	
Leisure Centres with Pools	2
Markets	1
Cemeteries	4
<b>COUNCIL DWELLINGS</b>	
Houses	2,662
Flats & Maisonettes	1,022
Bungalows	812
<b>LAND</b>	
Parks & Open Spaces (acres)	115
<b>OTHER</b>	
Office Properties	1
Depots	3
Off Street Car Parks	19
Public Conveniences	11
Industrial Estates / Business Units	9

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

### Revenue Expenditure Funded from Capital Under Statute

	£000's
<b>Balance 1 April 2008</b>	0
<b>EXPENDITURE</b>	
Private Sector Grants	583
	<b>583</b>
<b>INCOME</b>	
Grants	539
Amount Written off to Revenue Accounts	44
	<b>583</b>

### Long-Term Debtors

2007/08		2008/09
£000's		£000's
22	Sale of Council Houses	12
12	Officers Car Loans	25
<b>34</b>		<b>37</b>

## B3 INVESTMENTS

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

The short term investment of £7,557,366 was with Alliance & Leicester Commercial Bank.

This investment was held in a call account overnight and repaid on 1 April 2009.

The investment of all surplus funds is managed internally.

## B4 STOCKS & WORK IN PROGRESS

2007/08		2008/09
£000's		£000's
	<b>STOCK</b>	
92	Central Stores	68
43	Other	39
<b>135</b>		<b>107</b>

## B5 DEBTORS

2007/08		2008/09
£000's		£000's
486	DCLG - NNDR Pool	0
9	DWP - Housing Benefits	468
1,899	Council Tax Payers	1,875
504	NNDR Payers	1,239
100	Customs & Excise	132
498	Rent Arrears	332
1,536	General	1,775
59	Rechargeable Works	105
	Provision for Doubtful Debts:-	
(273)	Housing Rents	(274)
(52)	Rechargeable Repairs	(91)
(50)	General	(351)
(1,277)	Collection Fund	(1,777)
<b>3,439</b>		<b>3,433</b>

### Payments in Advance

These are included in the General Debtors figure above and arise during the course of a financial year when it is normal for an authority to have paid in advance for the provision of a service(s). The value of those services paid in advance at the year end was £250,272 (2007/08 - £226,960), the main contributor being leasing payments to the value of £216,264 (2007/08 - £179,183).

## B6 CREDITORS

2007/08		2008/09
£000's		£000's
319	Inland Revenue	302
636	Council Tax Payers	683
433	NNDR Payers	569
77	Rents	129
43	CLG - NNDR Pool	1,813
2,164	General	1,731
<b>3,672</b>		<b>5,227</b>

### Receipts in Advance

These are included within the General Creditors figure on the previous page and arise when funding of future years services is received in advance. They tend to be few in nature, the figure for the year being £24,856 - (2007/08 - £61,312).

## B7 LONG-TERM BORROWING & DEFERRED LIABILITIES

### Long-Term Borrowing

2007/08	Source	Rates Payable	2008/09
£000's			£000's
6,091	P.W.L.B.	4.15% - 5.75%	6,091
9,875	Other Institutions	2.65% - 7.99%	10,017
<b>15,966</b>			<b>16,108</b>

### Deferred Liabilities

2007/08	Source	2008/09
£000's		£000's
209	Earmarked	197
<b>209</b>		<b>197</b>

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

2007/08	Period of Maturity	2008/09
£000's		£000's
0	Maturity in 1 year	0
0	Maturity in 1 - 2 years	0
0	Maturity in 2 - 5 years	0
1,130	Maturity in 5 - 10 years	1,000
15,045	Maturity in over 10 years	15,305
<b>16,175</b>		<b>16,305</b>

## B8 DEFERRED CAPITAL RECEIPTS

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

## B9 CONTINGENT ASSETS AND LIABILITIES

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

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

## B10 INSURANCE

The value of claims outstanding at 31st March 2009, with Zurich Municipal was £661,489 (2007/08 - £376,754). This sum represents the value placed on the claims by the Council's insurer for those claims still to be settled.

## B11 THE EURO

The adaptation of operational and information systems to accommodate the Euro will be required if Britain decides to join the European Monetary Union. No material preparation costs were incurred during the year.

## B12 POST BALANCE SHEET EVENTS

There are no post balance sheet events to report for the 2008/2009 Accounts.

## B13 DISCLOSURE OF NET PENSIONS ASSET/LIABILITY

Note IE9 to the Income & Expenditure Account contains details of the Authority's participation in the Local Government Pension Scheme (LGPS), administered by Leicestershire County Council.

Employers Membership Statistics

	Average Age	Number		Total Salaries/Pension £'000	
	31 March 2007	31 March 2007	25 Feb 2009	31 March 2007	31 March 2009
Actives	49	503	533	9,094	10,244
Deferred Pensioners	47	230	292	414	*
Pensioners	66	320	340	1,603	*

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

## PAYROLL

Period	Assumed Total Pensionable Payroll based on Contribution information provided
1 April 08 to 31 March 09	£10,296,000
1 April 09 to 31 March 10	£10,244,000

## INVESTMENT RETURNS

The return on the fund in market value terms for the year to 31 March 2009 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 2008 to 28 February 2009	(27.6%)
Estimated Return for Period from 1 April 2008 to 31 March 2009	(24.8%)

The return for the period from 1 April 2008 to 28 February 2009 is based on actual returns to 31 Dec 2008 and estimated returns thereafter, as provided by the Administering Authority.

## UNFUNDED BENEFITS

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

LGPS Unfunded Pensions	Number at 28 Feb 2009	Annual Unfunded Pensions (£'000)
Male	47	70
Female	4	3
Dependants	31	23
<b>TOTAL</b>	<b>82</b>	<b>96</b>

## ASSETS AND LIABILITIES IN RELATION TO RETIREMENT BENEFITS

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

	31st March 2008 £000's	31st March 2009 £000's
Estimated Liabilities in scheme (includes Discretionary Unfunded Benefits in 2006)	(54,471)	(53,167)
Estimated Assets in scheme	48,410	36,756
<b>Net Asset / (Liability)</b>	<b>(6,061)</b>	<b>(16,411)</b>

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £16.411m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a reduction in net worth to £196m. 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 2007.

The main assumptions used in their calculations have been:

<b>Assumptions</b>	<b>2007/08</b>	<b>2008/09</b>
Rate of inflation	3.6%	3.1%
Rate of increase in salaries	5.1%	4.6%
Rate of increase in pensions	3.6%	3.1%
Rate of discounting scheme liabilities (NB Based on 3.5% real)	6.9%	6.9%

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.

<b>Assets Authority Share</b>	<b>31st March 2008</b>			<b>31st March 2009</b>		
	<b>Value £</b>	<b>Asset Distribution %</b>	<b>Long Term Return %</b>	<b>Value £</b>	<b>Asset Distribution %</b>	<b>Long Term Return %</b>
Equities	35,830	74.0	7.7	29,037	79.0	7.0
Bonds	7,921	16.4	5.7	3,308	9.0	5.4
Property	3,894	8.0	5.7	4,411	12.0	4.9
Cash	765	1.6	4.8	0	0.0	4.0
	<b>48,410</b>	<b>100.0</b>	<b>7.2</b>	<b>36,756</b>	<b>100.0</b>	<b>6.6</b>

#### Reconciliation of Present Value of the Scheme Liabilities

<b>YEAR ENDED</b>	<b>31 March 2008 £ '000</b>	<b>31 March 2009 £ '000</b>
Opening Defined Benefit Obligation	59,226	54,471
Current Service cost	1,764	1,233
Interest cost	3,208	3,766
Contributions by Members	579	653
Actuarial losses/(Gains)	(8,318)	(5,277)
Past service costs/(Gains)	0	505
Losses/(Gains) on Curtailments	31	0
Estimated Unfunded Benefits Paid	(90)	(92)
Estimated Benefits Paid	(1,929)	(2,092)
	<b>54,471</b>	<b>53,167</b>

## Reconciliation of fair value of employer assets

YEAR ENDED	31/03/2008 £ '000	31/03/2009 £ '000
Opening Fair Value of Employer Assets	50,495	48,410
Expected Return on Assets	3,583	3,518
Contributions by Members	579	653
Contributions by the Employer	1,624	1,822
Contributions in respect of Unfunded Benefits	90	92
Actuarial losses/(Gains)	(5,942)	(15,555)
Assets Distributed on Settlements	0	0
Assets Acquired in a Business Combination	0	0
Exchange Differences	0	0
Estimated Unfunded Benefits Paid	(90)	(92)
Estimated Benefits Paid	(1,929)	(2,092)
	48,410	36,756

## Scheme History

### Amounts for the current and previous accounting periods

YEAR ENDED	31/03/05 £' 000	31/03/06 £' 000	31/03/07 £' 000	31/03/08 £' 000	31/03/09 £' 000
Fair Value of Employer Assets	36,490	46,000	50,495	48,410	36,756
Present Value of Defined Benefit Obligation	(48,400)	(58,600)	(59,226)	(54,471)	(53,167)
Surplus/(Deficit)	(11,910)	(12,600)	(8,731)	(6,061)	(16,411)
Experience Gains/(Losses) on Assets	1,230	6,400	651	(5,942)	(15,555)
Experience Gains/(Losses) on Liabilities	910	20	(151)	(2,157)	101
Experience Gains/(Losses) on Assets %	3.4%	13.9%	1.3%	-12.3%	-42.3%
Experience Gains/(Losses) on Liabilities %	-1.9%	0.0%	0.3%	4.0%	-0.2%

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

YEAR ENDED	31/03/05 £' 000	31/03/06 £' 000	31/03/07 £' 000	31/03/08 £' 000	31/03/09 £' 000
Actuarial Gains/(Losses)	(6,130)	(480)	4,402	2,376	(10,278)
Increase/(Decrease) in Irrecoverable Surplus from Membership fall and other factors					
Gains/(Losses) recognised in STRGL	(6,130)	(480)	4,402	2,376	(10,278)
Cumulative Actuarial Gains and Losses	(6,130)	(6,610)	(2,208)	168	(10,110)

## B14 RESERVES & PROVISIONS

	Balance 1st April 2008	Movements In	Movements Out	Balance 31st March 2009
	£000's	£000's	£000's	£000's
Usable Capital Receipts	597	636	(667)	566
Revaluation Reserve	3,166	3,052	(2,991)	3,227
Capital Adjustment Account	228,479	3,653	(28,400)	203,732
Major Repairs Reserve	410	2,677	(989)	2,098
Deferred Capital Receipts	22	0	(10)	12
Capital Reserve	268	24	(90)	202
Housing Revenue Account	67	194	(14)	247
D.L.O. - General Reserves	34	4	0	38
	233,043	10,240	(33,161)	210,122
<b>General Fund Earmarked Reserves</b>				
General Reserves	784	553	(334)	1,003
Housing & Planning Delivery Grant	277	109	(93)	293
Coalville Project	70	120	(62)	128
Refuse Contingency	14	0	(14)	0
Regeneration Funds	45	17	(22)	40
Initiative Funds & Other Reserves	3	0	0	3
Leisure Strategy / Project Grants	62	37	(7)	92
Insurance Funds	20	0	0	20
Hermitage Recreation Ground Fund	50	0	0	50
Asset Protection Fund	332	113	(60)	385
VAT Liability Reserve	55	40	(48)	47
Planning - Contingency Fund	40	79	(119)	0
Local Development Framework	20	0	(20)	0
Business Units Maintenance Funds	235	87	(18)	304
Ivanhoe ATP - Sinking Fund	76	19	0	95
Other Provisions	65	120	(3)	182
	2,148	1,294	(800)	2,642
	<b>235,191</b>	<b>11,534</b>	<b>(33,961)</b>	<b>212,764</b>

## B15 COLLECTION FUND BALANCE

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

## B16 FINANCIAL INSTRUMENTS

NWLDC holds two LOBO loans with a total value of £7.44m. 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 increases 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 £7.959m as a result. From 2009/10 onwards, the carrying value in the balance sheet will diminish, as the interest paid in real terms is higher than the EIR recorded in the Income and Expenditure Account.

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

## B17 FINANCIAL INSTRUMENTS BALANCES

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

	2007/08	2008/09
	£'000	£'000
<b>FINANCIAL LIABILITIES</b>		
Financial Liabilities at Amortised Cost	19,739	17,965
<b>LOANS AND RECEIVABLES</b>		
Loans and Receivables	7,061	9,930

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

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

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

The Fair Values are calculated are as follows:

	2007/08		2008/09	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities	19,739	20,224	17,965	18,474
Loans and Receivables	7,061	7,061	9,930	9,930

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

## B18 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.

## **B19 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 approximately one third 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 £1,774,258 of General Debtors, for which a provision for doubtful debts of £350,5520 has been made in relation to Sundry Debtors of £1,124,912.

### **Liquidity Risk.**

As the Authority has ready access to funds from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replace a significant proportion of its borrowings at a time of unfavourable interest rates. The Council's strategy is to ensure an even maturity debt profile to mitigate against this risk. The maturity profile is shown in note B7 on page 26.

### **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.

## B20 LOCAL AREA AGREEMENTS (LAA)

The Council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2008/09, the LAA completed the third year of its three-year agreement.

The purpose of the LAA is :

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

The LAA partners are :

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

Leicestershire County Council acts as a the accountable body for the LAA and is responsible for managing the distribution of grant paid by the Government Office to the partners Involved. The council does not determine which bodies are due payments - this is determined by the partnership (Leicestershire Together) in line with the targets agreed with the government office. The total amount of grant received by the local strategic partnership was £21.9m, North West Leicestershire District Council received the sum of £64,232 in 2008/09 for Safer Communities Crime Disorder Partnerships.

North West Leicestershire District Council also received an Area Based Grant of £22,500 in 2008/09 for Planning and Climate Change.

## B21 CAPITAL COMMITMENTS

As at 31<sup>st</sup> March 2009 the council is committed to the following major capital projects for completion in the next financial year.

	£'000
Provision of New play Equipment	35
Disabled Toilets -Model Railway club	8
	43

## B22 ANALYSIS OF NET ASSETS EMPLOYED

	2007/08 £'000	2008/09 £'000
General Fund	4,410	(4,571)
Housing Revenue Account	224,601	200,255
	229,011	195,684

## NOTES RELATING TO THE CASH FLOW STATEMENT

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

	2008/09	
	£000's	£000's
<b>Deficit for the year</b>		
Income and Expenditure Account	22,994	
Collection Fund	131	
		23,125
<b>Non Cash Transactions</b>		
Deferred Charges Written off	(44)	
Government Grants Released	145	
Depreciation & Impairment	(26,122)	
Other Non Cash Transactions	(583)	
		(26,604)
<b>Items on an Accruals Basis</b>		
Movement in Stock and Work in Progress	(28)	
Movement in Revenue Debtors	(5)	
Movement in Revenue Creditors	(1,511)	
Movement in Capital Debtors	0	
Movement in Capital Creditors	(44)	
		(1,588)
<b>Net Cash Flow from Revenue Activities</b>		<b>(5,067)</b>

### CF2 NET MOVEMENT IN CASH BALANCES

	Balance as at 1st April 2008	Balance as at 31st March 2009	Movement in the year Increase / Decrease
	£000's	£000's	£000's
Cash in hand / Overdrawn	482	174	(308)
Increase in Cash and Cash Equivalents	482	174	(308)

### CF3 LIQUID RESOURCES

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

	Balance as at 1st April 2008	Balance as at 31st March 2009	Movement in the year Increase / Decrease
	£000's	£000's	£000's
Short Term Deposits	2,870	7,557	4,687

**CF4 ANALYSIS OF MOVEMENT IN FINANCING**

NET MOVEMENT IN FINANCING	Balance as at 1st April 2008	Balance as at 31st March 2009	Movement in the year Increase / Decrease
	£000's	£000's	£000's
P.W.L.B.	6,000	6,000	0
Other Institutions	9,440	9,440	0
Temporary Loans	0	0	0
Earmarked Loans	209	197	(12)
<b>Decrease in Financing</b>	<b>15,649</b>	<b>15,637</b>	<b>(12)</b>

**CF5 ANALYSIS OF GOVERNMENT GRANTS**

	2007/08		2008/09	
	£000's	£000's	£000's	£000's
Revenue Support Grant		962		841
DWP Grants for Benefits:				
Rebates	16,783		17,360	
Administration	555	17,338	547	17,907
Government Grants				
Improvement Grants	367		640	
Concessionary Travel	0		176	
Implementation of LHA	89		0	
Implementation of E&SA	0		35	
Homelessness	30		30	
Other	0	486	38	919
		<b>18,786</b>		<b>19,667</b>

## HOUSING REVENUE ACCOUNT (HRA)

### HOUSING INCOME AND EXPENDITURE ACCOUNT

2007/08			NOTES	2008/09	
£'000	£'000			£'000	£'000
	(12,720)	<b>INCOME</b>			
(90)		Rents - Dwellings	H4		(12,513)
(16)		Rents - Garages / Sites		(96)	
(15)		Rents - Shops		(16)	
		Rents - Other		(3)	
	(121)				(115)
	(203)	Charges for Services and Facilities			(194)
	(505)	Supporting People Grant			(455)
	(13,549)	<b>TOTAL INCOME</b>			(13,277)
		<b>EXPENDITURE</b>			
	3,078	Repairs & Maintenance			2,934
		Supervision & Management			
		- General		2,030	
2,164		- Special		741	
900					
	3,064	Capital Charges			2,771
	3,617	- Depreciation & Impairment of Fixed Assets	H8/9		22,679
	4,052	Housing Subsidy Payments to the National Pool	H10		4,406
	36	Increase in provision for Bad or Doubtful Debts			42
	21	Debt Management Expenses			19
	13,868	<b>TOTAL EXPENDITURE</b>			32,851
	<b>319</b>	<b>NET COST OF HRA SERVICES INCLUDED IN INCOME &amp; EXPENDITURE ACCOUNT</b>			<b>19,574</b>
	230	Housing Share of Corporate & Democratic Costs			169
	<b>549</b>	<b>NET COST OF HRA SERVICES</b>			<b>19,743</b>
	0	(Gain) or Loss on Sale of HRA Fixed Assets			(226)
	134	Interest Payable & Similar Items			137
	116	Amortisation of Premiums & Discounts			116
	(3)	Interest on Sale of Council Houses			(1)
	<b>796</b>	<b>DEFICIT ON HRA SERVICES</b>			<b>19,769</b>

<b>STATEMENT OF MOVEMENT ON THE HRA BALANCE</b>		
<b>2007/08 £'000</b>		<b>2008/09 £'000</b>
796	Deficit on Housing Income and Expenditure Account	19,769
(999)	Amounts Required by Statute to be Taken into Account (detailed below)	(19,490)
(203)		279
(619)	HRA Balance Brought Forward	(822)
(822)	HRA Balance Carried Forward	(543)

<b>ANALYSIS OF THE MOVEMENT IN THE HRA BALANCE</b>		
<b>2007/08 £'000</b>	<b>Amounts Required to be Taken Into Account</b>	<b>2008/09 £'000</b>
0	Impairment of Fixed Assets	(20,256)
0	Gain or Loss on Sale of HRA Fixed Assets	226
(1,012)	Transfer To/(From) Major Repairs Reserve	258
(293)	Net charges for retirement benefits in accordance with FRS 17	(202)
277	Employer's contributions payable to Leicestershire County Council Pension Fund	303
29	Transfer To/(From) Reserves	181
(999)	Amounts Required to be Taken Into Account (see above)	(19,490)

# NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

## H1 MOVEMENT IN DWELLING STOCK

The Council was responsible for managing 4502 dwellings during 2008/2009. The movement in the stock was as follows:-

	2007/08	2008/09
Stock at 1st April	4,517	4,502
Less: Sales	15	6
Less: Demolitions	0	0
Less: Stock Transfer	0	0
Less: Conversions	0	0
Add: Transfers back into stock	0	0
	<b>4,502</b>	<b>4,496</b>

## H2 PROPERTY TYPES IN DWELLING STOCK

The properties owned by the Council at 31st March 2009 comprise the following:-

	Flats/Maisonettes	Bungalows	Houses	Total
Bed sits	88	4	0	92
1 Bedroom	568	325	1	894
2 Bedroom	356	476	405	1,237
3 Bedroom	10	7	2,105	2,122
4 Bedroom	0	0	148	148
5 Bedroom	0	0	3	3
<b>Total</b>	<b>1,022</b>	<b>812</b>	<b>2,662</b>	<b>4,496</b>

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

	Balance as at 1st April 2008	Balance as at 31st March 2009
	£000's	£000's
Dwellings (inc garages)	220,876	198,402
Other Land and Buildings	6,600	5,638
<b>OPERATIONAL ASSETS</b>	<b>227,476</b>	<b>204,040</b>

The vacant possession value of dwellings within the Authority's HRA as at 31st March 2009 was £392,536,000 (31st March 2008 £439,531,022). 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.

The council does not hold any Non-Operational assets.

#### H4 RENT INCOME

This is the total rent income due for the year after an allowance is made for voids etc. Average rents were £54.83 per week in 2008/09 (£51.51 2007/08) there being an average increase of 6.45% (4.83% 2007/08) over the previous year. During the year 1.85% (1.40% 2007/08) of rentable properties were vacant.

Rent income can be analysed as follows:-

	2007/08	2008/09
	£000's	£000's
Collectable from Tenants	5,989	5,968
Rent Rebates	6,228	6,545
	12,217	12,513
Rent Compensation Payment from Government	503	0
Non - Dwelling Rents	121	115
	<b>12,841</b>	<b>12,628</b>

In accordance with the revised accounting practice for rental income there is an adverse effect of £181,000 for the year 2008/09.

#### H5 RENT ARREARS

During the year total rent arrears, as a proportion of gross rent income were 1.59% (2007/08 - 3.39%). The arrears figures are as follows:-

	2007/08	2008/09
	£000's	£000's
Total Current and Former Tenant Arrears	498	332
Less: Accounts in credit	77	129
Net Arrears	421	203

Amounts written off during the year were £ 29,889 (2007/08 - £52,133). At 31st March the Provision for doubtful debts stood at £ 274,340 (2007/08 - £273,236).

#### H6 MAJOR REPAIRS RESERVE

	2007/08	2008/09
	£000's	£000's
Balance at 1st April 2008	0	(410)
Amounts transferred to Reserve during year	(3,602)	(2,413)
Amounts transferred from Reserve to finance Capital Expenditure:		
Dwellings	2,150	973
Other Property	30	10
Depreciation in excess of / (less than) MRA	1,012	(258)
<b>Balance at 31st March 2009</b>	<b>(410)</b>	<b>(2,098)</b>

## H7 CAPITAL EXPENDITURE & RECEIPTS

Total Capital Expenditure within the authority's H.R.A. during the financial year was £ 982,633. (Houses £ 972,633 and Other Property £ 10,000) . The sources of funding are shown below:

	2007/08	2008/09
	£000's	£000's
Loans	0	0
Useable Capital Receipts	0	0
Major Repairs Reserve	2,180	983
Revenue Contribution	4	0
	<b>2,184</b>	<b>983</b>

Total Capital Receipts from disposals of Council Dwellings within the authority's H.R.A. stock during the financial year were £ 614,991. There were no sales of land or other property during the financial year.

## H8 DEPRECIATION OF HRA FIXED ASSETS

	2007/08	2008/09
	£000's	£000's
Dwellings (excl. garages)	3,602	2,413
Other Land and Buildings	15	10
<b>OPERATIONAL ASSETS</b>	<b>3,617</b>	<b>2,423</b>

## H9 IMPAIRMENT OF HRA FIXED ASSETS

	2007/08	2008/09
	£000's	£000's
Dwellings (excl. garages)	0	19,089
Other Land and Buildings	0	1,167
<b>OPERATIONAL ASSETS</b>	<b>0</b>	<b>20,256</b>

## H10 H.R.A. 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 resulting 'negative' H.R.A. subsidy is paid over to the Government for national redistribution. A breakdown of the H.R.A. subsidy for the financial year is provided below:

	2007/08	2008/09
	£000's	£000's
Management & Maintenance	5,607	5,775
Major Repairs Allowance	2,590	2,671
Charges for Capital	705	719
Interest on Receipts	(3)	(3)
Guideline Rent Income	(12,950)	(13,568)
<b>Housing element entitlement</b>	<b>(4,051)</b>	<b>(4,406)</b>
Prior year adjustment	(1)	0
<b>H.R.A. SUBSIDY ENTITLEMENT</b>	<b>(4,052)</b>	<b>(4,406)</b>

## COLLECTION FUND

### COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2007/08		2008/09	
£000's		£000's	£000's
	<b>INCOME</b>		
(37,722)	Council Tax (Net of benefits, discounts for prompt payment and transitional relief)		(39,762)
(4,526)	Transfers from General Fund:- - Council Tax Benefit		(4,876)
(187)	Contributions:- - Towards previous year's Collection Fund Deficit / (Surplus)		42
(40,544)	Business Ratepayers		(45,193)
(82,979)			(89,789)
	<b>EXPENDITURE</b>		
	Precepts and Demands:-		
29,934	L.C.C.	31,254	
4,288	Leicestershire Police	4,974	
1,465	Leicestershire Fire and Rescue	1,545	
6,415	N.W.L.D.C. (including Parish and Specials)	6,591	
42,102			44,364
	Business Rate:-		
40,419	Payment to National Pool	44,527	
(30)	Increase in doubtful debt provision	511	
155	Costs of Collection	155	
40,544			45,193
	Bad and Doubtful Debts / Appeals		
177	- Provisions	363	
177			363
82,823			89,920
(156)	Movement on fund balance - (Surplus) / Deficit for the year		131
46	Collection Fund Balance at 1st April 2008		(110)
(110)	<b>Collection Fund Balance at 31st March 2009</b>		21

## 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(-)	41	5/9	23
A	8,176	6/9	5,450
B	10,924	7/9	8,496
C	6,083	8/9	5,407
D	5,071	9/9	5,071
E	3,113	11/9	3,805
F	1,265	13/9	1,827
G	798	15/9	1,330
H	37	18/9	74
	35,508		31,483
<b>Less:</b> Adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding.			472
<b>COUNCIL TAX BASE AS AT 31/3/08</b>			<b>31,011</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 relief's and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to Authorities their share of the pool based on a standard amount per head of resident population.

The total Non-Domestic Rateable Value at the 31st March 2009, was £104,328,318 (£103,765,731 - 31st March 2008).

The National Non-Domestic multiplier for the year was 46.6p (44.4p - 2007/2008).

The Small Business Rate Multiplier was 45.8p.

## SPECIAL EXPENSES ACCOUNT

2007/08		2008/09	
£		£	£
	<b>COALVILLE URBAN DISTRICT AREA</b>		
99,258	Balance brought forward	36,420	
631,055	Collection Fund Precept	648,958	
730,313			685,378
	<b>EXPENDITURE</b>		
445,314	Parks, Open Spaces & Allotments	844,917	
115,982	Burial Grounds	88,777	
64,087	Other Expenses	61,106	
91,000	R.C.C.O.	21,000	
0	Contribution to Improvement Fund	30,000	
(12,941)	Asset Management Revaluation Account	(15,035)	
(26,446)	Impairment	(451,247)	
16,897	Contribution to Ear-Marked Reserves	51,193	
693,893			630,711
<b>36,420</b>	Balance carried forward		<b>54,667</b>
	<b>COLEORTON PARISH AREA</b>		
1,429	Balance brought forward	1,743	
2,558	Collection Fund Precept	2,611	
3,987			4,354
	<b>EXPENDITURE</b>		
622	Parks & Open Spaces	1,060	
1,622	Burial Grounds	1,890	2,950
<b>1,743</b>	Balance carried forward		<b>1,404</b>
	<b>MEASHAM PARISH AREA</b>		
1,274	Balance brought forward	704	
858	Collection Fund Precept	1,294	
2,132			1,998
	<b>EXPENDITURE</b>		
1,428	Burial Grounds		1,690
<b>704</b>	Balance carried forward		<b>308</b>
	<b>STRETTON-EN-LE-FIELD</b>		
734	Balance brought forward	693	
962	Collection Fund Precept	1,106	
1,696			1,799
	<b>EXPENDITURE</b>		
1,003	Burial Grounds		1,280
<b>693</b>	Balance carried forward		<b>519</b>
	<b>OSGATHORPE</b>		
170	Balance brought forward	316	
320	Collection Fund Precept	320	
490			636
	<b>EXPENDITURE</b>		
174	Parks & Open Spaces		310
<b>316</b>	Balance carried forward		<b>326</b>
	<b>LOCKINGTON / HEMINGTON</b>		
783	Balance brought forward	1,064	
2,440	Collection Fund Precept	2,562	
3,223			3,626
	<b>EXPENDITURE</b>		
763	Parks & Open Spaces	940	
1,396	Burial Grounds	1,660	2,600
<b>1,064</b>	Balance carried forward		<b>1,026</b>

## SPECIAL EXPENSES ACCOUNT CONT'D

2007/2008		2008/2009	
£		£	£
	<b>KEGWORTH</b>		
191	Balance brought forward	337	
369	Collection Fund Precept	369	
560			706
	<b>EXPENDITURE</b>		
223	Parks & Open Spaces		370
<b>337</b>	Balance carried forward		<b>336</b>
	<b>RAVENSTONE</b>		
113	Balance brought forward	232	
330	Collection Fund Precept	327	
443			559
	<b>EXPENDITURE</b>		
211	Parks & Open Spaces		309
<b>232</b>	Balance carried forward		<b>250</b>
	<b>OAKTHORPE &amp; DONISTHORPE</b>		
811	Balance brought forward	793	
3,221	Collection Fund Precept	3,386	
4,032			4,179
	<b>EXPENDITURE</b>		
3,239	Parks & Open Spaces		3,450
<b>793</b>	Balance carried forward		<b>729</b>

## ANNUAL GOVERNANCE STATEMENT 2008/09

### 1. Background and Scope of Responsibility

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

### 2. The Purpose of the Governance Framework

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

### 3. The Governance Framework

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

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

At the heart of the Council's Strategic planning process is the Council Delivery Plan (CDP) and annual service plans (SMART Plans). The Council's CDP has been developed in line with the Council's Strategic Aims and the latest version was adopted by Council in May 2009. The CDP is published annually on a timely basis and communicates our activities, achievements and performance. It has been comprehensively update and simplified for 2009/10.

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

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

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

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

The Council's performance management arrangements are strong and include the SMART Planning process which integrates service and financial planning across all of the Council's aims and objectives to better align activities, improvements and resources. As a result, a set of clear and consistent Service Delivery Plans have been developed for 2009/10 across all parts of the organisation. Informative profiled financial monitoring reports which are also predictive are reviewed by all budget holders soon after the month end enabling Managers to respond to issues in a timely way. In addition, financial performance is reported monthly to CLT and all PIs/Financial Performance to Overview and Scrutiny members and Cabinet on a quarterly basis using a traffic light system (TEN) to facilitate robust member challenge. The TEN model enables any service failure to be identified early and addressed through a project plan which is considered and corrective action approved where necessary.

In January 2009, the Council decided to retain the Council housing stock following a 'test of opinion' amongst Council tenants. This is a significant decision, enabling the Council to plan an improvement programme with a much firmer base.

An IDeA peer review carried out in October 2008 concluded that a Council with an ambition like ours had the potential to be one of the best.

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

The Council's Constitution clearly sets out the functions and roles of members and officers. The Constitution is continually reviewed by the Monitoring Officer with the next full review schedule for completion by May 2009. Part 3 of the Constitution sets out the responsibility for all the Council's functions, including Council, Executive and Non-executive roles and a Scheme of Delegation to staff and Proper Officer Designations. These provisions make the specific responsibilities of the Leader, Chief Executive, Section 151 Officer and Monitoring Officer clear. The Constitution, in Part 4, sets out all the Council's Procedure rules which clearly differentiate between the roles of members and officers. These rules are supported by robust Codes and Protocols, including Codes of Conduct for both Members and Officers, a Protocol on Member/Officer Relations, Outline Roles and Responsibilities for Councillors and a Procedure for the Resolution of Disputes.

Members and officers understand their roles in practice, for example relevant portfolio holders present reports, but technical questions are answered by officers. Council has previously agreed a Members' Allowance Scheme, which has been reviewed by the Council's statutory Independent Remuneration Panel. There are good working relationships in all forums between Members and Officers (confirmed by the IDEA peer review in October 2008) which contribute to the achievements of common goals to the benefit of the Council. When working in partnership, the "Representational Role" for Councillors is set out in the Outline Roles and Responsibilities for Councillors, contained within the Constitution, which also contains provisions relating to their role when appointed to external bodies and attendance at external meetings. A "Partnership Toolkit" was approved by Cabinet in June 2008.

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

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

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

The Standards Committee has a pro-active work programme and each meeting of the Standards Committee receives a report from the Monitoring Officer on current issues. A quarterly performance monitoring report to include ethical indicators is also to be produced. All corporate governance policies are to be reviewed by the standards committee in 2009/10. Two workshops with staff on governance and report writing were conducted by the Monitoring Officer's staff in October 2008, and a governance discussion at the corporate leadership forum, led by the Corporate Director, was held early in late March 2009, which focused on the assurance framework.

The Council has robust arrangements for monitoring compliance with the Member Code of Conduct (including gifts and hospitality). The Officer Register of gifts and hospitality received its six monthly check by the Monitoring Officer at the same time she checked the Member Register. The Standards Committee undertakes an Annual Report which it refers to full Council. The Report includes a paragraph on cases referred by the Ethical Standards Officers and Individual Cases – Local Statistics. The Head of Paid Service, Section 151 Officer and Monitoring Officer meet monthly at the Statutory Officers' Group. Their work includes monitoring compliance with standards of conduct across the Council, including both officers and members. They make an Annual report to the Corporate Leadership Team. There is a strong, LEXCEL accredited, legal team.

Members (including Standards Committee members) received training from an external facilitator, on the Revised Code of conduct in September 2007 and again in October 2008, from the MO, on statutory and constitutional roles. The Chairman of the Standards Committee attended the Standards Board for England Annual Conference and reported back to the Standards Committee, including their role in local investigations and determinations. In addition, the Monitoring Officer sees members individually to provide guidance on possible infringements of the Code and also writes to members, acting on issues raised to ensure compliance with the Code. Training is identified by the Monitoring Officer as a result of cases or issues raised and delivered as appropriate. Parish liaison meetings are held at least twice a year and the MO also provides ethical training to parishes.

All reports and minutes of the Standards Committee are available on the Council's website, together with information about the Committee. The Chairman of the Standards Committee is to present Committee's Annual Report to the Annual Council Meeting to communicate the work of the Committee in the Council's most public setting and a press release is to be issued. The Leader and Deputy Leader attend the standards committee annually. A number of complaints involving parish council members have been dealt with by the standards committee in 2008/09, and appropriate sanctions agreed.

High standards of personal conduct of members, officers and agents is exhibited in the Annual Report of Standards Committee, Annual Report of the Statutory Officers' Group and the Local Government Ombudsman's Annual Letter.

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

There are five Overview and Scrutiny Committees as follows: Environment, Communities, Health, Corporate and Corporate Governance with a Scrutiny "Commission" to secure the co-ordination of their work programmes and to lead on the overview of the function. The Committees are working well with constructive challenge and producing some good reports, on issues of local importance, such as health and recycling. Scrutiny Committees played an enhanced role in the 2009/10 budget process, receiving presentations during the Summer of 2008 and scrutinising budget proposals in January 2009. The Council maintains a Forward Plan of both key and non-key Decisions to maximise transparency and consultation. The writing of formal reports follows a prescribed procedure which requires the completion of a number of procedural requirements for content including Statutory Officer checks for legality, budgetary compliance, rationale, etc. Reasons for all decisions must be given and these are routinely recorded in the minutes. Further training for officers was provided by legal and democratic services in 2008.

The Member and Officer Codes of Conduct and associated procedures act as a safeguard against conflicts of interest or bias. The Council also ensures that the key principles of good administrative law are followed in practice by the attendance of the Monitoring Officer (or her representative) at all decision making bodies.

The Council's Corporate Governance Scrutiny Committee undertakes the functions of an audit committee as identified by CIPFA Guidance (and as confirmed by the 2007/08 Use of Resources assessment). It has received reports and presentations from the District Auditor. It is independent of Cabinet and is politically balanced. The Council has undertaken a self-assessment checklist against the CIPFA Guidance during the course of the year to measure the effectiveness of this Committee and make the appropriate improvements.

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

The Risk Management Strategy was first approved by members in March 2006. The document has since been reviewed and revised by the Risk and Business Continuity Group on a regular basis. The latest review is currently in progress.

The Council maintains and reviews its strategic risk register on a quarterly basis. The risks identified have been linked to Council priorities / strategic aims and lead officers have been identified to manage each risk. As part of the Council's Corporate Project Management Framework, all major projects have their own Risk Log. All reports going to members require the author to set out the risk implications associated with the decision members are being asked to make. The risks in the Strategic Risk Register were reviewed by Cabinet and the Corporate Leadership Team at a workshop held in February 2008 and are regularly reviewed by the corporate risk management & business continuity group Partnership working is identified as a strategic risk and covers the Council's key strategic partnerships, e.g. LSP, CDRP, Local Resilience Forum.

Risk management training has been made available to all members and appropriate staff and specific training was provided for governance Scrutiny Members in 2008. Risk management update reports are included in the quarterly monitoring report to Cabinet. The Risk Management Annual Report was presented to the Cabinet in April 2009. Business Continuity Plans were also agreed by Cabinet in March 2008, and were tested during a business continuity exercise in September 2008.

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

The Council is committed to the effective use of IT and information and has an ICT strategy and a recently updated IT Security Policy. The former will be reviewed in 2009, and training will be provided on IT and information security.

The Council has a treasury management strategy which was reviewed in 2007 and 2008. Risks are fully evaluated as part of this strategy, and investment criteria were strengthened in 2007, 2008 and 2009. The Council has no money "frozen" in Icelandic banks. A further review of arrangements will be carried out following publication of the Audit Commission report: "Risk and Return" (2009).

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

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

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

A comprehensive induction programme exists for both members and officers which is developed to deal with all relevant core issues the content of the material is regularly reviewed. The Council is committed to creating an environment where elected members' skills can develop and thrive and a new member development programme has recently been developed by the member development working party, and agreed by Cabinet and Council in February 2009. The Member Development Working Group meets every two months, continues to lead this work and ensures that the members' interests are at the heart of the programme. The Council is working within the LGA Member Charter which provides a framework in best practice.

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

Six members have signed up to achieve the "First Certificate in Community Leadership" (SOLACE) which provides new insights into being a Councillor to encourage participation. All Councillors have been provided with the facility to access the "Modern Councillor" courses provided by the "Learning Pool" who report back on a quarterly basis on usage.

The Council effectively manages its finances through principles and values set out in the Medium Term Financial Strategy (MTFS) and a proactive approach during 2008/09 has ensured that spending has been managed within available resources. Effective budget monitoring will continue to be essential. Our annual "Use of Resources" assessment improved from level 2 in 2006/07 to level 3 in 2007/08 (performing well).

The Council's Value for Money Profile as demonstrated in our Use of Resources exercise shows we are generally a low spending Council when compared with districts overall and our family group. Our performance in priority areas continues to improve, so that we are now a good performer on tax collecting, benefits, litter and recycling and planning is also improving. We are a top quality performer on Council Tax and Business Rates collecting.

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

- (a) A range of service reviews
- (b) Further developing its procurement strategy
- (c) Improving its project management processes
- (d) Maximising staff outputs via appropriate performance management (including PRP)
- (e) Continuing to reduce sickness absence
- (f) Targeting efficiencies in support of the requirements of the Council's medium term financial strategy
- (g) Radical change of service provision via its Transforming Services agenda

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

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

This strategy has recently been expanded to produce a workforce development plan, which will be finalised when all SMART plans have been produced.

To deliver the actions and ambitions set out in the Council Delivery Plan, it is recognised that the combined efforts of all our staff, and the role of managers in leading and directing towards achievement of our aims and objectives, will be critical. The People Management Strategy and workforce development plan support the Council's Delivery Plan.

To be truly successful we will be "One Council, One Team" in our approach, resulting in a unified approach across the organisation to address challenges, projects and improvements.

We are developing a talent management programme which recognises that people are at the centre of our organisation. We aim to increase our talent base and enable employees to develop lasting careers which help to deliver organisational objectives. It is linked to our "One Council, One Team" ethos and recognises our current workforce demographics (e.g age profile).

It will have implications for many of our existing HR policies and will form an integral part of our People Management Strategy. Opportunities for flexible working are being investigated.

A Detailed Corporate Induction Programme exists for all new employees with a three stage process. There is a programme which is followed with checklist and the Chief Executive attends the final stage. During the second stage the Line Manager takes a specific lead in tailoring the programme to the individual.

All employees have an annual Performance, Appraisal and Development (PADs) Review with their Line Manager. This review assess the skills and knowledge of officers and identifies any gaps and training and development needs to enable their role to be carried out effectively.

Suitable courses and training and development programmes are then developed to suit the individual's requirements, including external facilitation. Training budgets are held by budget holders and are allocated according to the training needs identified. The Council encourages personal development through a number of trainee posts which enable career development, e.g. Environmental Health Officer and Planning.

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

The Council has come a long way over the past three years, and these improvements have been recognised by the Improvement and Development Agency (IDeA) who carried out a Peer Review to provide challenge and give direction as to where further improvements may be made.

The Council works with a number of external stakeholders from all sections of the community to contribute to and participate in the work of the Council. Such groups include the Opportunities for People with Disabilities Group, who have just taken part in a review of their remit and are to be reformed as a sub-group of the Corporate Governance Scrutiny Committee to further enhance and encourage their participation in the work of the Council.

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

Our accountability to the local community is clearly set out in the Council's Constitution which is available on the Council's website along with other Council information. Our communications strategy sets out who we communicate with, and why and how we do it. The Council uses various means to communicate key messages to members of the public, such as The Vision magazine, and for staff, Inner Vision and the intranet, "the Grapevine". There is a communication programme developed with the relevant Portfolio Holder which is considered and monitored by CLT on a regular basis.

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

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

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

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

If the Local Strategic Partnership and the organisations that sit on it are to be successful in achieving the Vision for North West Leicestershire set out in the Sustainable Community Strategy, it is essential that they work closely with the District's communities, finding out their views and listening to the comments they make.

In developing the local development framework (LDF) extensive consultation has taken place and a timetable for completion has been produced.

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

To achieve community involvement we ensure that it:

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

As regards staff, the Council has adopted a consultation framework which involves staff at all levels and their Trade Union Representatives and Officials. A business improvement team made up of staff representations has also been set up. There are quarterly Directorate Consultation Meetings, an Executive Consultative Group (which also meets quarterly) which is a policy discussion forum, and an Employee Consultative Group which considers unresolved issues. All groups have their functions/role clearly set out and meetings schedules over a 12 month period.

#### **4. Review of Effectiveness**

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

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

- The full Council plays a key role in maintaining and reviewing the effectiveness of the Council's governance arrangements. In particular it has overall responsibility, as set out in the Constitution, for The Budget and Policy Framework including the allocation of financial resources to different services and projects, proposed contingency funds, the Council Tax base, setting the Council Tax and decisions relating to the control of the Council's borrowing requirement, the control of its capital expenditure and the setting of virement limits.
- The Leader, and six members appointed by the Council, make up the Cabinet which has responsibility for all executive functions and for making recommendations to Council within the budget and policy framework. Its remit is clearly set out in Part 3 of the Constitution and it plays a major role in reviewing key aspects of overall service delivery, including monitoring and effectiveness and related governance issues, including the consideration of the reports of external review bodies.
- The Corporate Governance Scrutiny Committee meets the external auditor to discuss findings in the Annual Management Letter and reports and is responsible for ensuring that the Council's systems for internal control are sound by reviewing annually control mechanisms such as the Treasury Management Strategy, Prudential guidelines, risk, etc. and undertaking the role of an Audit Committee as defined by CIPFA.

It also receives copies of external inspection reports, such as the Audit Commission housing inspection (May 2009)

- The Standards Committee has been re-launched to become a pro-active, effective support mechanism to the Council with revised Terms of Reference and full work programme to ensure continued probity and good governance of the Council's operations. This is demonstrated in the Standards Committee Annual Report to Council.
- The Council has the following control documents in place for internal control purposes:

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

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

- The Head of Legal and Democratic Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles and give full effect. She does this on an on-going basis.
- The Council has five Overview and Scrutiny Committees and a "Commission". The Committees (and members individually) can "call-in" a decision which has been made by the Cabinet, but not yet implemented, to enable them to consider whether the decision is appropriate. They allow people to have a greater say in Council matters by holding public hearings into matters of local concern and making recommendations to Cabinet for implementation. They also challenge proposed policies and decisions by undertaking pre-decision scrutiny, thereby adding value to the Council's decision making processes.
- All reports to Council and Cabinet, are checked by the 3 Statutory Officers as follows:  
 Head of Paid Service (Chief Executive) – reviews for Corporate Implications.  
 The Section 151 Officer (Responsible Finance Officer) – reviews for financial implications.  
 The Monitoring Officer – reviews for legal implications and legal risk.
- The Statutory Officer Group has reviewed its Terms of Reference and made an Annual Report to CLT which has informed this year's review of the effectiveness of the Council's governance arrangements.
- Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a five year plan from which the annual work plan is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director and Head of Service. The report includes recommendations for improvements that are included within an action plan and required agreement by service managers. The action plan is monitored on a quarterly basis by the corporate governance scrutiny committee.
- The Internal Audit Section is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section. A formal review of internal audit was also completed in 2008, and reported to the corporate governance scrutiny committee.

The Internal Audit Manager reports at least annually to the Corporate Governance Scrutiny Committee which acts as an audit committee on the outcomes of the section's work on main systems. The Internal Audit Services Manager may also report independently to this Committee on any issue where it is deemed necessary, or as required.

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

4.2 The Annual Governance Statement 2008/09 has been considered by the Cabinet and the Corporate Governance Scrutiny Committee. We have been advised by them on the outcome of their review and the effectiveness of the Governance Framework. We plan to address any weaknesses or issues raised to ensure continuous improvement of the systems and governance processes. We will ensure that satisfactory measures are put in place to deal with those issues as set out below.

## 5. Significant Governance Issues

- 5.1 An Action Plan has been developed (see attached at Table 2) to further improve control or governance issues. Whilst no significant issues have emerged from a review of our internal control arrangements, a number of continuing improvements have been identified by the Statutory Officers' Group and other key officers of the Council using all relevant internal information (including this statement) and any external assessments.
- 5.2 We propose over the coming year to take the necessary steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of our effectiveness and will monitor their implementation and operation as part of our next annual review.

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Richard Blunt  
Leader of the Council

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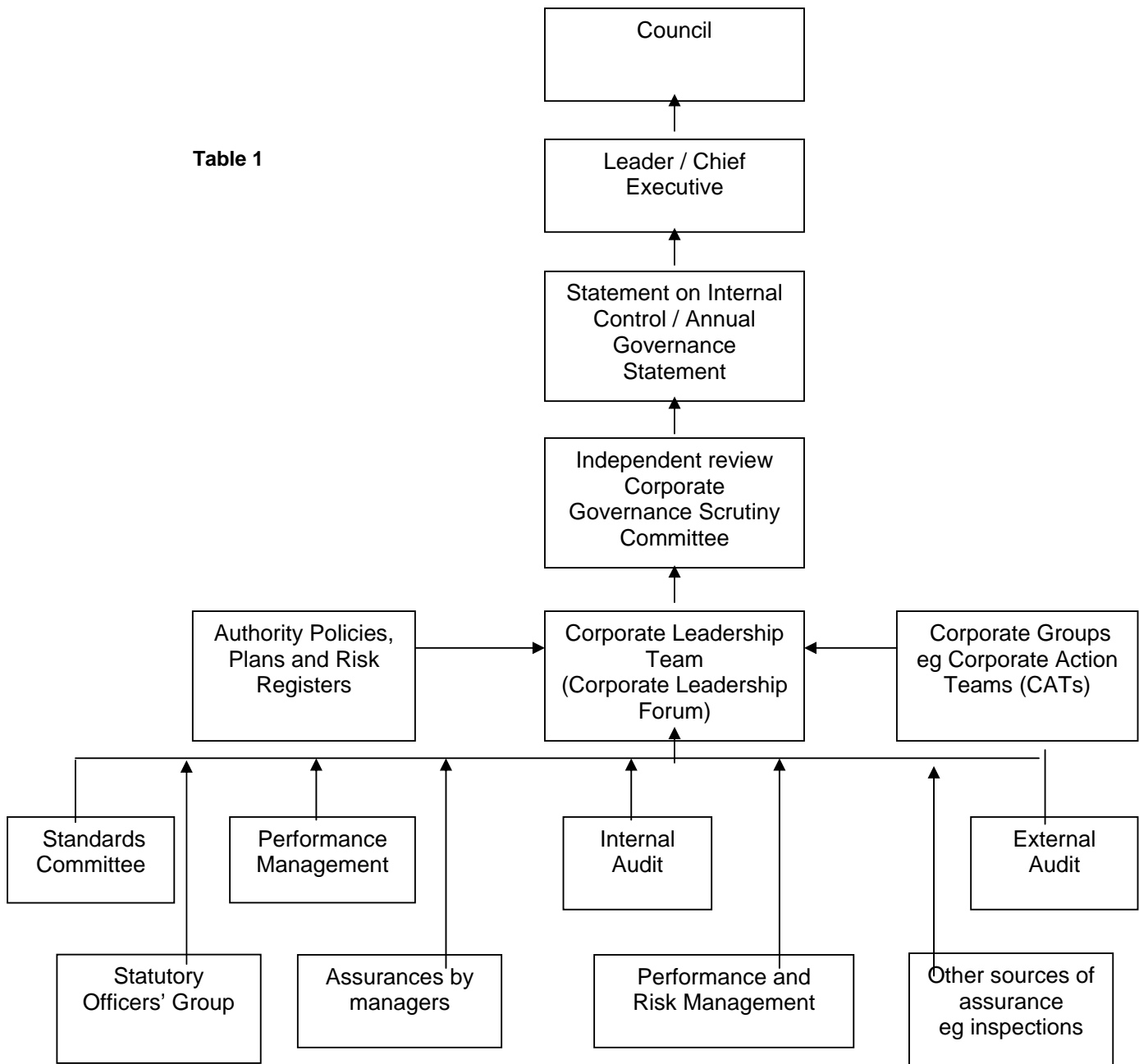
Christine Fisher  
Chief Executive

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## GOVERNANCE ASSURANCE FRAMEWORK

Table 1



**PROPOSED ACTION PLAN TO ADDRESS ANNUAL GOVERNANCE STATEMENT**  
**AREAS FOR IMPROVEMENT 2008/09**

Ref No	Issue	Proposed Action	By Whom	By When			
				30.06.09	30.09.09	31.12.09	31.03.09
1.	Review Performance Management arrangements	Revised performance management framework	Head of Service Transformation		✓		
2.	Production of HRA business plan in response to Audit Commission recommendation	HRA business plan produced	Head of Housing		✓		
3.	Review of constitution	Constitution reviewed and approved by Council	Head of Legal and Democratic Services	✓			
4.	Review of the corporate complaints system in response to Ombudsman letter	Improved corporate complaints system	Customer Services Manager		✓		
5.	Update the risk management strategy	Updated risk management strategy	Corporate Director	✓			
6.	Review of procurement management strategy and procurement arrangements to support 'Gershon' efficiency work	Review of procurement	Head of Service Transformation		✓		
7.	Effective budget monitoring	Budget monitoring in accordance with MTFS	Head of Finance	✓	✓	✓	✓
8.	Complete review of workforce development plan to support people management strategy	Workforce plan update	HR Manager		✓		
9.	Review ICT Strategy	ICT Strategy reviewed	ICT Manager			✓	
10.	Embed ICT security policy including requirements under FOI and DPA	Training programme developed and delivered	Corporate Director		✓	✓	
11.	Governance training as an annual event	Training programme delivered	Head of Legal and Democratic Services			✓	

## GLOSSARY OF MAIN FINANCIAL TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

## **Opinion on the financial statements**

I have audited the Authority accounting statements and related notes of North West Leicestershire District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of North West Leicestershire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

## ***Respective responsibilities of the Corporate Director and auditor***

The Corporate Director's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

## ***Basis of audit opinion***

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments

made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

### ***Opinion***

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Neil Bellamy  
District Auditor  
Rivermead House  
7 Lewis Court  
Grove Park  
Enderby  
Leicestershire LE19 1SU

30 September 2009

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### ***Authority's Responsibilities***

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

#### ***Auditor's Responsibilities***

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### ***Conclusion***

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, North West Leicestershire District Council made proper

arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009.

**Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil Bellamy  
District Auditor  
Rivermead House  
7 Lewis Court  
Grove Park  
Enderby  
Leicestershire LE19 1SU

30 September 2009

## **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