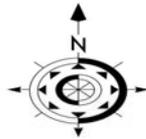




# North West LEICESTERSHIRE DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS 2005 / 2006



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# FOREWORD

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. The pages which follow are the Council's final accounts for 2005 / 2006 and comprise:-

## **STATEMENT OF ACCOUNTING POLICIES**

This explains the basis of the figures in the accounts. The accounts can be properly appreciated only if the policies, which have been followed in dealing with material items, are explained.

## **THE CONSOLIDATED REVENUE ACCOUNT**

This reports the cost for the year of the major functions for which the Council is responsible and compares that cost with the finance provided from charges for services made by the Council, the Collection Fund and Central Government.

## **THE HOUSING REVENUE ACCOUNT**

This reflects a statutory obligation to account separately for Local Authority housing provision. It shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates and capital financing costs - and how these are met by rents, subsidy and other income.

## **THE DIRECT SERVICE ORGANISATION ACCOUNTS**

Although not statutory, the accounts show the turnover and total costs for each DSO.

## **CONSOLIDATED BALANCE SHEET**

This is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Council's disposal and its long-term indebtedness, the current assets employed in its operation and summarised information on the fixed assets held.

## **STATEMENT OF TOTAL MOVEMENT IN RESERVES**

This statement brings together all the recognised gains and losses of the authority during the period and identifies which have and have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.

## **CASH FLOW STATEMENT**

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for Revenue and Capital purposes.

## **COLLECTION FUND**

This shows the transactions of the Council as a Charging Authority in relation to Non-Domestic Rates, the general Government grant in aid of the cost of local services and Council Tax. It also illustrates the way in which these have been distributed to Precepting Authorities and the General Fund.

## **SPECIAL EXPENSES ACCOUNT**

This shows the income and expenditure on Special Expenses.

# SUMMARY OF THE 2005 / 2006 FINANCIAL YEAR

## BUDGET

The Council incurs revenue and capital expenditure in the year. Revenue spending is generally on items, which are consumed within the year, and is financed by Council Tax, Government Grants and other income. Capital expenditure has to have a life beyond one year and is mainly financed from loans, capital receipts, grant contributions and revenue. The financing of capital expenditure is charged to revenue over a period set in accordance with statutory requirements.

## REVENUE SPENDING IN 2005 / 2006

Net service expenditure, interest income, receipts from the Collection Fund (see page 25) and how these compare in overall terms with budgeted figures for 2005 / 2006 are set out below.

	<b>Original Budget Inc Supp Est</b>	<b>Revised Budget Inc Supp Est</b>	<b>Actual</b>	<b>Variance (Actual to Revised)</b>
	£000's	£000's	£000's	£000's
Net Expenditure on Services	<b>9,890</b>	<b>10,394</b>	<b>10,216</b>	<b>(178)</b>
<u>Funded by:-</u>				
Collection Fund Precept	4,256	4,256	4,257	1
Government Grants	5,340	5,340	5,343	3
Contribution from Other Funds:	0	59	92	33
	<b>9,596</b>	<b>9,655</b>	<b>9,692</b>	<b>37</b>
Balance for year - added to / (taken from) General Fund Reserves	<b>(294)</b>	<b>(739)</b>	<b>(524)</b>	215
Balance brought forward	1,886	1,886	1,886	
<b>Balance carried forward</b>	<b>1,592</b>	<b>1,147</b>	<b>1,362</b>	<b>215</b>

Total Net Expenditure on General Fund Services was £178k below the approved budget. This represents a 1.7% variance and demonstrates the Council's determination to control its costs.

Balances now stand at £1.362m of which £0.078m has been committed towards financing the 2006/2007 budget.

## WHAT THE MONEY IS SPENT ON

The following shows how the Council spends its money within the General Fund:-

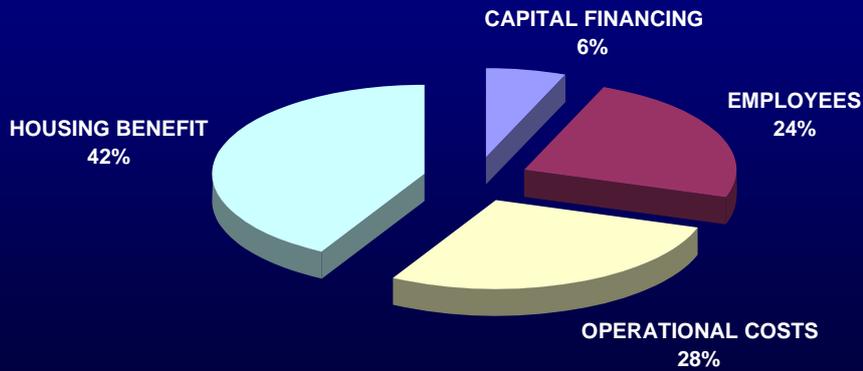
Employees 24%, Operational Costs 28%, Housing Benefits 42% and Capital Financing 6%.

The Council's revenue spending is funded from three main sources.

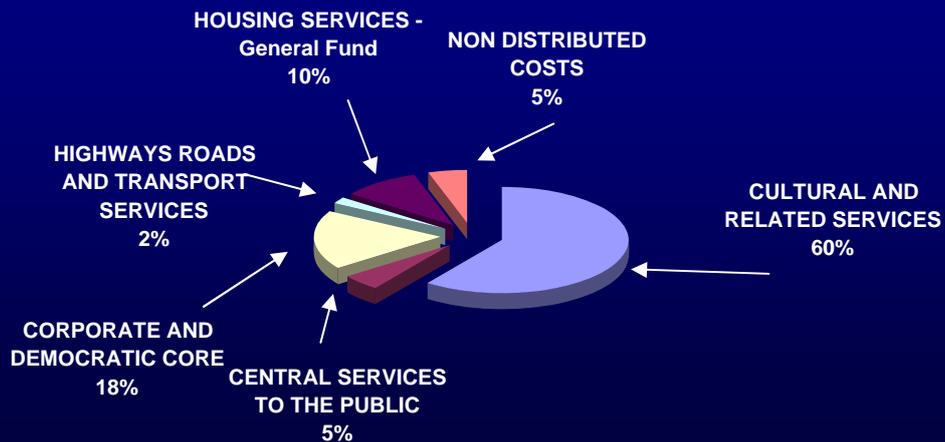
1. The precept on the Collection Fund. 14%
2. Specific Grants from the Government. 70%
3. Fees & Charges, external contributions and other miscellaneous income. 16%

# GENERAL FUND SERVICES

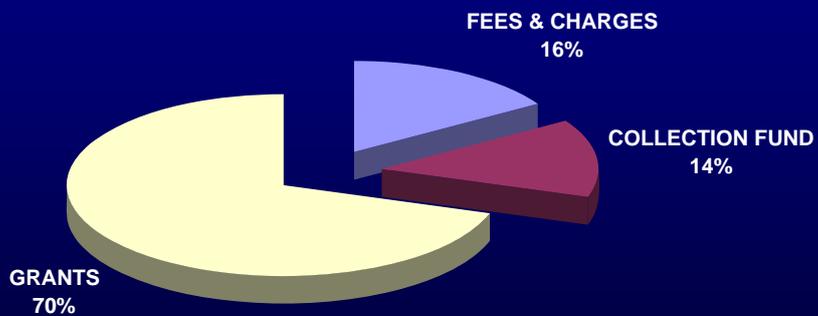
## WHERE THE MONEY IS SPENT



## THE SERVICES PROVIDED



## WHERE THE MONEY COMES FROM



## PLANNED FUTURE DEVELOPMENTS

The Council now has a 3 Year Medium Term Financial Strategy in place covering the period 2006/2007 to 2008/2009 which includes a summary of revenue and capital investment plans which distinguishes between expenditure intended to maintain existing levels of service provision and that intended to expand existing services or develop new services.

## BORROWING FACILITIES

During the financial year the Council undertook a further restructuring of an element of its borrowing requirement to reduce the burden of capital financing costs on future years budgets on advice of its Treasury Management Consultants. A loan of £1m was repaid and replaced by a loan with a more favourable interest rate. The General Fund's share of the premiums are charged to revenue over the replacement life of the new loans whilst the Housing Revenue Account's share are recovered through Housing Subsidy.

## CAPITAL SPENDING 2005 / 2006

The Council's capital spending in the year was £4.35m (£4.89m 2004/05) compared to a revised programme of £4.55m. The underspend of £0.20m relates to committed schemes not expended in 2005/06 but which are programmed to be completed in 2006/07 Major capital assets acquired and other significant capital expenditure during 2005/06 is set out below:-

	£000's	%
<b>HOUSING</b>		
Improvements & Modernisations	2,156	49.50
Housing Improvement Grants	759	17.43
<b>OTHER SERVICES</b>		
Parks & Recreation Grounds	87	2.00
Recycling Initiatives	207	4.75
Ashby Road Depot / Transfer Station	644	14.79
Hermitage Leisure Centre	0	0.00
IEG Projects	466	10.70
Other Schemes	36	0.83
	<b>4,355</b>	<b>100.00</b>

The 2005 / 2006 Capital Programme was financed as below:-

CAPITAL EXPENDITURE	£000's	%
<b>FINANCED:</b>		
Capital Receipts	506	11.62
Supported Borrowing	617	14.17
Unsupported Borrowing	266	6.11
Revenue	278	6.38
Contribution/Other	8	0.18
Grants	819	18.81
Major Repairs Allowance	1,694	38.90
Unfunded - to be funded in future years	167	3.83
	<b>4,355</b>	<b>100.00</b>

## HOUSING

The Council continues to be a major provider of rented accommodation in the District. The Housing Revenue Account is shown on page 20.

# THE FUTURE

The following issues should be noted in relation to the Council's longer term financial planning.

## **Medium Term Financial Strategy**

The Council has in place a 3 year rolling Medium Term Financial Strategy (MTFS). The Strategy plots the expenditure requirements flowing from the Council's Delivery Plan 2006/09 and identifies the resources necessary to meet them over the period.

## **Financial Reserves**

The Council's reserves are in a healthy position, with General Fund standing at £1.886m at 1st April 2005. After the planned use of £0.524m in the current financial year, the figure for use falls to £0.078m in 2006/07 and turns positive with a contribution of £0.239m back into balances in 2007/08. This delivers the Council's Balanced Budget Strategy and still enables the Council to retain a level of reserves with a margin above the prudent minimum to deal with any contingent items which may arise from such issues as the management restructuring review. HRA reserves now stand at £1.1m, some £0.053m higher than projected at budget time and are in a sound position.

## **National Balance of Funding Review**

In July 2004, the Deputy Prime Minister and the Chancellor of the Exchequer commissioned Sir Michael Lyons to undertake an independent inquiry to consider the case for changes to the present system of local government funding in England. In September 2005 the Government announced an extension to the scope and length of Sir Michael's inquiry, so that he can consider issues relating to the wider functions of local government and its future role.

Sir Michael, published in December 2005, his consultation paper and interim report. In May, he published his latest report *National Prosperity, Local Choice and Civic Engagement*. Within this report a series of next steps were identified which will culminate in his final report to Ministers due at the end of 2006, these included:-

- The extent to which local accountability might be enhanced by a clearer link between function and funding.
- The fairness of the funding system.
- The role and future of Council tax.

Clearly any future impact upon the Council's finances will require appropriate evaluation.

## **The Gershon Efficiency Savings in the Public Sector**

As part of the local government efficiency agenda, all local authorities in England are required to submit Annual Efficiency Statements to DCLG, which are formed of two parts; The Forward and Backward look statements:

- The Forward Look is for authorities to set out their strategy for making efficiency gains during the Spending Review period (to the end of March 2008); an estimate of the value of gains expected to be achieved during the forthcoming financial year; and the key actions planned to realise them.

- The Backward Look is for authorities to set out the value of efficiency gains actually achieved during that financial year and the activities that were undertaken to release them.

These savings equate to an average of 2.5% year on year savings for every local authority and other public sector organisations. Savings must be split 50% Cashable (actual financial savings) and 50% non-cashable (productivity gains). The savings identified must be ongoing over the 3 year period, and cannot be recounted in subsequent years.

The authority submitted its 2006/2007 Forward Look Efficiency Statement in April 2006, with expected annual efficiency gains of £280k of which £170k is anticipated to be cashable.

Notwithstanding the Council's current position any extension beyond 2007/8 will inevitably make efficiency savings progressively harder to find.

## **Housing Stock Transfer**

Since May 2005 the Council has developed the housing stock transfer option following significant deliberations and consultation with tenants. In May 2006, Council recommended that the transfer of the stock should be pursued to the "Better Homes" standard (which reflected tenants' aspirations) as opposed to the basic minimum standard, referred to as the Decent Homes standard. The stock investment needs to meet the Decent Homes standard by 2010/11 are now estimated to be £82.6m (including landlord obligations). This translates to a total negative valuation of £12.6m, that will require an application to the DCLG for dowry funding. The delay by the DCLG 2006 Housing Transfer bidding round has now pushed back the proposed autumn ballot to Summer 2007.

The corporate impact of any transfer will be managed as part of the future budget setting process and be aligned with the Medium Term Financial Strategy.

The Council's longer term financial planning will continue to take account of issues such as the ones outlined above in order continue to maintain organisational financial stability.

Ian Orrell C.P.F.A  
Director of Resources  
June 2006

# 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 2005 (the SORP). The Statement of Accounts also complies with the CIPFA Best Value Accounting Code of Practice (the BVACOP). Both the SORP and the BVACOP are recognised by statute as representing proper accounting practice.

## 2 CHANGES IN ACCOUNTING POLICIES

There were no changes in Accounting Policies during the year.

## 3 ACCRUALS OF INCOME AND EXPENDITURE

The accounts of the Council are maintained on an accruals basis 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.

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

Payments to creditors are included in the accounts where the payments relate to goods or services received prior to 1st April 2006. 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 included within the cost of the relevant service or 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 revenue and balance sheet accounts.

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

The current system of capital accounting requires that all expenditure on fixed assets is capitalised provided that the asset yields a benefit to the Authority for a period of more than one year.

Where assets are acquired under operating leases the Authority continues to charge the lease rentals to revenue or in the case of vehicles, to the haulage account.

Following a review undertaken during the year of its De Minimus limit for assets, the Authority maintained that limit at the level of previous years ie £5,000.

##### ***Intangible Assets***

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.

#### **8 DEFERRED CHARGES**

Deferred charges represent expenditure which may be properly capitalised but which gives no tangible fixed assets. The main expenditure incurred is in respect of improvement grants and land reclamation works. With effect from 1st April 1995, a policy of charging 100% of such expenditure to service revenue accounts was introduced.

## 9 DEPRECIATION AND IMPAIRMENT

In accordance with FRS 15, Depreciation is provided for on all assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy: -

- (i) Newly acquired assets have been depreciated from the point of the year they become operational. Assets under construction are not depreciated until brought into use.
- (ii) Depreciation is calculated using the straight-line method.

Typical useful lives are:

Asset	Useful Life
Council Dwellings	Fifty years
Other Land and Buildings	Fifteen to One Hundred Years
Vehicles, Plant and Equipment	Three to Ten years
Intangible Assets	Three years

An impairment review of all Council Properties was undertaken by Ms L Baines (MRICS) Estates officer in the Technical and Contracting Division of the Authority as at 31st March 2006 and no impairment of assets was identified.

## 10 CHARGES TO REVENUE

General fund service revenue accounts and DSOs are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The aggregate charge to individual services is determined on the basis of the capital employed in each service. The charge made to the housing revenue account is an amount equivalent to the statutory capital financing charges.

External interest payable and the provision for depreciation are charged to the asset management revenue account, which is credited with capital charges charged to services. Any excess/deficit of notional capital charges over actual are reflected in the Consolidated Revenue Account under the heading Asset Management Account thus ensuring a neutral impact on the amounts to be raised from local taxation.

Amounts set aside from revenue for the repayment of external loans, financing of capital expenditure and/or transfers to other earmarked reserves are disclosed separately as appropriations, in the consolidated revenue account, below Net Operating Expenditure. From 1 April 2004 there has been no requirement to charge the Housing Revenue Account with a minimum provision for repayment of external debt although the charge to General Fund services remains at 4%.

## 11 FIXED ASSETS - DISPOSALS

Following the implementation of new regulations from 1 April 2004 a new process was introduced ie 'Pooling of Housing Capital Receipts' to redistribute the element of a capital receipt that an authority cannot use to enhance its capital spending. Instead of this element being 'set aside' in a Capital Financing Account where it was used either, to repay existing debt, or as a substitute for future borrowing it is paid over to the central pool for distribution to those authorities most in need.

However, the relaxation granted on 1st September 1998 that all General Fund Asset Sales became 100% usable was not effected by the new regulations. The capital receipt is used to enhance capital spending and until such time as that occurs it is held in a Capital Receipts Unapplied Account.

## **12 DEBTORS AND CREDITORS**

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS 18. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. Exceptions to this are quarterly payments for electricity etc. and wages. These are charged at the time of meter reading/payment and charges are not apportioned between financial years. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts.

## **13 STOCKS AND WORKS IN PROGRESS**

In January 2006, the authority implemented a new Stores Accounting system which values each item of stock at the actual purchase price. Prior to the introduction of this system, stock was valued at the latest price paid. The latter method of valuation is a departure from the requirements of the Code and SSAP 9, which require stocks to be shown at actual cost or net realisable value, if lower. The effect of the different treatment is not considered to be material.

Work in progress on uncompleted jobs is valued at cost including an allocation of overheads.

## **14 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 Consolidate Revenue Account.

## **15 RESEARCH AND DEVELOPMENT**

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

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

The Council sets aside provisions for specific future expenses, which are likely or certain to be incurred, but the amount cannot yet be determined accurately. The main provisions are Housing Rents Doubtful Debts, Community Charge (Poll Tax), Council Tax and National Non-Domestic Rates uncollectables (including future liabilities to the N.N.D.R. Pool).

## **17 RESERVES**

Reserves represent sums set aside which fall outside the definition of provisions. Reserves include such as 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 Fixed Asset Re-Statement Account and the Capital Financing Account.

## **18 INTERNAL INTEREST**

Since the implementation of the new system for accounting for Capital only the Housing Revenue Account receives interest on the level of its balance. This interest when applicable is calculated using the rate of return earned on external investments.

## **19 INVESTMENTS**

Investments are shown in the Consolidated 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.

## **20 REPURCHASE OF BORROWING**

Gains or losses arising on the repurchase or early settlement of borrowing are applied to the Consolidated Revenue Account in the period in which the redemption or early settlement occurs, except where the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, whereupon gains or losses are applied to the Consolidated Revenue Account in equal instalments over the life of the replacement borrowing.

## **21 DEFERRED PURCHASE SCHEME**

The Authority has now no such arrangements.

## **22 PENSION COSTS**

The Council makes contributions to the Leicestershire County Council Pension Fund. 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 March, 2005. The Council's contributions are set as a percentage of pensionable pay and charged to service expenditure alongside employees pay.

In accordance with the introduction of FRS 17 'Retirement Benefits' in local authority accounts, additional disclosure notes are included in the Statement of Accounts in relation to the Consolidated Revenue Account, Consolidated Balance Sheet and the Statement of Total Movements in Reserves. These disclosure notes have been prepared in accordance with the accounting policy requirements of the 2005 SORP and of FRS 17.

Within the Consolidated Revenue 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 FRS 17 based pension costs in the Consolidated Revenue 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.

## **23 LEASES**

Rentals payments under operating leases are charged to revenue on an accruals basis. As at the Balance Sheet date, the authority did not have any finance leases.

## **24 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.

## **25 GOVERNMENT GRANTS**

Government Grants are accounted for on an accruals basis with income being credited, 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 Asset Management Revenue Account over the useful life of the asset to match the depreciation charged on such assets.

## **26 FOREIGN CURRENCY TRANSLATION**

Local Authorities have some powers to enter into transactions which are denominated in foreign currencies, but these powers are limited. In England and Wales, borrowing in foreign currencies is permitted only with specific Treasury approval.

Where they do occur, the results of any foreign currency transaction are translated into sterling. Examples of such transactions include the purchase of goods or services or capital equipment from a foreign supplier.

## **27 STATEMENT OF ACCOUNTS AUTHORISATION**

The Statement of Accounts were authorised for issue to council on the 29th June 2006 by the Head of Financial Services. 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.

## **28 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.

# CONSOLIDATED REVENUE ACCOUNT

2004/05		NOTES	2005/06		
Net Expenditure			Gross Expenditure	Income	Net Expenditure
£			£	£	£
	<b>SERVICE EXPENDITURE ANALYSIS</b>				
532,189	Central Services to the Public		5,349,251	(4,782,168)	567,083
7,041,064	Cultural Environmental and Planning Services		9,624,424	(2,390,006)	7,234,418
411,970	Highways, Roads And Transport Services		825,517	(620,050)	205,467
808,337	Housing Services - General Fund	3	11,866,567	(10,614,049)	1,252,518
8,278,040	- Housing Revenue Account	8	21,460,508	(12,895,963)	8,564,545
1,851,918	Corporate and Democratic Core		2,346,375	(205,424)	2,140,951
407,152	Non-Distributed Costs		703,515	(40,000)	663,515
<b>19,330,670</b>	<b>NET COST OF SERVICES</b>		<b>52,176,157</b>	<b>(31,547,660)</b>	<b>20,628,497</b>
	<b>OTHER OPERATING INCOME &amp; EXPENDITURE</b>				
922,455	Parish council Precepts	1			945,006
(242,372)	Trading Account (Surpluses) And Deficits	7			166,678
(8,219,688)	Asset Management Revenue Account Balance	15			(9,585,587)
2,963,685	Contribution of Housing Capital Receipts to Govt Pool				2,671,903
95,865	Premium Paid on Early Redemption of Debt				133,329
(443,728)	Interest and Investment Income				(445,383)
(200,000)	Pension Interest Cost and Expected Return on Pension Assets	12			0
0	Net (Surplus) / Deficit From DSO's	11			0
<b>14,206,887</b>	<b>NET OPERATING EXPENDITURE</b>				<b>14,514,443</b>
	<b>APPROPRIATIONS:</b>				
(320,929)	Surplus/(Deficit) transferred to/(from) HRA Balances				282,512
94,379	Release of Government Grant				166,657
(2,963,685)	Contribution from Useable Capital Receipts				(2,671,903)
	Contribution to/(from) Earmarked Reserves:				
(9,461)	Revenue Reserve				(92,002)
396,223	Capital General				428,032
89,443	Contribution to/(from) Pensions Reserve				(200,000)
	Contribution to/(from) Capital Reserves:				
(216,747)	Financing of Capital Expenditure				(137,791)
5,010	Provision for Repayment of External Loans				(20,481)
(524,200)	Deferred Charges				(623,822)
<b>10,756,920</b>	<b>AMOUNT TO BE MET FROM GOVERNMENT GRANTS &amp; LOCAL TAXPAYERS</b>				<b>11,645,645</b>
(5,525,154)	Precept Demanded from the Collection Fund				(5,781,779)
(2,756,233)	Revenue Support Grant				(2,816,839)
(2,358,222)	Non-Domestic Rates Redistribution				(2,526,165)
<b>117,311</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>				<b>520,862</b>
	<b>Balances b/f 1st April 2005</b>				
2,009,040	General Fund				1,885,804
93,851	Special Expenses				99,776
	<b>Surplus/(Deficit) for the year</b>				
(123,236)	General Fund				(524,233)
5,925	Special Expenses				3,370
	<b>Balances c/f at 31st March 2006</b>				
1,885,804	General Fund				1,361,571
99,776	Special Expenses				103,146
<b>1,985,580</b>					<b>1,464,717</b>

# NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

## 1 DISTRICT EXPENDITURE REQUIREMENT

The District budget requirement for the year was £9,596,390 (£9,163,358 - 2004/2005) . The District precept was £4,265,565 (£4,061,467 - 2004/2005).

The Special Expenses precept for the year was £579,860 (£553,800 - 2004/2005), whilst the Parish precept was £945,006 (£922,455).

## 2 LOCAL GOVERNMENT ACT 2000

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well-being in their area.

Expenditure amounted to £82,391 in 2005/2006. (£79,471 - 2004/2005). It is mostly used to provide grants to the voluntary sector serving the community within the district.

## 3 REIMBURSEMENT OF HOUSING BENEFIT

Housing Benefit is 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 £76,991 (£1,578 - 2004/2005).

## 4 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>2004/05</b>	<b>2005/06</b>
	<b>£</b>	<b>£</b>
Recruitment & Advertising	94,795	69,274
Other Advertising	47,816	46,787
Civic Newsletter	17,026	64,763
Publicity & Promotion	26,082	39,863
<b>TOTAL</b>	<b>185,719</b>	<b>220,687</b>

## 5 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>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>3 Year Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>FEE EARNING WORK</u></b>				
Expenditure	211,232	271,927	231,660	714,819
Fee Income	(258,727)	(264,988)	(239,553)	(763,268)
<b>(SURPLUS) / DEFICIT</b>	<b>(47,495)</b>	<b>6,939</b>	<b>(7,893)</b>	<b>(48,449)</b>
<b><u>NON FEE EARNING WORK</u></b>				
Expenditure	111,665	96,337	129,262	337,264
Fee Income	(636)	(2,537)	(4,707)	(7,880)
<b>(SURPLUS) / DEFICIT</b>	<b>111,029</b>	<b>93,800</b>	<b>124,555</b>	<b>329,384</b>
<b>TOTAL (SURPLUS) / DEFICIT</b>	<b>63,534</b>	<b>100,739</b>	<b>116,662</b>	<b>280,935</b>

## 6 AGENCY SERVICES

The responsibility for the maintenance of highways was passed back to Leicestershire County Council with effect from 1st April 2002.

## 7 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>2004/05</b>	<b>2005/06</b>
	<b>£</b>	<b>£</b>
<b>INDUSTRIAL UNITS</b>		
Expenditure	386,276	567,802
Income from Rents	621,536	599,934
(Surplus) / Deficit	<b>(235,260)</b>	<b>(32,132)</b>
<b>MARKET UNDERTAKINGS</b>		
Expenditure	183,133	228,795
Income from Rents	192,465	159,842
(Surplus) / Deficit	<b>(9,332)</b>	68,953
<b>TOTAL (SURPLUS) / DEFICIT</b>	<b>(244,592)</b>	<b>36,821</b>

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 £129,857 (2004/05 - £2,220).

- 8 The Housing Revenue Account and Notes to the Account are shown on Pages 20 to 23.
- 9 Economic Development Powers - the Local Government and Housing Act 1989 Part III requires Local Authorities to account separately for loans made in exercise of their Economic Development powers at rates of interest less than reasonably obtainable in the open market. The Authority made no such loans during the past year.

## 10 LEASES

The Council's practice is generally to acquire the use of vehicles and equipment through operating leases. The capital value of assets leased during the year under operating leases was £549,654 (2004/05 - £420,279) and the total capital value of lease agreements at 31st March was £2,089,924 (2004/05 - £2,466,071). Lease rentals and hire purchase payments charged to revenue accounts during the year amounted to £593,525 (2004/05 - £629,664).

The Authority is committed to making payments of £378,235 under operating leases in 2006/07, comprising the following elements:

	<b>£000s</b>
Leases expiring in 2006/2007	0
Leases expiring between 2007/2008 and 2010/2011	335,413
Leases expiring after 2011/2012	42,822

## 11 DIRECT SERVICE ORGANISATIONS

The Council continues to operate 7 Direct Service Organisations and their financial performance is set out on page 24.

Each DSO Trading Account reports a break even position as all costs are fully recharged to the recipient of the service.

## 12 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 Consolidated Revenue Account (CRA) after net operating expenditure. The following transactions have been made in the CRA during the year.

	2004/05	2005/06
	£000s	£000s
<b>Net Cost of Services</b>		
■ current service cost	(1,290)	(1,400)
■ past service cost	(50)	0
■ curtailments	(40)	(300)
<b>Net Operating Expenditure</b>		
■ interest cost	(2,220)	(2,600)
■ expected return on assets in the scheme	2,420	2,600
<b>Amounts to be met from Government Grants and Local Taxation</b>		
■ movement on pension reserve (within the C.R.A.)	89	200
<b>Actual amount charged against council tax for pensions in the year:</b>		
■ employers' contributions payable to the scheme	1,170	1,400
■ unfunded discretionary benefit payments	90	100

Note 17 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 5 to the Statement of Total Movements in Reserves details the costs that have arisen through the year. Estimates made in preparing figures for previous years have had to be revised (e.g. the expected return on investments).

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

## 13 OFFICERS EMOLUMENTS

The number of employees whose remuneration, including redundancy payments but excluding pension contribution was £50,000 or more in bands of £10,000 were:

<b>Remuneration Band</b>	<b>2005/06</b>		<b>2004/05</b>
	No of Employees	Left During Yr	
£50,000 - £59,999	3	1	2
£60,000 - £69,999	3	2	1
£70,000 - £79,999	-	-	-
£80,000 - £89,999	-	-	-
£90,000 - £99,999	1	-	-
£100,000 - £109,999	-	-	-

#### 14 MINIMUM REVENUE PROVISION

The minimum Revenue Provision is the minimum amount which must be charged to revenue and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

	2004/05	2005/06
	£	£
Housing Amount	0	0
Non Housing Amount	496,209	498,886
	496,209	498,886
Less Commutation Adjustment	(150,128)	(119,615)
<b>Minimum Revenue Provision</b>	<b>346,081</b>	<b>379,271</b>
Comprising:		
- Amount charged as depreciation	341,071	399,751
- Addition / Reduction in charge to Consolidated Revenue Account (Appropriation)	5,010	(20,480)
	<b>346,081</b>	<b>379,271</b>

#### 15 TRANSACTIONS IN THE ASSET MANAGEMENT REVENUE ACCOUNT

	£000's	£000's	£000's
<b>Income</b>			
General Fund /Special Expenses A/c - Capital Charges	1,169		
- Release of Grant	167	1,336	
H.R.A.- Capital Charges		12,803	14,139
<b>Expenditure</b>			
Provision for depreciation		3,814	
External Interest Charges		739	
Excess Capital Charges in District & Special Services Revenue A/c's			4,553
			<b>9,586</b>
<b>Excess Credited to:</b>			
District Consolidated Revenue Account			9,547
Special Expenses Account			39
			<b>9,586</b>

#### 16 MEMBERS' ALLOWANCES

The total value of Members Allowances paid during the year was £212,014 (£200,421– 2004/2005).

#### 17 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 £10,780 in 2005/06 (£16,527 - 2004/05).

## 18 AUDIT COSTS

In 2005/2006 North West Leicestershire District Council incurred the following fees relating to external audit and inspection.

	2004/05 £	2005/06 £
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	99,200	91,800
Fees payable to the Audit Commission in respect of statutory inspection	19,100	13,500
Fees payable to the Audit Commission for the certification of grant claims and returns	32,305	29,610
Fees payable in respect of other services provided by the appointed auditor	0	0
	<b>150,605</b>	<b>134,910</b>

## 19 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:

	<u>Receipts</u> <u>£'000</u>	<u>Payments</u> <u>£'000</u>
Central Government		
Revenue Grants	17,588	
Capital Grants	870	
Leicestershire County Council - Precept		27,211
Leicestershire Fire and Rescue		1,318
Leicestershire Police - Precept		3,852
Councillor N. Rushton	9	
<i>Represents rental income received in respect of Ashby Town Hall from Dunkin Rushton Ltd, of which Councillor Rushton is a majority shareholder.</i>		

## 20 PRIOR YEAR ADJUSTMENTS

The Council made no material prior year adjustments during the year.

## HOUSING REVENUE ACCOUNT

2004/2005			NOTES	2005/06	
£	£		£	£	
	10,680,175	<b>INCOME</b>			
86,648		Rents - Dwellings	4	11,029,913	
14,247		Rents - Garages / Sites		89,761	
8,596		Rents - Shops		15,913	
		Rents - Other		28,233	
	109,491				133,907
	206,404	Charges for Services and Facilities			199,344
	0	Governmental Grants - Rent Rebates / HRA Subsidy			0
	<b>10,996,070</b>	<b>TOTAL INCOME</b>			<b>11,363,164</b>
	2,777,403	<b>EXPENDITURE</b>			
		Repairs & Maintenance			2,587,868
		Supervision & Management			
		- General		1,483,461	
1,370,360		- Special		1,350,868	
1,366,609					2,834,329
	2,736,969	Capital Charges			
		- Depreciation (M.R.A.)	9	3,414,119	
3,825,780		- Capital Charges (3.5%)	8	9,388,412	
8,526,884					12,802,531
	12,352,664				
		Rent Rebates - Unsubsidised Incentive Areas			78,210
	133,468	Housing Subsidy Payments to the National Pool	10	3,268,322	
	3,309,089	Bad or Doubtful Debts		87,218	
	85,258	Debt Management Expenses		19,490	
	18,920				21,677,968
	<b>21,413,771</b>	<b>TOTAL EXPENDITURE</b>			
	<b>10,417,701</b>	<b>NET COST OF SERVICES</b>			<b>10,314,804</b>
	(8,338,336)	Adjusting Transfer from Asset Management Account	8	(9,234,844)	
	(604,749)	Supporting People Grant		(592,749)	
	93,827	Amortised Premiums and Discounts		115,986	
	(7,864)	Interest Receivable - Sale of Council Houses		(5,660)	
	<b>1,560,579</b>	<b>NET OPERATING EXPENDITURE</b>			<b>597,537</b>
		Appropriations:			
		R.C.C.O		60,000	
94,750		Sale of Council Houses - Administration Costs		(67,655)	
(72,546)		Contribution to Pensions Reserve		0	
(9,443)		Transfer to / from Ear Marked Reserve		66,180	
0		Transfer from Major Repairs Reserve	6	(938,574)	
(1,252,410)					(880,049)
	(1,239,649)				<b>(282,512)</b>
	<b>320,930</b>	<b>(SURPLUS) / DEFICIT</b>			
	(1,137,893)	Balance brought forward 1 April			(816,963)
	(816,963)	Balance Carried Forward 31 March			(1,099,475)

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1 MOVEMENT IN DWELLING STOCK

The Council was responsible for managing 4,603 dwellings during 2005/2006. The movement in the stock was as follows:-

	2004/2005	2005/2006
Stock at 1st April	4,688	4,603
Less: Sales	78	57
Demolitions	0	0
Stock Transfer	0	0
Conversions	8	2
Add: Transfers back into stock	1	0
	<b>4,603</b>	<b>4,544</b>

### 2 PROPERTY TYPES IN DWELLING STOCK

The properties owned by the Council at 31st March 2006 comprise the following:-

	Flats/Maisonettes	Bungalows	Houses	Total
Bedsits	89	4	0	93
1 Bedroom	570	325	1	896
2 Bedroom	357	477	416	1,250
3 Bedroom	10	7	2,134	2,151
4 Bedroom	0	0	151	151
5 Bedroom	0	0	3	3
<b>Total</b>	<b>1,026</b>	<b>813</b>	<b>2,705</b>	<b>4,544</b>

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

	Balance as at 1st April 2005	Balance as at 31st March 2006
Dwellings	261,735,438	213,833,901
Other Land and Buildings	3,400,685	6,499,553
Vehicles, Plant & Equipment	0	0
<b>OPERATIONAL ASSETS</b>	<b>265,136,123</b>	<b>220,333,454</b>
Investment Properties	142,500	0
<b>NON OPERATIONAL ASSETS</b>	<b>142,500</b>	<b>0</b>
<b>TOTAL</b>	<b>265,278,623</b>	<b>220,333,454</b>

In reviewing guidance on the definition of investment properties those properties that were previously classified as investment properties were reclassified as operational properties as at 1 April 2005.

The vacant possession value of dwellings within the Authority's HRA as at 31st March 2006 was £425,447,148. The vacant possession value and balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rents.

#### 4 RENT INCOME

This is the total rent income due for the year after an allowance is made for voids etc. Average rents were £46.68 per week in 2005/06 (£44.53 2004/05) there being an average increase of 4.82% (3.63% 2004/05) over the previous year. During the year 1.20% (1.04% 2004/05) of lettable properties were vacant

Rent income can be analysed as follows:-

	2004/2005	2005/2006
	£	£
Collectable from Tenants	5,453,905	5,535,402
Rent Rebates	5,226,270	5,494,511
	10,680,175	11,029,913
Non - Dwelling Rents	109,491	133,907
	<b>10,789,666</b>	<b>11,163,820</b>

#### 5 RENT ARREARS

During the year rent arrears, as a proportion of gross rent income was 3.82% (2004/05 - 3.63%). The arrears figures are as follows:-

Arrears at 31st March	2004/2005	2005/2006
	£	£
Former and Current Tenants	391,595	426,884

Amounts written off during the year were £9,846 (2004/05 - £32,569). At 31st March the Provision for doubtful debts stood at £286,056 (2004/05 - £242,592).

#### 6 MAJOR REPAIRS RESERVE

	2004/2005	2005/2006
	£	£
Balance at 1st April 2005	0	(126,597)
Amounts transferred to Reserve during year	(3,825,780)	(3,414,119)
Amounts transferred from Reserve to finance		
Capital Expenditure	2,251,389	1,693,873
Funding of Previous Years Capital Creditors	195,384	0
Depreciation in excess of MRA	1,252,410	938,574
<b>Balance at 31st March 2006</b>	<b>(126,597)</b>	<b>(908,269)</b>

#### 7 CAPITAL EXPENDITURE & RECEIPTS

Total Capital Expenditure within the authority's H.R.A. during the financial year was £2,156,279. (Land £2,900, Houses £2,145,103 and Other Property £8,276) . The sources of funding are shown below.

	2004/2005	2005/2006
	£	£
Loans	214,663	52,000
Useable Capital Receipts	495,222	410,406
Contribution	16,585	0
Major Repairs Reserve	2,251,389	1,693,873
Revenue Contribution	200,198	0
Capital Creditors	0	0
	<b>3,178,057</b>	<b>2,156,279</b>

Total Capital Receipts from disposals of Council Dwellings within the authority's H.R.A. stock during the financial year were £3,626,120.

## 8 COST OF CAPITAL CHARGES / CAPITAL ACCOUNTING ADJUSTMENT

Following the implementation of the Local Government and Housing Act 1989, the interest charges payable by the Housing Revenue Account have been assessed according to a statutory formula (the Item 8 debit determination). From 1 April 2001 however, Resource Accounting for Housing has introduced a new cost of capital charge, currently at 3.5% of the value of Housing Revenue Account assets. In order to ensure that the impact of this charge on rents is neutral, the rules governing the Housing Revenue Account have been extended to include a capital asset charges accounting adjustment. This reverses out the 3.5% cost of capital charge and replaces it with interest calculated as previously in accordance with the Item 8 Debit determination. The effect of this is shown below:

	2004/2005	2005/2006
	£	£
Cost of Capital Charges	8,526,884	9,388,412
Capital Asset Charges Accounting Adjustment	8,338,336	9,234,844
Statutory Item 8 Debit Interest	188,548	153,568

## 9 DEPRECIATION

The total charge for depreciation for land, houses and other property within the authority's H.R.A. during the financial year is £3,414,119

	2004/2005	2005/2006
	£	£
<b>DEPRECIATION - OPERATIONAL ASSETS</b>		
Dwellings	3,823,213	3,403,577
Other Land and Buildings (including Shops)	2,567	10,542
Vehicles, Plant & Equipment	0	0
<b>TOTAL DEPRECIATION</b>	<b>3,825,780</b>	<b>3,414,119</b>

## 10 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' HRA 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:

	2004/2005	2005/2006
	£	£
Management & Maintenance	4,478,031	4,932,291
Major Repairs Allowance	2,563,888	2,475,545
Charges for Capital	874,952	772,970
Other Allowances	47,596	31,064
Interest on Receipts	(11,792)	(7,014)
Guideline Rent Income	(11,261,764)	(11,491,435)
<b>Housing element entitlement</b>	<b>(3,309,089)</b>	<b>(3,286,579)</b>
Prior year adjustment	0	18,257
<b>H.R.A. SUBSIDY ENTITLEMENT</b>	<b>(3,309,089)</b>	<b>(3,268,322)</b>

# DIRECT SERVICE ORGANISATION ACCOUNTS

2004/2005		2005/2006		
(SURPLUS) / DEFICIT		TURNOVER	COSTS	(SURPLUS) / DEFICIT
£		£	£	£
0	Building Maintenance (Note 3)	1,657,796	1,657,796	0
0	Grounds Maintenance	675,181	675,181	0
0	Vehicle Maintenance	309,769	309,769	0
0	Refuse Collection	1,105,829	1,105,829	0
0	Recycling	494,413	494,413	0
0	Street Cleansing	613,007	613,007	0
0	Leisure Services (Note 4)	2,493,757	2,493,757	0
<b>0</b>		<b>7,349,752</b>	<b>7,349,752</b>	<b>0</b>

2004/2005		2005/2006
£		£
	<b><u>DIRECT SERVICES ORGANISATION (D.S.O.) RESERVE</u></b>	
5,517	Balance Brought Forward	1,905
0	Contributions to Reserves	0
0	Contribution to General Fund Reserves	0
(3,612)	Contributions from Reserves	0
<b>1,905</b>	Balance Carried Forward	<b>1,905</b>
	<b><u>DIRECT LEISURE SERVICES (D.L.S.) RESERVE</u></b>	
94,090	Balance Brought Forward	71,144
71,144	Contributions to Reserves	60,127
(94,090)	Contributions from Reserves	(71,144)
<b>71,144</b>	Balance Carried Forward	<b>60,127</b>

## NOTES:

- 1 The provisions within the Local Government Acts (1980, 1988 and 1992) which required authorities to submit specified activities to Compulsory Competitive Tendering were abolished and replaced with a duty to provide Best Value in January 2000. The authority has complied with CIPFA recommendation and continued operating Trading Accounts for these services.
- 2 The D.S.O. Trading Accounts are budgeted to break-even with all costs being fully recharged to the recipient of the service. Any balance remaining on the trading accounts may distort the total cost of the recipient service. Where this occurs a reapportionment of cost is made. This advocates the CIPFA definition of 'Total Cost' for reporting the cost of services in the Consolidated Revenue Account. (See page 14).
- 3 The balance remaining on the Building Maintenance DSO at the year end was £120,709. This sum has been fully recharged back to the Housing Revenue Account as the recipient of the service.
- 4 The costs shown against the Leisure Services D.S.O. include a reserve of £ 10,807 which was transferred to the Direct Leisure Service Replacement Inventory Reserve.

# COLLECTION FUND ACCOUNTS

## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2004/2005		2005/2006	
£		£	£
	<b>INCOME</b>		
33,089,475	Council Tax (Net of benefits, discounts for prompt payment and transitional relief)		34,128,567
3,813,334	Transfers from General Fund:-	4,046,648	
22	- Council Tax Benefit	0	
0	- Transitional Relief	0	4,046,648
	- Discounts for Prompt Payment		
3,813,356	Contributions:-		
87,466	- Towards previous year's Collection Fund Deficit / Surplus		65,179
34,006,436	Business Ratepayers		37,355,703
<b>70,996,733</b>			<b>75,596,097</b>
	<b>EXPENDITURE</b>		
	Precepts and Demands:-		
26,362,694	L.C.C.	27,210,701	
3,652,253	Leicestershire Police	3,851,695	
1,249,062	Leicestershire Fire and Rescue	1,317,549	
5,537,718	N.W.L.D.C. (including Parish and Specials)	5,790,156	
36,801,727			38,170,101
	Business Rate:-		
33,299,508	Payment to National Pool	36,853,603	
706,928	Costs of Collection	502,099	
34,006,436			37,355,702
	Bad and Doubtful Debts / Appeals		
(274)	- Write offs	(69)	
119,441	- Provisions	145,387	
119,167			145,318
	Contributions		
1,030	- Adjustment of previous years' Community Charge		1,431
<b>70,928,360</b>			<b>75,672,552</b>
68,373	Movement on fund balance - Surplus / (Deficit) for the year		(76,455)
(49,056)	Collection Fund Balance at 1st April 2005		19,317
19,317	<b>Collection Fund Balance at 31st March 2006</b>		<b>(57,138)</b>

## NOTES TO THE COLLECTION FUND ACCOUNTS

### 1 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.

### 2 COUNCIL TAX

The Council's tax base ie. 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(-)	38	5/9	21
A	8,171	6/9	5,447
B	10,731	7/9	8,346
C	5,980	8/9	5,315
D	4,868	9/9	4,868
E	3,136	11/9	3,833
F	1,258	13/9	1,817
G	781	15/9	1,302
H	38	18/9	76
	35,001		31,025
<b>Less:</b> Adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties.			465
<b>COUNCIL TAX BASE</b>			<b>30,560</b>

### 3 INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for uniform business rates, the Council collects Non-Domestic Rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn 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 2006, was £101,917,676 (£84,439,536 - 31st March 2005).

The national non-domestic multiplier for the year was 42.2p (45.6p - 2004/2005).

### 4 PRECEPTS AND DEMANDS

	£000's
Leicestershire County Council	27,211
Leicestershire Police	3,852
Leicestershire Fire and Rescue	1,317
North West Leicestershire District Council	5,790
	<b>38,170</b>

**CONSOLIDATED BALANCE SHEET  
AS AT 31ST MARCH 2006**

2005		2006		NOTES
		£	£	
	<b>Fixed Assets</b>			
242,250	Intangible Fixed Assets	253,570		
	Tangible Fixed Assets			
	Operational assets:-			
261,735,448	Council Dwellings	213,833,901		
16,708,007	Other Land & Building	26,762,298		
135,360	Community Assets	135,360		
23,000	Infrastructure Assets	23,000		
801,046	Vehicles, Plant & Equipment	887,915		
	Non-Operational Assets:-			
6,987,343	Investment / Surplus Properties	700,903		
<b>286,632,454</b>	<b>Total Fixed Assets</b>		<b>242,596,947</b>	1
281	Long Term Investments	315		
1,550,070	Long Term Debtors	1,870,180	1,870,495	2
<b>288,182,805</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>244,467,442</b>	
	<b>Current Assets</b>			
4,395,000	Investments	6,250,000		3
263,276	Stock & W.I.P.	254,500		4
4,800,939	Debtors	4,333,834		5
259,842	Cash at Bank and in hand	581,992		
<b>9,719,057</b>	<b>Total Current Assets</b>		<b>11,420,326</b>	
	<b>Current Liabilities</b>			
4,523,029	Creditors	5,294,673		6
185,966	Temporary Borrowing	244,404		7
<b>4,708,995</b>	<b>Total Current Liabilities</b>		<b>5,539,077</b>	
<b>5,010,062</b>	<b>NET CURRENT ASSETS</b>		<b>5,881,249</b>	
<b>293,192,867</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>250,348,691</b>	
15,440,000	Long-Term Borrowing	15,440,000		8
11,920,000	Liability related to Defined Benefit Pension Scheme	12,600,000		17
250,157	Deferred Liabilities	237,832		8
109,743	Deferred Capital Receipts	70,198		9
			<b>28,348,030</b>	
<b>265,472,967</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>222,000,661</b>	
	<b>FINANCED BY:-</b>			
236,980,632	Fixed Asset Restatement Account	193,162,401		12
30,951,564	Capital Financing Account	29,579,423		12
2,712,084	Government Grants Deferred	3,196,261		
841,710	Usable Capital Receipts	1,321,037		12
126,597	Major Repairs Reserve	908,269		12
286,504	Capital Grants Unapplied	565,060		12
	Reserves:-			
(11,920,000)	Pension Reserve	(12,600,000)		
571,630	Capital Reserve	876,666		12
19,317	Collection Fund Reserve	(57,138)		12
1,806,910	General Fund Earmarked Reserve	2,132,930		12
220,427	H.R.A. Earmarked Reserve	289,528		12
1,905	D.L.O. Earmarked Reserve	1,905		12
71,144	D.L.S. Earmarked Reserve	60,127		12
	Revenue Balances:-			
1,885,804	General Fund	1,361,571		
816,963	H.R.A.	1,099,475		
99,776	Special Expenses	103,146		
<b>265,472,967</b>	<b>NET WORTH</b>		<b>222,000,661</b>	

## 1 FIXED ASSETS

Movement of Fixed Assets	Council Dwellings	Other Land & Building	Vehicles, Plant & Equipment	Community Assets	Infrastructure Assets	Investment / Surplus Assets	Intangible Assets	Authority's Balance Sheet
	£	£	£	£	£	£		£
<b>Gross Book Value as at 1st April 2005</b>	274,724,614	17,863,738	1,056,473	135,360	23,000	6,987,343	245,100	301,035,628
Cumulative Depreciation brought f/wd	(12,989,166)	(1,155,731)	(255,427)	0	0	0	(2,850)	(14,403,174)
<b>Net Book Value as at 1st April 2005</b>	261,735,448	16,708,007	801,046	135,360	23,000	6,987,343	242,250	286,632,454
Revaluation / Restatements	0	6,973,865	0	0	0	(6,924,480)	0	49,385
<b>Restated Net Book Value 01/04/05</b>	261,735,448	23,681,872	801,046	135,360	23,000	62,863	242,250	286,681,840
Transfers	0	0	44,688	0	0	(44,688)	0	0
Additions / Conversions	(48,007)	0	0	0	0	0	0	(48,007)
Disposals	(2,832,570)	(717)	0	0	0	0	0	(2,833,287)
Capital Expenditure	2,156,279	84,595	633,936	0	0	682,728	39,056	3,596,594
Expenditure Not Enhancing Value	(2,156,279)	(84,595)	(408,246)	0	0	0	0	(2,649,120)
Revaluation's & Restatements	(41,617,393)	3,288,608	(8,416)	0	0	0	0	(38,337,202)
Book Value as at 31st March 2006	217,237,478	26,969,763	1,063,008	135,360	23,000	700,903	281,306	246,410,818
Depreciation for year	(3,403,577)	(207,464)	(175,093)	0	0	0	(27,736)	(3,813,870)
<b>Net Book Value as at 31st March 2006</b>	213,833,901	26,762,299	887,915	135,360	23,000	700,903	253,570	242,596,947

Depreciation is charged on the following basis:-

Depreciation Method	Straight Line	Straight Line	Straight Line	Not Applicable	Not Applicable	Not Applicable	Straight Line
Useful life/depreciation rate	50 years	15-100 years	3-10 years	Not Applicable	Not Applicable	Not Applicable	3 years

Analysis of assets employed by various funds of the Authority as at 31st March		
	2005	2006
	£	£
General Fund	21,425,904	22,335,425
Housing Revenue Account	265,278,623	220,333,454
	<b>286,704,527</b>	<b>242,668,879</b>

## Fixed Assets Valuation

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

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

In accordance with the Authority's five year rolling valuation programme a number of assets were revalued as at 1st April 2005 resulting in an increase in value of the Authority's assets by £3.289m. These valuations were undertaken by Ms L Baines (MRICS), Estates Officer of the Resources Directorate.

A desk top exercise of all the Authority's Assets was also undertaken by Ms L Baines (MRICS) as at the 31st March 2006 and together with a reduction in the Regional Factor for Social Housing Value from 62% to 50% Council Dwellings decreased by £41.6m in value.

Capital expenditure and financing is as follows: -

	<b>2006</b>
	<b>£000's</b>
<b>Opening Capital Financing Requirement</b>	15,988
Capital Investment:	
Operational assets	3,596
Non-operational assets	0
Deferred Charges	759
Sources of Finance:	
Capital receipts	(506)
Government grants and other contributions	(827)
Revenue provision	(2,351)
<b>Closing Capital Financing Requirement</b>	<u>16,659</u>
Explanation of movements in the year	
Increase in underlying need to borrow (supported by Government financial assistance)	617
Increase in underlying need to borrow (unsupported by Government financial assistance)	54
<b>Increase/decrease in Capital Financing Requirement</b>	<u>671</u>

The Council only had £227,664 of major commitments under capital contracts at 31st March 2006 solely in respect of housing improvements.

Major fixed assets held at 31st March 2006, are:-

	<b>No.</b>
<b>LEISURE SERVICES</b>	
Leisure Centres with Pools	2
Markets	1
Cemeteries	4
<b>COUNCIL DWELLINGS</b>	
Houses & Bungalows	3,028
Flats	504
Sheltered Accommodation / Bedsits	1,012
<b>LAND</b>	
Parks & Open Spaces (acres)	115
<b>OTHER</b>	
Office Properties	1
Depots	2
Off Street Car Parks	19
Public Conveniences	11
Industrial Estates / Business Units	9

## 2 DEFERRED CHARGES & LONG TERM DEBTORS

### Deferred Charges

	<b>£000's</b>
<b>Balance 01/04/05</b>	0
<b>EXPENDITURE</b>	
Private Sector Grants	<b>759</b>
<b>INCOME</b>	
Amount Written off to Revenue Accounts	759
	<b>759</b>

### Long-Term Debtors

<b>2004/2005</b>		<b>2005/2006</b>
<b>£</b>		<b>£</b>
109,744	Sale of Council Houses	70,197
2,509	Housing Act Advances	680
19,205	Officers Car Loans	27,202
1,418,612	Prepayment of Debt Refinancing Premiums	1,772,101
<b>1,550,070</b>		<b>1,870,180</b>

### 3 INVESTMENTS

The long term investment of £315 is invested in 3.5% War Loan Stock

The short term investment of £6,250,000 is with the Co-operative Bank Plc

The investment of all surplus funds is managed internally.

### 4 STOCKS & WORK IN PROGRESS

2005		2006
£000's		£000's
	<b>WORKS IN PROGRESS</b>	
40	Direct Contract Services	29
79	Rechargeable Works	73
<b>119</b>		<b>102</b>
	<b>STOCK</b>	
106	Central Stores	112
38	Other	40
<b>144</b>		<b>152</b>

### 5 DEBTORS

2005		2006
£000's		£000's
855	DCLG - NNDR Pool	0
0	Government Department	0
71	DWP - Housing Benefits	234
0	DCLG - Housing Subsidy	11
1,781	Council Tax Payers	2,169
136	Community Charge (Poll Tax Payers)	0
1,368	NNDR Payers	940
168	Customs & Excise	281
422	Rent Arrears	442
1,781	General	1,778
	Provision for Doubtful Debts:-	
(243)	(Housing Rents)	(301)
(1,538)	(Collection Fund)	(1,220)
<b>4,801</b>		<b>4,334</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 services(s). The value of those services paid in advance at the year end was £264,978 (2004/05 - £265,237), the main contributor being leasing payments to the value of £180,031 (2004/05 - £205,659).

### 6 CREDITORS

2005		2006
£000's		£000's
439	Inland Revenue	256
528	Council Tax Payers	664
482	NNDR Payers	738
31	Rents	15
3,043	General	3,622
<b>4,523</b>		<b>5,295</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 £27,500 - (2004/05 - £17,040).

### 7 TEMPORARY BORROWING

2005	Source	2006
£000's		£000's
186	"Safe & Secure" Deposit Account	244
<b>186</b>		<b>244</b>

### 8 LONG-TERM BORROWING & DEFERRED LIABILITIES

#### Long-Term Borrowing

2005	Source	Rates Payable	2006
£000's			£000's
6,000	P.W.L.B.	4.15% - 5.75%	6,000
9,440	Other Institutions	2.65% - 7.99%	9,440
<b>15,440</b>			<b>15,440</b>

#### Deferred Liabilities

2005	Source	2006
£000's		£000's
243	Earmarked	232
7	Debt Re-financing Discounts	6
<b>250</b>		<b>238</b>

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

2005	Period of Maturity	2006
£000's		£000's
0	Maturity in 1 - 2 years	0
0	Maturity in 2 - 5 years	0
1,008	Maturity in 5 - 10 years	1,006
14,682	Maturity in over 10 years	14,672
<b>15,690</b>		<b>15,678</b>

### 9 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.

### 10 CONTINGENT ASSETS AND LIABILITIES

Following the unsuccessful defence of a Purchase Notice there is potential for the Council having to acquire a site in Coleorton. The owners claim that because there was a dwelling previously on the land it has 'rebuilding rights' and the value is put by them at £250,000.

## **11 PROVISION FOR CREDIT LIABILITIES (Memorandum Account)**

The introduction of the new Prudential Framework from 1 April 2005 removed the requirement to keep this memorandum account and as such will no longer be included in the Statement of Accounts notes.

## **12 RESERVES**

Details of the movements in all reserves are disclosed in the Statement of Total Movements in Reserves and notes thereto which commence on page 36. Further details of Earmarked Reserves are shown in note 18 on page 35.

## **13 INSURANCE**

The value of claims outstanding at 31st March 2006, with Zurich Municipal was £98,201 (2004/05 - £217,273). Arrangements are in place to try to ensure an orderly settlement of the sums due.

## **14 THE EURO**

The adaptation of operational and information systems to accommodate the Euro will be required as the Euro becomes established as a major currency and the possible date for British participation in EMU comes closer.

No material additional costs were incurred during the year in preparation of the Euro.

## **15 POST BALANCE SHEET EVENTS**

There are no post balance sheet events to report for the 2005/2006 Accounts.

## 17 DISCLOSURE OF NET PENSIONS ASSET/LIABILITY

Note 12 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pension Scheme (administered by Leicestershire County Council).

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

	31st March 2005 £000s	31st March 2006 £000s
Estimated Liabilities in scheme (includes Discretionary Unfunded Benefits in 2006)	(48,410)	(58,600)
Estimated Assets in scheme	36,490	46,000
Discretionary Unfunded Benefits (Net movement)	0	0
<b>Net Asset / (Liability)</b>	<b>(11,920)</b>	<b>(12,600)</b>

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits.

The total liability of £12.6m 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 £222m. However statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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 2005.

The main assumptions used in their calculations have been:

Assumptions	2004/05	2005/06
Rate of inflation	2.9%	3.1%
Rate of increase in salaries	4.4%	4.6%
Rate of increase in pensions	2.9%	3.1%
Rate of discounting scheme liabilities (NB Based on 3.5% real)	5.4%	4.9%

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund.

Assets (Authority's Share)	31st March 2005			31st March 2006		
	Value £	Asset Distribution %	Long Term Return %	Value £	Asset Distribution %	Long Term Return %
Equities	26,240	71.9	7.7	33,700	73.3	7.4
Bonds	5,620	15.4	4.8	6,900	15.0	4.6
Property	3,610	9.9	5.7	4,000	8.7	5.5
Cash	1,020	2.8	4.8	1,400	3.0	4.6
	<b>36,490</b>	<b>100.0</b>	<b>7.0</b>	<b>46,000</b>	<b>100.0</b>	<b>6.7</b>

## 18 EARMARKED RESERVES

	<b>Balance 01/04/2005</b>	<b>Receipts in Year</b>	<b>Payments in Year</b>	<b>Transfer to Balances</b>	<b>Balance 31/03/2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Housing Revenue Account	220,427	176,614	107,513	0	289,528
D.L.O. - General Reserves	1,905	0	0	0	1,905
D.L.S. - General Reserves	71,144	60,127	71,144	0	60,127
Transport Appropriation Account	80,839	82,161	19,041	0	143,959
Asset Protection Fund	453,914	209,822	192,480	60,378	410,878
VAT Liability Reserve	39,169	83,349	0	0	122,518
General Reserves	489,385	375,725	175,380	12,916	676,814
Planning Delivery Grant	151,862	273,445	279,996	0	145,311
Planning - Contingency Fund	139,488	22,542	61,746	0	100,284
Local Development Framework	110,996	37,000	83,927	0	64,069
Refuse Contingency	0	16,000	0	0	16,000
Regeneration Funds	46,037	15,812	9,349	0	52,500
Insurance Funds	20,114	0	0	0	20,114
Business Units Maintenance Funds	160,920	117,551	28,222	0	250,249
Initiative Funds & Other Reserves	22,075	0	3,161	0	18,914
Community Safety / Awareness	4,411	2,364	1,785	996	3,994
Leisure Strategy / Project Grants	83,327	48,402	20,597	3,806	107,326
External Deposits & Bonds	4,373	0	0	4,373	0
	<b>2,100,386</b>	<b>1,520,914</b>	<b>1,054,341</b>	<b>82,469</b>	<b>2,484,490</b>

## 19 COLLECTION FUND BALANCES

The Collection Fund is a statutory fund in which are recorded the transactions for council tax, business rates and residual community charges. The balance on the Fund is available for financing the expenditure of this council, Leicestershire County Council and of Leicestershire Police Authority in future financial years in proportion to their previous precepts on the Fund.

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	2004/2005 £000's	2005/2006 £000's	
Surplus/(deficit) for the year:			
- General Fund	(123)	(524)	
- Housing Revenue Account	(321)	282	
- Collection Fund	68	(76)	
- Special Expenses Account	6	3	
- Transport Account	97	63	
Add: Movements on earmarked reserves - Revenue	359	321	
- Capital	(318)	305	
Deduct: Appropriation from pensions reserve	89	(200)	
<b>Total increase/(decrease) in revenue resources (note 1)</b>	<b>(143)</b>		<b>174</b>
Increase/(decrease) in useable capital receipts	212	479	
Increase/(decrease) in unapplied capital grants and contributions	(23)	279	
<b>Total increase/(decrease) in realised capital resources (note 2)</b>	<b>189</b>		<b>758</b>
Gains/(losses) on revaluation of fixed assets	49,909	(40,985)	
Impairment losses on fixed assets due to general changes in prices	0	0	
<b>Total increase/(decrease) in unrealised value of fixed assets (note 3)</b>	<b>49,909</b>		<b>(40,985)</b>
<b>Value of assets sold, disposed of or decommissioned (note 3)</b>	<b>(4,478)</b>		<b>(2,833)</b>
Capital receipts set aside	3,339	2,202	
Revenue resources set aside	(3,532)	(3,574)	
Movement on Government Grants Deferred	478	484	
Movement on Major Repairs Reserve	127	782	
<b>Total increase/(decrease) in amounts set aside to finance capital investment (note 4)</b>	<b>412</b>		<b>(106)</b>
Actuarial gains and losses relating to pensions (note 5)	(6,130)		(480)
Adjustment re: opening balance on Pension Reserve	1,220		
<b>Total recognised gains and losses</b>	<b>40,979</b>		<b>(43,472)</b>

## NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

### 1. MOVEMENTS IN REVENUE RESERVES

	General Fund Balances £ 000's	HRA Balances £ 000's	Earmarked Revenue Reserves £ 000's	Pensions Reserves £ 000's
Surplus/(deficit) for 2005/06	(616)	282	(1,054)	-
Appropriations to/from revenue	92	-	1,438	(200)
Actuarial gains and losses relating to pensions	-	-	-	(480)
Prior year adjustment	-	-	-	0
	(524)	282	384	(680)
Balance brought forward at as 1 April 2005	1,886	817	2,100	(11,920)
<b>Balance carried forward at 31 March 2006</b>	1,362	1,099	2,484	(12,600)

Earmarked revenue reserves are detailed in note 18 in the Notes to the Consolidated Balance Sheet. Further information relating to pensions and to the pension reserve are shown in note 17 thereof and note 5 hereto.

### 2. MOVEMENTS IN REALISED CAPITAL RESOURCES

	2004/2005		2005/2006	
	Usable Capital Receipts £ 000's	Unapplied Grants and Contributions £ 000's	Usable Capital Receipts £ 000's	Unapplied Grants and Contributions £ 000's
Amounts receivable in year	1,095	4	985	318
Amounts applied to finance new capital investment in year	(883)	(27)	(506)	(39)
Total increase/(decrease) in realised capital resources	212	(23)	479	279
Balance brought forward as at 1 April	630	309	842	286
<b>Balance carried forward as at 31 March</b>	842	286	1,321	565

The Useable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years.

The balance on Unapplied Grants and Contributions represents the balance of funds provided by developers under Section 106 of the Town and Country Planning Act 1990 ('S106 Agreement') together with monies set aside in respect of future capital projects and as yet unspent.

### 3. MOVEMENTS IN THE UNREALISED VALUE OF FIXED ASSETS

	Fixed Asset Restatement Account	
	2004/2005 £ 000's	2005/2006 £ 000's
Gains / Losses on Revaluation of Assets	49,909	(40,985)
Impairment losses on fixed assets due to general changes in price	-	-
<b>Total increase/(decrease) in unrealised capital resources</b>	<b>49,909</b>	<b>(40,985)</b>
<b>Value of assets sold, disposed of or decommissioned</b>		
Amounts written off fixed asset balances for disposals	(4,478)	(2,833)
Total movement on reserve in year	45,431	(43,818)
Balance brought forward as at 1 April	191,549	236,980
<b>Balance carried forward as at 31 March</b>	<b>236,980</b>	<b>193,162</b>

The balance carried forward represents the value of unrealised gains and losses in respect of assets held and existing at the Balance Sheet date.

### 4. MOVEMENTS IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT

	2004/2005			2005/2006		
	Capital Financing Account £ 000's	Government Grants Deferred £ 000's	Total £ 000's	Capital Financing Account £ 000's	Government Grants Deferred £ 000's	Total £ 000's
<u>Capital receipts set aside</u>						
-reserved receipts	9	-		2	-	
-useable receipts applied	3,330	-		2,200	-	
<b>Total capital receipts set aside</b>	<b>3,339</b>	<b>-</b>	<b>3,339</b>	<b>2,202</b>	<b>-</b>	<b>2,202</b>
<u>Revenue resources set aside</u>						
-capital expt. financed from revenue	501	-		278	-	
-HRA depreciation	(3,826)	-		(3,414)	-	
-reconciling amount for provisions from loan repayment / other	(207)	-		(438)	-	
<b>Total revenue resources set aside</b>	<b>(3,532)</b>	<b>-</b>	<b>(3,532)</b>	<b>(3,574)</b>	<b>-</b>	<b>(3,574)</b>
Grants applied to capital investment	-	798		-	692	
Amounts credited to the Asset Management Revenue Account/Other	-	(320)		-	(208)	
<b>Movement on Government Grants Deferred</b>	<b>-</b>	<b>478</b>	<b>478</b>		<b>484</b>	<b>484</b>
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>			<b>285</b>			<b>(888)</b>
Total movement on reserve	(193)	478		(1,372)	484	
Balance brought forward	31,144	2,234		30,951	2,712	
<b>Balance carried forward</b>	<b>30,951</b>	<b>2,712</b>		<b>29,579</b>	<b>3,196</b>	

## 5. MOVEMENT IN PENSION RESERVE

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets and liabilities as at the balance sheet date.

### Analysis of Amount Recognised in the Statement of Total Recognised Gains and Losses

	2003/04		2004/05		2005/06	
	£000s	%	£000s	%	£000s	%
Differences between the expected and actual return on assets.	5,090	14.9	1,230	3.4	6,400	13.8
Differences between actuarial assumptions about liabilities and actual experience.	0	0	910	1.9	20	0.03
Changes in the financial assumptions underlying the PV of scheme liabilities.	0		(8,270)		(6,900)	
<b>Actual Gains/Losses recognised in STRGL</b>	<b>5,090</b>		<b>(6,130)</b>		<b>(480)</b>	

# CASH FLOW STATEMENT

2004/2005			2005/2006	
£000's	£000's		£000's	£000's
		<b>REVENUE ACTIVITIES</b>		
		<b>Cash Outflows</b>		
13,288		Cash paid to and on behalf of employees	14,336	
14,888		Other Operating Cash Payments	16,197	
9,196		Housing Benefits Paid Out	9,895	
32,099		Precepts paid out	33,260	
33,608		Non-Domestic Rate payments to National Pool	36,524	
	103,079			110,212
		<b>Cash Inflows</b>		
(7,324)		Rents (after rebates)	(7,773)	
(33,080)		Council Tax Income	(33,893)	
(33,139)		Local Non-Domestic Rate Income	(37,390)	
(2,358)		Non-Domestic Rate Receipts from National Pool	(2,526)	
(13,995)		DWP grants for benefits	(14,771)	Note 5
(3,193)		Government Grants	(3,303)	Note 5
(10,045)		Cash received from goods and services	(11,233)	
(1,685)		Other Operating cash receipts	(1,424)	
	(104,819)			(112,313)
	(1,740)	<b>Revenue Activities Net Cash Inflow</b>		(2,101)
				Note 1
		<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>		
		<b>Cash Outflows</b>		
915		Interest paid	739	
		<b>Cash Inflow</b>		
(451)		Interest received	(440)	
	464	<b>Servicing of Finance Net Cash Outflow</b>		299
		<b>CAPITAL ACTIVITIES</b>		
		<b>Cash Outflows</b>		
4,086		Purchase of Fixed Assets	3,497	
662		Other Capital Cash Payments	759	
4,748			4,256	
		<b>Cash Inflows</b>		
(4,121)		Sale of Fixed Assets	(3,678)	
(875)		Capital Grants Received	(855)	
(26)		Other Capital Cash Receipts	(50)	
(5,022)			(4,583)	
	(274)			(327)
	0	<b>ACQUISITIONS and DISPOSALS</b>		0
	(1,550)	<b>Net Cash (Inflow) / Outflows Before Financing</b>		(2,129)
		<b>MANAGEMENT OF LIQUID RESOURCES</b>		
	895	Net increase/(decrease) in short term deposits		1,855
				Note 3
		<b>FINANCING</b>		
		<b>Cash Outflow</b>		
10,966		Repayments of amounts borrowed	1,075	
		<b>Cash Inflow</b>		
(10,979)		New Loans raised	(1,123)	
	(13)	<b>Net Cash (inflows) / outflows from Financing</b>		(48)
	(668)	<b>(Increase) / Decrease in Cash &amp; Cash Equivalent</b>		(322)
				Note 2

## CASH FLOW STATEMENT NOTES TO THE ACCOUNTS

### Note 1. Reconciliation of Deficit to Net Revenue Cash Flow

	2005/2006	
	£000's	£000's
<b>Deficit for the year</b>		(828)
<b>Non Cash Transactions</b>		
Decrease in Revenue Reserves	476	
Contribution to Major Repairs Allowance	(3,414)	
Other Non Cash Transactions	153	
		(2,785)
<b>Items on an Accruals Basis</b>		
Increase in Stock and Work in Progress	(9)	
Increase in Revenue Debtors	(167)	
Decrease in Revenue Creditors	509	
		333
<b>Items Classified in Another Classification in the Cash Flow Statement</b>		
Investment Income	440	
Interest element of finance lease rentals	0	
Interest Paid	739	
		1,179
<b>Net Cash Flow from Revenue Activities</b>		<b>(2,101)</b>

### Note 2. Net Movement in Cash Balances

NET MOVEMENT IN CASH BALANCES	Balance 1st April 2005	Balance 31st March 2006	Movement In the year Increase / (Decrease)
	£000's	£000's	£000's
Cash in hand / Overdrawn	260	582	322
Increase in Cash and Cash Equivalents	260	582	322

### Note 3. 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 the Clearing Banks and their wholly owned subsidiaries, Government Agencies, top ten UK Building Societies and other local authorities.

NET MOVEMENT IN LIQUID RESOURCES	Balance 1st April 2005	Balance 31st March 2006	Movement In the year Increase / (Decrease)
	£000's	£000's	£000's
Short Term Deposits	4,395	6,250	1,855

## CASH FLOW STATEMENT NOTES TO THE ACCOUNTS (Cont'd)

### Note 4. Analysis of Movement in Financing

NET MOVEMENT IN FINANCING	Balance 1st April 2005	Balance 31st March 2006	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
Safe & Secure Deposit Account	186	245	59
Earmarked Loans	243	232	(11)
<b>Decrease in Financing</b>	<b>15,869</b>	<b>15,917</b>	<b>48</b>

### Note 5. Analysis of Government Grants

	As at 31/03/2006	
	£000's	£000's
Revenue Support Grant		2,817
DWP Grants for Benefits:		
Rebates	14,229	
Administration	542	14,771
Improvement Grants	135	
Other	735	870
		<b>18,458</b>

## SPECIAL EXPENSES ACCOUNT

2004/2005		2005/2006	
£		£	£
	<b>COALVILLE URBAN DISTRICT AREA</b>		
89,834	Balance brought forward	93,881	
543,186	Collection Fund Precept	569,221	
633,020			663,102
	<b>EXPENDITURE</b>		
387,443	Parks & Open Spaces	406,374	
100,577	Burial Grounds	97,227	
13,554	Allotments	11,040	
46,298	Other Expenses	45,207	
68,442	R.C.C.O.	87,404	
(44,380)	Asset Management Revaluation Account	(38,700)	
(32,795)	Contribution to Ear-Marked Reserves	(41,404)	
539,139			567,148
<b>93,881</b>	Balance carried forward		<b>95,954</b>
	<b>COLEORTON PARISH AREA</b>		
1,490	Balance brought forward	951	
2,338	Collection Fund Precept	2,573	
3,828			3,524
	<b>EXPENDITURE</b>		
1,377	Parks & Open Spaces	764	
1,500	Burial Grounds	1,536	
<b>951</b>	Balance carried forward		<b>1,224</b>
	<b>MEASHAM PARISH AREA</b>		
695	Balance brought forward	1,069	
2,568	Collection Fund Precept	3,019	
3,263			4,088
	<b>EXPENDITURE</b>		
952	Parks and Open Spaces	0	
1,242	Burial Grounds	1,353	
<b>1,069</b>	Balance carried forward		<b>2,735</b>
	<b>STRETTON-EN-LE-FIELD</b>		
383	Balance brought forward	176	
869	Collection Fund Precept	1,368	
1,252			1,544
	<b>EXPENDITURE</b>		
1,076	Burial Grounds	949	
<b>176</b>	Balance carried forward		<b>595</b>
	<b>OSGATHORPE</b>		
301	Balance brought forward	319	
150	Collection Fund Precept	158	
451			477
	<b>EXPENDITURE</b>		
132	Parks & Open Spaces	193	
<b>319</b>	Balance carried forward		<b>284</b>
	<b>LOCKINGTON / HEMINGTON</b>		
628	Balance brought forward	894	
2,249	Collection Fund Precept	2,645	
2,877			3,539
	<b>EXPENDITURE</b>		
727	Parks & Open Spaces	853	
1,256	Burial Grounds	1,361	
<b>894</b>	Balance carried forward		<b>1,325</b>

## SPECIAL EXPENSES ACCOUNT CONT'D

2004/2005		2005/2006	
£		£	£
	<b>KEGWORTH</b>		
300	Balance brought forward	214	
184	Collection Fund Precept	197	
484			411
	<b>EXPENDITURE</b>		
270	Parks & Open Spaces	243	
<b>214</b>	Balance carried forward		<b>168</b>
	<b>RAVENSTONE</b>		
220	Balance brought forward	272	
252	Collection Fund Precept	256	
472			528
	<b>EXPENDITURE</b>		
200	Parks & Open Spaces	200	
<b>272</b>	Balance carried forward		<b>328</b>
	<b>OAKTHORPE &amp; DONISTHORPE</b>		
0	Balance brought forward	2,000	
2,000	Collection Fund Precept	248	
2,000			2,248
	<b>EXPENDITURE</b>		
0	Parks & Open Spaces	1,715	
<b>2,000</b>	Balance carried forward		<b>533</b>

# THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## **The Authority's Responsibilities**

The Authority is required: -

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

## **The Responsibilities of the Head of Finance**

The Head of Finance 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* ('the Code of Practice').

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

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

The Head of Finance has also: -

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

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 2006.

L Gill  
L Gill C.P.F.A

Head of Finance & Section 151 Officer

Date

29/6/06

D P Whetton  
Councillor D. P. Whetton

Chairman of the Council

Date

29 6 2006

# THE STATEMENT ON INTERNAL CONTROL 2005/6

## Background

The Accounts and Audit Regulations 2003 require that “The Council shall be responsible for ensuring that the financial management of the body is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council’s functions and which includes the arrangements for the management of risk”.

In addition, the regulations also require that:

“The Council shall conduct a review at least once a year of the effectiveness of its system of internal control, and shall include a statement on internal control prepared in accordance with proper practices with any statement of accounts it is obliged to publish”.

The statement should be a balanced reflection of the actual control position and governance of the whole Authority and be approved by full Council. After approval, the statement, including any action plan, must be signed by the Leader of the Council and the Chief Executive. The Council’s proposed statement, which should be seen as a corporate document rather than just a financial document, is contained within pages 47 to 55 of this document

The statement is a corporate document involving a variety of people charged with delivering governance:

- The Chief Executive in meeting her statutory responsibilities as Head of Paid Service
- Directors and Managers assigned with the ownership of risks and delivery of services
- The Responsible Financial Officer who is responsible for the accounting control systems and records and the preparation of the statement of accounts
- The Monitoring Officer in meeting her statutory responsibilities
- Members
- Others responsible for providing assurance, e.g. external audit and inspectorates

The Statutory Officers Group, consisting of the Head of the Paid Service (Chief Executive), the Director of Resources, the Monitoring Officer, the Responsible Financial Officer and the Chief Internal Auditor; which meets regularly throughout the year has contributed to drafting the statement. This approach ensures that when evaluating assurances and supporting evidence there is consistency with existing practices and the Authority’s internal control framework.

In compiling the statement the group has engaged with key members of the Council and has had regard to a range of key documents including the:

- Statement on Internal Control 2005
- CPA report
- Audit Management Letter
- Chief Internal Auditors Annual Report 2005/06 to Performance Monitoring Board

From these assurances internal control issues have been identified and proposed actions to remedy these have been included in the action plan within the statement.

The statement itself along with the wider corporate risk management issues associated with the Council activities will be kept under continual review.

# STATEMENT ON INTERNAL CONTROL 2005/06

## **1 SCOPE OF RESPONSIBILITY**

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

In discharging this overall responsibility, North West Leicestershire District Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

Within the Council the lead Member role has been allocated to the Leader of the Council whilst the Director of Resources is the lead Officer. Monitoring of the statement will take place throughout the year with periodic reference to the Council's Executive Board and Scrutiny Boards through the corporate quarterly performance framework.

## **2 THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives. Therefore it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A system of internal control has been in place at the Council for the year ended 31 March 2006 and up to the date of the approval of the Statement of Accounts.

## **3 THE INTERNAL CONTROL ENVIRONMENT**

Key elements of the internal control environment operating at North West Leicestershire District Council include:

### **3.1 ESTABLISHING AND MONITORING THE ACHIEVEMENT OF THE COUNCIL'S OBJECTIVES**

#### **a The Council Delivery Plan**

The Council set out on a "Journey of Improvement" following its CPA result in 2004 and has now put in place key building blocks to make significant service and corporate improvements over the next few years. Following the outcome of the CPA process in September 2004, the Council reviewed the priorities contained in its Corporate Plan for the period 2005/08 in the report 'CPA Improvement Plan – Review of Council's Priorities', which was approved by the Council in December 2004. The Audit Commission Progress Assessment Report published in December 2005 analysed the Council's progress, acknowledged the improvements that had been made whilst also recognising that there is still more to be done.

Over the past 16 months a plan to improve the whole authority's performance has been implemented with a strategic review of the organisational structure and the development of performance management. Building on these foundations we will be undertaking further service reviews in 2006 to consider Value for Money issues leading to ultimately more effective joined up delivery.

# STATEMENT ON INTERNAL CONTROL 2005/06 (continued)

The Council's objectives and key priorities are now set out in the Council's Delivery Plan 2006/09, which also incorporates the Council's Best Value Performance Plan. The Plan has been developed through the Executive Board, Policy Review & Development and Performance Monitoring Scrutiny Boards. The priorities have been identified and selected to reflect the communities key areas (based on customer research), the Leicestershire LAA and Government targets. The achievement of the plan is monitored through quarterly performance management reporting incorporating Heads of Service, Directors, the Chief Executive, the Executive Board and Performance Monitoring Scrutiny Board.

## **b Directorate Delivery Plans**

Each Directorate area has a delivery plan which is reviewed annually. The plan sets out, amongst other things, the resources required to run that service as well as linking priorities for improvements and targets in the Council's Delivery Plan 2006/09. This aims to ensure that each service area operates in an economic efficient and effective manner as well as seeking continuous improvement.

## **c Performance Management**

A performance management framework is in place with regular reporting to Executive Board and Performance Monitoring Board via Corporate Leadership Team. The Boards monitor and scrutinise progress against targets and performance affecting relevant service areas and consider and approve corrective action where necessary. In the financial year 2005/06 a computerised system (Ten) has been developed in the Council supported by regular Performance Monitoring. The robustness of reporting will be enhanced further by Performance reporting for Service Managers upwards. The annual reporting timetable is included at the back of the Council's Delivery Plan 2006/09. Performance targets have been included in the staff's PRP targets for 2006/7.

## **3.2 THE FACILITATION OF DECISION MAKING**

### **a The Constitution**

The Council has adopted a constitution. The constitution sets out how the Council will run its business. It comprises of a combination of law, good practice and local choice. It states how decisions will be made and the procedures which the Council will follow to ensure that these decisions are efficient, transparent and accountable to local people.

A substantial review of the constitution was undertaken in 2005 and the current document was approved by Council in September 2005. This has been known as the Phase 1 review and it ensured that the Constitution was up to date in terms of law and procedure and took account, as far as possible, of the changes to the authority's senior management structure. The following are the headline improvements which have been made to the document as a result of Phase 1:

- Updated procedure rules
- Updated financial and contracts procedure roles
- Simplified scheme of delegation
- Updated Statement of Executive Functions
- Production of electronic searchable version on intranet and internet

Phase 1 of the review identified a number of issues which required further work and where additional changes to the constitution may be recommended. This Phase 2 work is underway and will be taken though the relevant decision-making process in July and August 2006 culminating in a report to Council on 5 September 2006.

# STATEMENT ON INTERNAL CONTROL 2005/06 (continued)

Thereafter the Monitoring Officer has a responsibility to keep the document up to date and under review. Directors and Heads of Service have been provided with a standard form to enable them to notify the Monitoring Officer of any concerns in the way that the constitution operates in practice or changes which need to be made.

In terms of decision making bodies, the constitution established the following:

- Executive Board
- Policy Review & Development Board (Scrutiny)
- Performance Monitoring Board (Scrutiny)
- Standards Committee
- Planning & Environment Group (Regulatory Committee)
- Appeals Group
- Service Appeals Group
- Licensing Committee (Regulatory Committee)
- Licensing Sub-Committee (Regulatory Committee)

Officers are able to exercise decision making powers in accordance with the scheme of delegation. As required by law the Council publishes a Forward Plan which is prepared by the Leader. This sets out all the key decisions which the Executive Board proposes to take. To assist in the management of the workload of the Executive, a Forward Plan of non key decisions is also prepared.

## **3.3 ENSURING COMPLIANCE WITH POLICY, PROCEDURE, LAW AND REGULATION**

### **a The Monitoring Officer**

The Post of Monitoring Officer is a statutory requirement by virtue of section 5 of the Local Government and Housing Act 1989. The Council has designated the post of Head of Legal & Democratic Services as the Monitoring Officer. The Monitoring Officer has determined that the Legal Services Manager post will act as Deputy Monitoring Officer.

The responsibilities of the Monitoring Officer are set out in the Local Government and Housing Act 1989. Broadly, these are to ensure the lawfulness and fairness of the Council's decision making process. The Monitoring Officer has a duty to report to Council if only proposal, decision or omission has given rise or is likely to give rise to:

- Any contravention of any enactment or rule of law
- Maladministration or related injustice

Such a report would have the effect of stopping the proposal or decision being implemented until the report is considered by the Council.

A Statutory Officers Group meets on a monthly basis. It comprises the Chief Executive, the Section 151 Officer, the Director of Resources, the Monitoring Officer and the Internal Audit Service Manager. The role of the Group is to drive forward issues of corporate governance across the authority via an action plan. The Statutory Officers have recently provided Corporate Governance training for Directors, Heads of Service, budget holders and other relevant staff.

### **b Corporate Governance**

The Council has adopted the 'Local Code of Corporate Governance' in accordance with the CIPFA/SOLACE framework for corporate governance

# STATEMENT ON INTERNAL CONTROL 2005/06 (continued)

## c Internal Audit

The work of the Internal Audit Section is seen to be a key component in ensuring compliance with all relevant policies. The effectiveness of the function is kept under review by the Director of Resources and the Council's Responsible Financial Officer. The Chief Internal Auditor regularly reports key audit issues to the Council's Statutory Officers Group and the Council's Performance Monitoring Board.

## d External Audit/ Inspection

The Council has an objective and professional relationship with external auditors and statutory inspectors. In the case of external audit, findings are reported via the Annual Audit Letter.

## 3.4 IDENTIFYING, ASSESSING AND MANAGING THE RISKS TO THE COUNCIL'S OBJECTIVES

### a. Risk Management

The Council has effective strategies and systems in place for identifying and evaluating significant business risks. The key elements include:

- The Council has adopted a Risk Management Strategy which aims to embed risk Management into the culture and operations of the Council. The aim is to manage risk in accordance with best practice and to make sure that departments have clear accountability for both the ownership and cost of risk and the tools to effectively reduce it.
- The Council is seeking to further clarify roles and responsibilities and reporting lines within the Council for risk management. This will involve incorporating risk management in to all new projects and reviews and in to the Council's decision-making, business planning and performance management processes.
- The Council has developed a risk register which is reviewed annually
- The Council has a Strategic Risk Group which is developing a formal framework to assist the organisation to manage business risks to achieve the Council's strategic priorities.

### b. Verification Framework

The Council is operating the Department for Work and Pensions' 'verification framework' in the administration of its housing and council tax benefits.

### c. People Management

Council Services are delivered by a wide range of trained competent staff. An annual Performance and Development process is well established and provides a platform for future staff development requirements. The Council is Investors in People (IIP) accredited. In terms of risk management specifically additional dedicated staffing resource has been developed within the organisation.

## **STATEMENT ON INTERNAL CONTROL 2005/06 (continued)**

### **3.5 VALUE FOR MONEY AND CONTINUOUS IMPROVEMENT**

**Ensuring the economical, effective and efficient use of resources and ensuring continuous improvement by virtue of the Best Value Duty.**

Through reviews by external auditors, external agencies, internal auditors, and corporate teams the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised; having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty.

More specifically, in support of the Gershon 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 and development strategies.

### **3.6 FINANCIAL MANAGEMENT**

The financial management of the authority is conducted in accordance with the Constitution and Financial Procedure Rules. The Council has designated the Head of Finance as the Responsible Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a three-year Medium Term Financial Strategy, updated annually, to support the medium-term aims of the Council's Delivery Plan.

The Council's financial management processes are underpinned by having:

- A professional finance function
- Effective financial reports provided at Executive Board meetings
- Comprehensive budgeting and closedown guidance notes are issued
- A treasury management strategy that reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services
- Financial planning closely aligned with the Council's wider corporate planning processes, the aim being to ensure that where funds become available, they are applied to ensure that developments can be prioritised as planned.
- General reserves maintained at appropriate levels and ensuring that the purpose for which reserves are earmarked is regularly reviewed.

## STATEMENT ON INTERNAL CONTROL 2005/06 (continued)

### 4 REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the strategic managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the 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 Executive Board has an annual meeting with the external auditors 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 other control mechanisms such as the Treasury Management Strategy, Prudential guidelines etc.

- The Council has the following control documents in place for internal control purposes:

Constitution	Employee Code of Conduct	Complaints Procedures
Anti-Fraud Policy	Whistle-Blowing Protocol	Corporate Governance Framework

All documents have been made available to both staff and members on the Council's intranet.

- The Head of Legal & Democratic Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect.

- The Council has two Scrutiny Boards. The Boards (and members individually) can "call-in" a decision which has been made by the Executive Board but not yet implemented, to enable them to consider whether the decision is appropriate. They also allow people to have a greater say in Council matters by holding public inquiries into matters of local concern.

- All reports to Council, Executive Board, Planning & Environment Group and Licensing Committee are checked by the 3 statutory Officers as follows:

Head of Paid Service (Chief Executive) – reviews for Corporate Implications

The Section 151 Officer - reviews for financial implications

The Monitoring Officer – reviews for legal implications and legal risk

## **STATEMENT ON INTERNAL CONTROL 2005/06 (continued)**

- Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Chief Officer and service manager. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by service managers. The process includes quarterly reviews of recommendations to ensure that they are acted upon.
- 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. The Chief Internal Auditor reports annually to the Performance Monitoring Board on the outcomes of the section's work on main systems. The Chief Internal Auditor may also report independently to this Board on any issue where it is deemed necessary.
- Each year, the Corporate Leadership Team reviews the Risk Management Strategy to ensure its continued relevance to the Council. All reports to Boards have a risk management section on the front page.

### **5 SIGNIFICANT INTERNAL CONTROL ISSUES**

An action plan has been developed to further improve specific internal control issues throughout the authority, this is shown on page 54 and 55.

During the year there was a breakdown of internal controls relating to an existing capital project. This has been accounted for in the accounts and processes have been put in place to correct this position.

### **6 DEVELOPMENT OF BEST PRACTICE**

As with any well performing organisation there is still a need to implement a programme of continuous improvement. Part of the assurance gathering process was to highlight areas where further enhancements may benefit the Council's systems of internal control and management of risk, thus further contributing to effective corporate governance arrangements. In addition to the attached action plan the following areas will feature as further improvement areas:

- The increase in the level of awareness training on key issues e.g. risk, fraud, financial matters
- The strengthening of the communication of new/revised policies to staff
- The implementation of business continuity plans
- The strengthening of Financial Management in the Council through a review of the Financial Services Unit.

**PROPOSED ACTION PLAN TO DEAL WITH INTERNAL CONTROL ISSUES**

REF NO.	ISSUE	PROPOSED ACTION	BY WHOM	BY WHEN				
				31/7 2006	31/8 2006	30/9 2006	31/12 2006	31/3 2007
1	There is a need to further embed risk management into the culture of the Council to reduce the risk of service failure and non delivery of key priorities.	<ul style="list-style-type: none"> <li>Further develop the risk registers to ensure continued accuracy and completeness.</li> <li>Review risk management framework and identify further training needs for both members and officers.</li> <li>Link risk management to performance management via 'TEN' system risk management module.</li> </ul>	Risk & Civil Contingencies Officer  Risk & Civil Contingencies Officer  Head of Performance	√			√	
2	The 'TASK' main accounting system should be documented to ensure that the risk identification process of internal control can be undertaken.	<ul style="list-style-type: none"> <li>Document system and use documentation to consider potential risks to the system</li> </ul>	Financial Planning Manager					√
3	There is a need to annually review internal control documents, including the Local Code of Corporate Governance and assurance statements to ensure they continue to be current and effective.	<ul style="list-style-type: none"> <li>Establish an annual rolling review of existing internal control documents and assurance statements.</li> <li>In respect of the Local Code of Corporate Governance: Update nominated officers in each area of code.</li> </ul>	Statutory Officers Group					√

REF NO.	ISSUE	PROPOSED ACTION	BY WHOM	BY WHEN				
				31/7 2006	31/8 2006	30/9 2006	31/12 2006	31/3 2007
4	The Authority's Housing Service has recently been subject to external inspection. The report raised a range of issues relating to Housing and Corporate Services.	<ul style="list-style-type: none"> <li>A comprehensive improvement plan is being developed in response to the inspection.</li> </ul>	Director of Community (Timescale within Improvement Plan)					
5	The Council's procurement practices need to be further developed to ensure delivery of National Procurement Strategy (NPS) milestones and the Council's Procurement Strategy.	<ul style="list-style-type: none"> <li>Additional resource will be allocated to this area to progress performance.</li> </ul>	Director of Resources			✓		
6	The Council needs to continue to develop its performance management system to ensure the business critical internal controls are included in service delivery plans. These should be monitored through the use of the new specialist TEN software.	<ul style="list-style-type: none"> <li>Performance review within service delivery plans to be monitored by TEN performance management system.</li> </ul>	Director of Performance		✓			
7	The Council's Constitution needs to be reviewed to ensure continued accuracy and completeness.	<ul style="list-style-type: none"> <li>Phase 2 review – report to Council</li> </ul>	Monitoring Officer/External Support.		✓			
8	Use of Resources Assessment	<ul style="list-style-type: none"> <li>Action plan of improvements implemented in support of CPA requirements</li> </ul>	Director of Resources				✓	

*Frank Straw*  
 Frank Straw  
 Leader of the Council

*Christine A. Fisher*  
 Christine Fisher  
 Chief Executive

Date: 29th June 2006

Date: 29th June 2006

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

## **Opinion on the financial statements**

I have audited the financial statements of North West Leicestershire District Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to 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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

## **Respective responsibilities of the Head of Finance and auditors**

The Head of Finance's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

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 financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA 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 statement on internal control covers all risks and controls. I am also not 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 financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, 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 financial statements 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 financial statements.

### **Opinion**

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.



Grant Patterson – District Auditor

Audit Commission  
1st Floor,  
Bridge Business Park,  
Bridge Park Road,  
Thurmaston,  
Leicester  
LE4 8BL

Date:

*29<sup>th</sup> September 2006*

## **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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **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.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

## Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, 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 ending 31 March 2006 except for the failure to put in place :

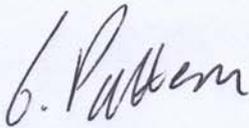
- channels of communication with service users and other stakeholders including partners, and monitoring arrangements to ensure that key messages about services are taken into account
- arrangements for maintaining a sound system of internal control
- arrangements for managing its significant business risks.

## Best value performance plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 on 3 October 2005. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

## 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.



Grant Patterson – District Auditor

Audit Commission  
1st Floor,  
Bridge Business Park,  
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LE4 8BL

Date: 29<sup>th</sup> September 2006