



Annual Statement of Accounts 2010 - 2011

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EXPLANATORY FOREWORD

1 Introduction

The following pages summarise the financial activities of North West Leicestershire District Council for 2010/11.

The Council's Accounts have been produced in accordance with the Code of Practice on Local Authority Accounting 2010 – 'the Code'. Explanatory notes to the accounts have been included to give further information where appropriate. The layout of the accounts follows the recommendations of the Code.

For 2010/11 the accounts consist of these 'core' Financial Statements:

- Comprehensive Income & Expenditure Account which shows income and expenditure of all main services. This also includes the Statement of Total Recognised Gains & Losses which shows all gains and losses of the Council for the year and the aggregate change in its net worth.
- The Balance Sheet which sets out the overall financial position of the council at 31 March 2011 showing its assets, liabilities and reserves.
- Cash Flow Statement which summarises the movements of cash and cash equivalents into and out of the Council arising from transactions with third parties.
- Movement In Reserves Statement which shows the movement in the year on the different reserves held by the Council analysed into 'usable' reserves (ie those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (ie those that cannot be used to fund expenditure).
- Notes to the Core Financial statements which provide explanations of key figures within the statement.

Other financial statements:

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

2 Changes to the Statement of Accounts introduced in the 2010 Code

The 2010 Code has introduced some major changes in the layout and content of the Statement of Accounts. The Council has prepared its Statement of Accounts based on International Financial Reporting Standards (IFRS) as amended by the Code for the first time in 2010/11. To help comparisons to earlier years the balance sheet includes results for the current year and as at 31 March 2010 and 1 April 2009. Similarly there are notes showing the effects of the movement to IFRS and previous year's figures have been restated where necessary to reflect the change to IFRS.

3 Financial Summary 2010/11

a) Revenue – General Fund

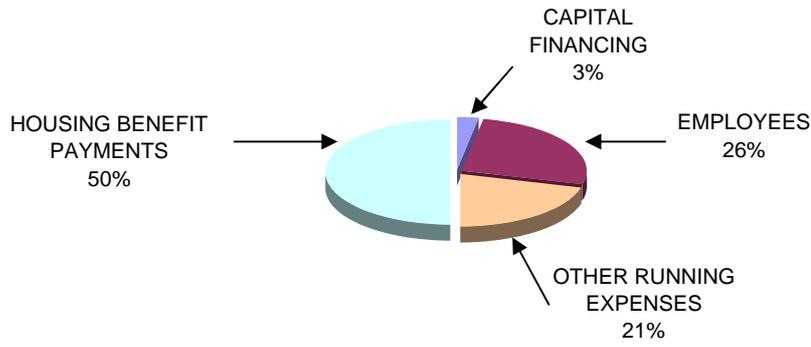
The General Fund summarises expenditure on the Council's main services which are paid for, in part by Council Tax. A summary of General Fund spending is set out below, showing that there was a small under spend of £2,000 on Special expenses.

	Original Budget	Actual	Variance
	£000's	£000's	£000's
District			
Net Expenditure on Services	12,114	12,114	0
<u>Funded by:-</u>			
Collection Fund Precept	4,968	4,968	0
Government Grants: RSG	906	906	0
NNDR	6,240	6,240	0
	12,114	12,114	0
Balance for year - added to/(taken from) General Fund Reserves	0	0	0
Balance brought forward	844	844	0
Balance carried forward	844	844	0
Specials			
Net Expenditure on Services	692	690	(2)
<u>Funded by:-</u>			
Special Expenses Precept	680	680	0
Balance for year - added to/(taken from) Special Expenses Reserves	(12)	(10)	2
Balance brought forward	70	70	0
Balance carried forward	58	60	2

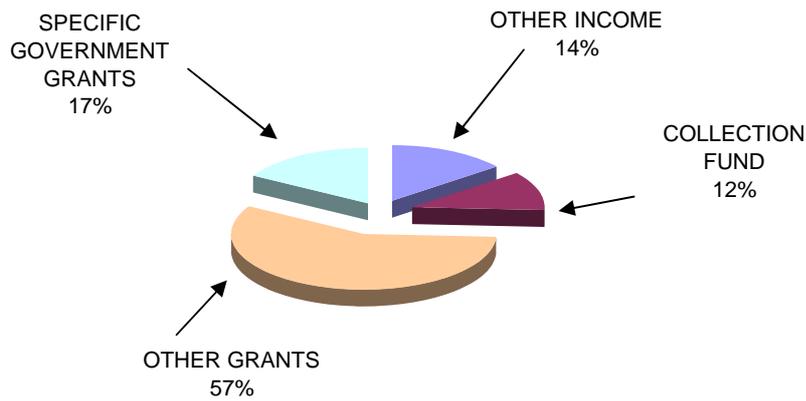
Sound budgetary control allowed the Council to manage spending within available resources and a number of 'earmarked reserves' have been created to carry unspent money forward. These 'earmarked reserves' are shown in the balance sheet (see note 8, page 32). Working balances of £844,110 (District) and £59,967 (Special Expenses) were also carried forward.

The money is spent on employees (26%), capital financing (3%), council tax benefits and rent allowances payments (50%) and other running expenses (21%). It is paid for by specific government grants (17%), other grants (57%), income from the Collection Fund – business rates and council tax (12%) and income from fees and charges and other contributions (14%). The services provided are cultural and related services (70%), corporate & democratic core (11%), central services to the public (7%), highway, roads and transport services (5%), housing services (4%) and non-distributed (3%). The diagrams on the next page summarise this:

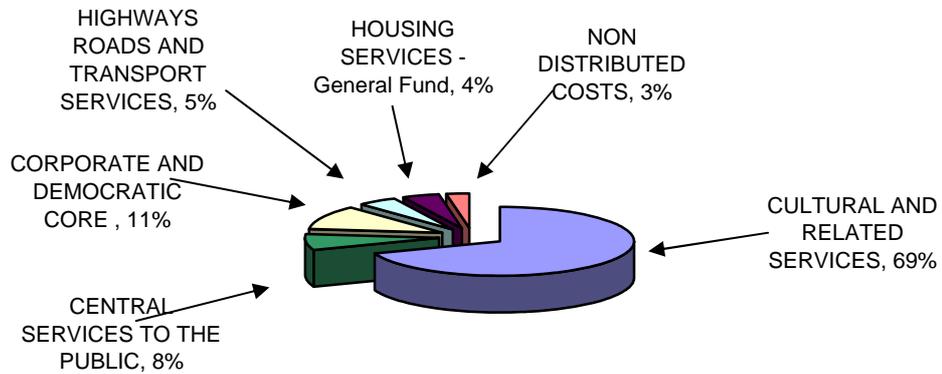
WHERE THE MONEY IS SPENT



WHERE THE MONEY COMES FROM



THE SERVICES PROVIDED



b) Revenue – Housing Revenue Account (HRA)

The Housing Revenue Account summarises income and expenditure relating to the rented housing accommodation provided by the Council. The HRA had an operating surplus of £414,000. This is summarised below:

	Original Budget	Actual	Variance
	£000's	£000's	£000's
Net Expenditure on Services	9,279	73,867	64,588
Housing subsidy paid to National Pool	3,812	3,818	6
Total Expenditure	13,091	77,685	64,594
<u>Funded by:-</u>			
Rent Income	13,169	13,273	104
Other	334	64,826	64,492
	13,503	78,099	64,596
Net Operating Expenditure	(412)	(414)	(2)
Balance b/f	1,053	1,053	0
Funding of net operating expenditure	412	414	2
Balance carried forward	1,465	1,467	2

The Government's housing subsidy system meant that £3,818,000 was paid to the Government in 2010/11. A review of the subsidy system has been carried out by the government and from 1 April 2012 it will be replaced. At that time the Council will take on debt from the government and in return it will be able to keep its rental income. The net expenditure on services includes an amount of £64m as an impairment to its housing stock. This results from a change in the centrally set formula for valuing the council's housing stock where the discount factor was reduced from 50% to 34%. It should be noted that this impairment does not reflect any concerns or issues with the condition of the council's housing stock.

c) Capital

The Council spent £6,029,000 on capital schemes in 2010/11. The main area of spending relates to improvements to Council houses. A summary is set out below:

	£'000	%
HOUSING		
Improvements & Modernisations	4,204	69.72
Housing Improvement Grants	1,025	17.00
OTHER SERVICES		
Parks & Recreation Grounds	92	1.53
IT & Software	129	2.14
Transport Account Vehicles	399	6.62
Hood Park Leisure Centre CHP Unit	139	2.31
Other Schemes	41	0.68
	6,029	100.00

The capital spending was paid for as follows:

CAPITAL EXPENDITURE	£'000	%
FINANCED:		
Unsupported Borrowing	503	8.34
Revenue	520	8.62
Contribution/Other	470	7.80
Grants	880	14.60
Major Repairs Allowance (Housing)	3,656	60.64
	6,029	100.00

The Council's capital spending and financing was carried out in accordance with our Treasury Management Policy and Treasury Management Statement. At 31 March 2011 total external debt was £12,863,564 (excluding accrued interest), which was all long term borrowing. The Council has no money invested in Icelandic Banks.

The Council Property assets, which were valued at £238,193,000 as at 31 March 2010, were valued at £175,093,000 as at 31 March March 2011.

4 a) 2010/11

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

- lower than expected spending on Concessionary Travel
- significant in-year savings from the senior manager staffing restructure
- staffing vacancies not filled
- early redemption of two long term loans resulting in lower interest costs
- increased income from recycling

b) The future

- The government announced major cuts in grants to local authorities during 2010/11 and these commenced in April 2011. The Council is addressing this problem by seeking further savings and examining the services provided as well as opportunities to increase income from a variety of sources.
- As mentioned above the system for Council House financing will be changed from 1 April 2012 and this will leave the Council with a large debt which it will have to service from the Housing Revenue Account. However, it will be allowed to retain the rents raised and a thirty year business plan is being drawn up in order that this change is managed effectively and to ensure that the debt can be serviced and the Council's housing stock maintained to a suitable standard.

5 **Preparation of Accounts**

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

John Casey
Head of Finance and S151 Officer

Statement of Responsibilities for the Statements of Accounts

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Corporate Services and Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Chief Financial Officer's Responsibilities

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

In preparing this statement of accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local Council code.

The Chief Financial Officer has:

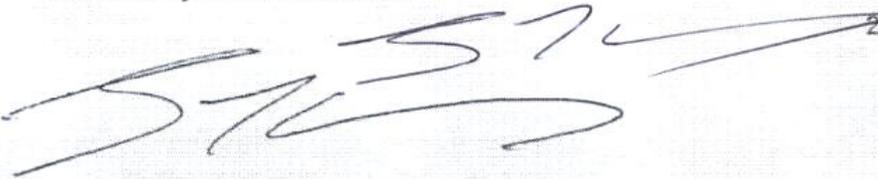
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2011.

Certified by the S151 Officer:

Date:

28th September 2011



John Casey

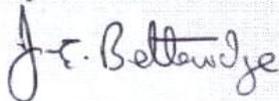
Head of Finance and S151 Officer

In Accordance with 8 (3) of the Accounts and Audit Regulations 2011 No 817 the Statement of Accounts shall be signed and dated by the chairman of the Audit Committee who presided at the meeting at which approval was given.

Signed by Chair of the Audit Committee:

Date:

28th September 2011



STATEMENT OF ACCOUNTING POLICIES

1 GENERAL

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

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

2 ACCRUALS OF INCOME AND EXPENDITURE

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

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

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

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

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

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

3 CASH AND CASH EQUIVALENTS

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

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

4 EXCEPTIONAL ITEMS

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

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

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

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

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

6 EMPLOYEE BENEFITS

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

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

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

Discretionary Benefits

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

7 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

8 FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-Sale Assets

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

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

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

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

Available-for-Sale Reserve.

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

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

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

9 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

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

10 INTANGIBLE ASSETS

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

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

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

11 INVENTORIES AND LONG TERM CONTRACTS

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

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

12 INVESTMENT PROPERTY

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

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

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

13 LEASES

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

14 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

15 PROPERTY PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

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

16 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

17 RESERVES

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

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

18 REVENUE EXPENDITURE FUNDED UNDER STATUTE

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

19 VAT

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

20 OTHER MAJOR CHANGES IN 2010/11

Another major change has been in the valuation of the Council's pension liabilities which now reflect, the fact that future increases to pensions in payment will be based on the Consumer Price Index (CPI) rather than the Retail Price Increase (RPI). As the CPI is historically lower than RPI this has resulted in an improvement to the fund of £8.3m during the year.

Movement in Reserves Statement

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

	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repair Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 1 April 2009	904	2,694	543	247	566	2,098	0	7,052	191,034	198,086
Surplus or (deficit) on provision of services	521		13,528	0				14,049		14,049
Other Comprehensive Expenditure and Income								0	(22,141)	(22,141)
Total Comprehensive Expenditure and Income	521	0	13,528	0	0	0	0	14,049	(22,141)	(8,092)
Adjustments between accounting basis & funding basis under regulations (Note 7)	28		(12,938)	0	51	150	0	(12,709)	12,709	0
Net Increase/Decrease before Transfers to Earmarked Reserves	549	0	590	0	51	150	0	1,340	(9,432)	(8,092)
Transfers to/from Earmarked Reserves	(539)	461	(80)	80	0	0	0	(78)	134	56
Increase/Decrease (movement) in Year	10	461	510	80	51	150	0	1,262	(9,298)	(8,036)
Balance as at 31st March 2010	914	3,155	1,053	327	617	2,248	0	8,314	181,736	190,050
Balance as at 1 April 2010	914	3,155	1,053	327	617	2,248	0	8,314	181,736	190,050
<u>Movement in reserves during 2010/11</u>										
Surplus or (deficit) on provision of services	7,769	0	(63,907)	0	0	0	0	(56,138)		(56,138)
Other Comprehensive Expenditure and Income								0	10,977	10,977
Total Comprehensive Expenditure and Income	7,769	0	(63,907)	0	0	0	0	(56,138)	10,977	(45,161)
Adjustments between accounting basis & funding basis under regulations	(7,961)		64,244	0	231	(912)	262	55,864	(55,864)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(192)	0	337	0	231	(912)	262	(274)	(44,887)	(45,161)
Transfers to/from Earmarked Reserves	182	(203)	77	(77)	0	0		(22)	100	78
Increase/Decrease in Year	(10)	(203)	414	(77)	231	(912)	262	(296)	(44,787)	(45,083)
Balance at 31 March 2011 carried forward	904	2,952	1,467	250	848	1,336	262	8,018	136,949	144,967

Comprehensive Income and Expenditure Statement

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

Restated 2009/10				NOTES	2010/11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
6,864	(6,173)	691	Central Services to the Public		7,352	(6,399)	953
11,987	(4,806)	7,181	Cultural Environmental and Planning Services		13,502	(4,901)	8,601
1,391	(945)	446	Highways Roads and Transport		1,565	(974)	591
16,472	(16,154)	318	Housing Services - General Fund		17,944	(17,418)	526
150	(14,001)	(13,851)	Housing Services - HRA		77,685	(14,241)	63,444
2,434	(85)	2,349	Corporate & Democratic Core		1,429	(10)	1,419
0	0	0	Past service costs - Pension		(8,348)	0	(8,348)
48	0	48	Non Distributed Costs		382	(19)	363
39,346	(42,164)	(2,818)	Cost of Services		111,511	(43,962)	67,549
		1,254	Other Operating Expenditure	9			1,568
		1,402	Financing and Investment Income and Expenditure	10			1,135
		(13,887)	Taxation and Non-Specific Grant Income	11			(14,114)
		(14,049)	(Surplus)/Deficit on Provision of Services				56,138
		967	(Surplus)/Deficit on revaluation of non current assets				(424)
		0	(Surplus)/Deficit on revaluation of available for sale financial assets				0
		21,174	Actuarial gains/losses on pension assets/liabilities				(10,553)
		22,141	Other Comprehensive Income and Expenditure				(10,977)
		8,092	Total Comprehensive Income and Expenditure				45,161

Balance Sheet

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

1 April 2009	31 March 2010		NOTES	31 March 2011	
£'000	£'000			£'000	£'000
220,172	231,756	Property Plant & Equipment		163,686	
5,800	6,108	Investment Property	13	6,287	
272	290	Intangible Assets	14	326	
0	0	Surplus Assets	19	4,763	
0	0	Long Term Investments		0	
37	39	Long Term Debtors		31	
226,281	238,193	Long Term Assets			175,093
107	102	Inventories	16	116	
2,243	5,753	Short Term Debtors	17	3,625	
7,731	4,142	Cash and Cash Equivalents	18	3,949	
10,081	9,997	Current Assets			7,690
(4,357)	(2,984)	Short Term Creditors	20	(3,492)	
		Provisions			
(4,357)	(2,984)	Current Liabilities			(3,492)
(16,305)	(16,733)	Long Term Creditors		(13,677)	
(188)	(21)	Provisions	21	0	
(16,880)	(37,886)	Other Long Term Liabilities		(20,239)	
(546)	(516)	Capital Grants Receipt In Advance		(408)	
(33,919)	(55,156)	Long Term Liabilities			(34,324)
198,086	190,050	Net Assets			144,967
7,052	8,314	Usable Reserves		8,018	
191,034	181,736	Unusable Reserves		136,949	
198,086	190,050				144,967

Cash Flow Statement

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

2009/10 £'000	Indirect Method	NOTES	2010/11 £'000
(14,049)	Net (surplus) or deficit on the provision of services		56,138
	Noncash Movements		
(2,644)	Depreciation		(4,590)
11,925	impairment & downward valuations		(63,398)
(53)	Amortisations		(76)
(68)	Increase in impairment for provision for bad debts		(30)
1	Increase (-) in creditors		141
687	Increase(-) in debtors		(393)
4	increase in stock		(14)
(298)	pension liability		7,336
(109)	Carrying amount of non-current assets sold		(608)
169	Other non cash items charged to the net Surplus or Deficit on the Provision of Services		536
9,614	Adjust net surplus or deficit on the provision of services for noncash movements		(61,096)
223	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		597
(4,212)	Net Cash Flows from Operating Activities		(4,361)
3,436	Investing Activities	25	3,880
4,365	Financing Activities	26	674
3,589	Net increase or decrease in cash and cash equivalents		193
7,731	Cash and cash equivalents at the beginning of the reporting period		4,142
4,142	Cash and cash equivalents at the end of the reporting period	18	3,949

Notes to the Accounts

1. Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Short-term accumulating compensated absences

Short-term compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, under the Authority's previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accounting for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Provisions		
Accumulated Absences Account	221	221

31 March 2010 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Provisions		
Accumulated Absences Account	242	21

2009/10 Comprehensive Income and Expenditure Statement

Cost of Services (Net):

	2009/10 Statements £000	Adjustments Made £000
Central Services to the Public	7	-9
Cultural, Environmental, Regulatory and Planning Services	69	-7
Housing Services HRA	71	35
Financing and Investment Income & Expenditure	95	2

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged. Where the Authority is the lessor, the regulations allow the Authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Authority has various vehicle leases where the accounting treatment has changed following the introduction of the Code. The Authority leases from various lessors. The lease term is 6-7 years from 1 April 2004. The lease was previously classified as an operating lease, but under the Code, the lease has been classified as a finance lease.

As a consequence of classifying these as finance lease, the financial statements have been amended as follows:

- The Authority has recognised an asset and a finance lease liability.
- The operating lease charge within Cultural, Environmental, Regulatory and Planning Services has been reduced by the amount that relates to the buildings element of the lease payments.
- A depreciation charge has been included within the Cultural, Environmental, Regulatory and Planning Services.
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payment in respect of the vehicle element is charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet:

	2009/10 Statements £'000	Adjustments Made £'000
Property, Plant and Equipment (leased assets)	1,717	456
Other Long-Term Liabilities (finance lease liability)	469	469
Capital Adjustment Account	206,299	13

31 March 2010 Balance Sheet:

	2009/10 Statements £'000	Adjustments Made £'000
Property, Plant and Equipment (leased assets)	1,701	138
Other Long-Term Liabilities (finance lease liability)	333	137
Capital Adjustment Account	219,616	1

2009/10 Comprehensive Income and Expenditure Statement

	2009/10 Statements £'000	Adjustments Made £'000
Cultural, Environmental, Regulatory and Planning Services	7,216	1
Financing and Investment Income and Expenditure	1,511	23

The net change to the Cultural, Environmental, Regulatory and Planning Services consists of the removal of the operating lease charge of the lease (reduction of £123k) and the inclusion of the depreciation charge (increase of £107k).

The net increase in the Surplus or Deficit on the Provision of Services is removed by the transfer of the depreciation charge to the Capital Adjustment Account. This transfer is shown in the Movement Reserves Statement.

Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- A grant was received in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the liabilities section of the balance sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet:

	2009/10 Statements £'000	Adjustments Made £'000
Government Grants Deferred Account	0	2,806
Capital Adjustment Account	206,299	2,806

2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

For 2010/11 the only accounting policy change that needs to be reported relates to FRS30 Heritage Assets. Disclosure requirements will be included in the 2011/12 as they have not been clarified yet.

3. Critical Judgements In Applying Accounting Policies

In applying the accounting policies set out on pages 8 to 18, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

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

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pension Liability/Reserve Account	£'000 28,261
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Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. The Authority's actuaries provide an annual statement of the pension liabilities and assets. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had decreased by £17.8m as a result of estimates being corrected.

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

5. Material Items of Income and Expense.

Material Items not disclosed on the face of Comprehensive Income and expenditure are as follows:

Disposal of Housing stock	£'000 607
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6. Events after the Balance Sheet Date.

There has been no major events to report after 31st March 2011.

7. Adjustments between Accounting Basis and Funding Basis under Regulations.

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

2010/11 continued

	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Charges for depreciation and impairment of non current assets	253	64,081				(64,334)
Revaluation losses on Property Plant and Equipment	0					
Movements in the market value of Investment Properties						
Amortisation of intangible assets	77					(77)
Capital grants and contributions applied	40					(40)
Movement in the Donated Assets Account	0					
Revenue expenditure funded from capital under statute	(182)					182
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement			607			(607)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	(740)					740
Capital expenditure charged against the General Fund and HRA balances	(77)	(548)				625
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-262				262	
Application of grants to capital financing transferred to the Capital Adjustment Account						

	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(596)	596			
Use of the Capital Receipts Reserve to finance new capital expenditure			(43)			43
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(4)	(8)			12
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	317		(317)			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			3			(3)
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						0
Adjustment involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		729		(729)		
Use of the Major Repairs Reserve to finance new capital expenditure				(183)		183
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(3)					3
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(7,346)	10				7,336

2010/11 continued

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Employer's pensions contributions and direct payments to pensioners payable in the year						
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(41)					41
Adjustments involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements						
Adjustments involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3	(35)				32
Total Adjustments	(7,961)	64,244	231	(912)	262	(55,864)

2009/10 comparative figures

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation and impairment of non current assets	597	(11,800)				11,203
Revaluation losses on Property Plant and Equipment						
Movements in the market value of Investment Properties						
Amortisation of intangible assets	53					(53)

2009/10 comparative figures cont'd

	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Capital grants and contributions applied	(705)					705
Movement in the Donated Assets Account						
Revenue expenditure funded from capital under statute	83					(83)
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		109				(109)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	(506)					506
Capital expenditure charged against the General Fund and HRA balances	(104)					104
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						
Application of grants to capital financing transferred to the Capital Adjustment Account						
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(221)	221			
Use of the Capital Receipts Reserve to finance new capital expenditure				(28)		28
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals				13		(13)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	212	(51)	(161)			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				6		(6)

2009/10 comparative figures cont'd

	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Adjustment involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA						
		(832)		832		
Use of the Major Repairs Reserve to finance new capital expenditure						
				(682)		682
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements						
		(4)				4
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement						
	476	(178)				(298)
Employer's pensions contributions and direct payments to pensioners payable in the year						
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements						
	(41)					41
Adjustments involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements						

2009/10 comparative figures
cont'd

	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(33)	35				(2)
Total Adjustments	28	(12,938)	51	150	0	12,709

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans into the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at 1/4/2009 £'000	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	Balance at 31/3/2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31/3/2011 £'000
General Fund:							
General reserves	1,044	(412)	520	1,152	(606)	(8)	538
Value for Money reserve *	0	(11)	384	373	(440)	1,181	1,114
Coalville Project	128	(102)	93	119	(30)	0	89
Housing & Planning Delivery Grant Regeneration	293	(129)	118	282	(156)	0	126
Leisure Strategy/Project Grants	40	(25)	16	31	(11)	0	20
Ivanhoe Sink Fund	92	0	69	161	(32)	0	129
Hermitage Rec Grd Mtce Fund	95	0	7	102	0	10	112
Asset Protection Fund	50	0	0	50	(29)	0	21
Internal Insurance Fund	385	(227)	82	240	(87)	87	240
Building Control Fee Earning surplus	20	0	0	20	0	(20)	0
Capital Grants Unapplied	0	0	33	33	(33)	0	0
Revenue Grants Unapplied	0	0	0	0	0	220	220
Industrial Units Maint Fund	0	0	0	0	0	42	42
Whitwick Business Centre	38	(21)	8	25	(13)	4	16
Capital Reserve	266	(40)	48	274	(45)	54	283
Transport Appropriation	202	(670)	698	230	0	0	230
Other	38	0	20	58	(28)	(2)	28
Other	3	0	2	5	(2)	1	4
Total	2,694	(1,637)	2,098	3,155	(1,512)	1,569	3,212
HRA:							
Housing Repairs Account	0	0	0	0	0	0	0
General Earmarked reserves	247	(75)	155	327	(102)	25	250
Total	247	(75)	155	327	(102)	25	250

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

9. Other Operating Expenditure

2009/10 £'000		2010/11 £'000
1,154	Parish Council Precepts	1,240
	Levies	
212	Payments to the Government Housing Capital Receipts Pool	316
(112)	Gains/losses on the disposal of non current assets	12
<hr/>	1,254 Total	<hr/> 1,568

10. Financing and Investment Income and Expenditure

2009/10 £'000		2010/11 £'000
918	Interest payable and similar charges	939
1,213	Pensions interest cost and expected return on pensions assets	831
(305)	Interest receivable and similar income	(156)
(424)	Income and expenditure in relation to investment properties and changes in their fair value	(479)
0	Other investment income	0
<hr/>	1,402 Total	<hr/> 1,135

11. Taxation and Non Specific Grant Income

2009/10 £'000		2010/11 £'000
(6,809)	Council tax income	(6,929)
(5,700)	Non domestic rates	(6,239)
(1,378)	Non-ringfenced government grants	(946)
0	Capital grants and contributions	0
<hr/>	(13,887) Total	<hr/> (14,114)

12. Property, Plant and Equipment

Movements on Balances

Movements in 2010/11:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture, Equip.	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equip.
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2010	208,213	22,240	2,864	23	118		3	233,461
Additions	4,204	55	740	0			5	5,004
Donations								
Revaluation increases/(decreases) recognised in the Revaluation Reserve	67	364						431
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(64,127)	732						(63,395)
Derecognition - Disposals	(607)							(607)
Derecognition - Other		(536)						(536)
Assets reclassified		(4,763)				4,763		0
Other movements in Cost or Valuation		8					(8)	0
At 31 March 2011	147,750	18,100	3,604	23	118	4,763	0	174,358

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture, Equip.	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equip.
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
At 1 April 2010	0	542	875					1,417
Depreciation charge								
Depreciation written out to the Revaluation Reserve								
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,457	592	653					4,702
Impairment losses/(reversals) recognised in the Revaluation Reserve								0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services								
Derecognition - Disposals								
Derecognition - Other								
Other movements in Depreciation and Impairment		(536)						(536)
At 31 March 2011	3,457	598	1,528	0	0	0	0	5,583
Net Book Value								
At 31 March 2011	144,293	17,502	2,076	23	118	4,763	0	168,775
At 31 March 2010	208,213	21,696	1,989	23	118	0	3	232,042

Comparative Movements in 2009/10:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture, Equip.	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equip.
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2009	198,402	25,682	2,302	23	118		30	226,557
Additions	2,573	958	546				3	4,080
Donations								
Revaluation increases/(decreases) recognised in the Revaluation Reserve	33	1,236						1,269
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,314	149						7,463
Derecognition - Disposals	(109)							(109)
Derecognition - Other			16				(30)	0
Assets reclassified (to)/from Held for Sale								
Other movements in Cost or Valuation		(5,787)						
At 31 March 2010	208,213	22,238	2,864	23	118	0	3	239,260

Comparative Movements in 2009/10:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture, Equip.	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equip.
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
At 1 April 2009	0	0	303	0	0	0	0	303
Depreciation charge								0
Depreciation written out to the Revaluation Reserve								
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,890	542	572					3,004
Impairment losses/(reversals) recognised in the Revaluation Reserve								
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services								
Derecognition - Disposals								
Derecognition - Other	(1,890)							
Other movements in Depreciation and Impairment								
At 31 March 2010	0	542	875	0	0	0	0	3,307

13. Investment Properties

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

2009/10 £'000		2010/11 £'000
743	Rental income from investment property	803
(319)	Direct operating expenses arising from investment property	(324)
<hr/> 424	Net gain/(loss)	<hr/> 479

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

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

2009/10 £'000		2010/11 £'000
5,801	Balance at the start of the year	6,108
	Additions:	
	Purchases	
	Construction	
	Subsequent expenditure	
	Disposals	
307	Net gains/losses from fair value adjustments	179
	Transfers:	
	To/from Inventories	
	To/from Property, Plant and Equipment	
	Other changes	
<hr/> 6,108	Balance at the end of the year	<hr/> 6,287

14. Intangible Assets

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

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £79k charged to revenue in 2010/11, most of this amount was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2010/11			2009/10		
	Internally Generated Assets £'000	Other Assets £'000	Total £'000	Internally Generated Assets £'000	Other Assets £'000	Total £'000
Balance at start of year						
- Gross carrying amounts		347	347	298	298	298
- Accumulated amortisation		(57)	(57)	0	0	0
Net carrying amount at start of year		290	290	298	298	298
Additions:						
- Internal development						
- Purchases		113	113	49	49	49
- Acquired through business combinations						
Assets reclassified as held for sale						
Other disposals						
Revaluations increases or decreases						
Impairment losses recognised or reversed directly in the Revaluation Reserve						
Impairment losses recognised in the Surplus/Deficit on the Provision of Services						
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services						
Amortisation for the period		(77)	(77)	(57)	(57)	(57)
Other changes						
Net carrying amount at end of year		326	326	290	290	290
Comprising:						
- Gross carrying amounts		460	460	347	347	347
- Accumulated amortisation		(134)	(134)	(57)	(57)	(57)
		326	326	290	290	290

15. Financial Instruments.

NWLDC holds two LOBO loans with a total value of £7,440,000. These were taken out in February 2005 and for the first four years of the loan, the Council pays interest at 2.65% and 2.75%. After this period, the interest rate increased initially to 4.74% and 4.8% respectively. As the loan agreements contain more than one interest rate over the duration of each loan, the effective interest rate calculated is initially higher than interest paid (in real terms). The cumulative difference between the EIR recorded in the Income and Expenditure Account and interest paid has been added to the carrying value of the two LOBO loans, which are disclosed in the balance sheet at £7,951,000 as a result. Since 2009/10, the carrying value in the balance sheet has diminished, as the interest paid in real terms is higher than the EIR recorded in the Income and Expenditure Account.

16. Inventories

	Consumable Stores		Maintenance Materials		Total	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Balance outstanding at start of year	44	70	62	32	106	102
Purchases	672	654	237	48	909	702
Recognised as an expense in the year	(646)	(667)	(267)	(21)	(913)	(688)
Written off balances	0	0	0	0	0	0
Reversals of write-offs in previous years	0	0	0	0	0	0
Balance outstanding at year end	70	57	32	59	102	116

17. Short-Term Debtors

01 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
604	4,011	Central Government bodies	1,788
176	223	Other local authorities	173
0	0	NHS bodies	8
109	26	Public Corporations and trading funds	43
1,354	1,493	Other entities and individuals	1,614
2,243	5,753		3,625

18. Cash and Cash Equivalents.

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

01 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
5	4	Cash held by the Authority	4
169	(514)	Bank current accounts	495
7,557	4,652	Short-term deposits with building societies	3,450
<hr/> 7,731	<hr/> 4,142	Total Cash and Cash Equivalents	<hr/> 3,949

19. Assets Held for Sale

The council held no assets as at 31st March which met the criteria for Assets held for sale under IFRS 5.

20. Short-Term Creditors

01 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
2,062	399	Central Government bodies	427
505	415	Other local authorities	787
1	11	NHS bodies	2
161	163	Public Corporations and trading funds	204
1,630	1,996	Other entities and individuals	2,072
<hr/> 4,359	<hr/> 2,984		<hr/> 3,492

21. Provisions

	Outstanding Legal Cases	Injury and Damage Compensation Claims	Other Provisions	Total
	£'000	£'000	£'000	£'000
Balance at 1/4/2009	188	0	0	188
Additional provisions made in 2009/10	0	0	0	0
Amounts used in 2009/10	(145)	0	0	(145)
Unused amounts reversed in 2009/10	(22)	0	0	(22)
Balance at 1/4/2010	21	0	0	21
Additional provisions made in 2010/11	0	0	0	0
Amounts used in 2010/11	0	0	0	0
Unused amounts reversed in 2010/11	(21)	0	0	(21)
Unwinding of discounting in 2010/11	0	0	0	0
Balance at 31/3/2011	0	0	0	0

22. Usable Reserves

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

23. Unusable Reserves.

01 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
3,227	1,945	Revaluation Reserve	2,290
206,299	219,617	Capital Adjustment Account	156,395
(1,869)	(1,741)	Financial Instruments Adjustment Account	(1,605)
12	6	Deferred Capital Receipts Reserve	4
(16,411)	(37,886)	Pensions Reserve	(20,002)
(3)	37	Collection Fund Adjustment Account	78
(221)	(242)	Accumulated Absences Account	(211)
191,034	181,736	Total Unusable Reserves	136,949

Revaluation Reserve

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

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

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

2009/10 £'000	2010/11 £'000
3,227 Balance at 1 April	1,945
1,403 Upward revaluation of assets	442
Downward revaluation of assets and impairment losses not charged (2,576) to the Surplus/Deficit on the Provision of Services	(18)
<hr/> Surplus or deficit on revaluation of non-current assets not posted to (1,173) the Surplus or Deficit on the Provision of Services	<hr/> 424
Difference between fair value depreciation and historical cost (109) depreciation	(79)
<hr/> 0 Accumulated gains on assets sold or scrapped (109)	<hr/> 0 (79)
Amount written off to the Capital Adjustment Account	
<hr/> 1,945 Balance at 31 March	<hr/> 2,290

Capital Adjustment Account

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

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

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

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

2009/10 £'000		2010/11 £'000
206,298	Balance at 1 April	219,616
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(2,768)	• Charges for depreciation and impairment of non-current assets	(4,503)
12,126	• Revaluation losses on Property, Plant and Equipment	(63,264)
(58)	• Amortisation of Intangible assets	(77)
180	• Revenue expenditure funded from capital under statute	165
(109)	• Amounts of non current assets written off on disposal or sale as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	(607)
9,371		(68,286)
0	Adjusting amounts written out of Revaluation Reserve	0
0	Net written out amount of the cost of non current assets consumed in the year	0
	Capital financing applied in the year:	
28	• Use of Capital Receipts Reserve to finance new capital expenditure	43
2,573	• Use of the Major Repairs Reserve to finance new capital expenditure	3,656
243	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	
598	• Application of grants to capital financing from the Capital Grants Unapplied Account	
506	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	741
0	• Capital expenditure charged against the General Fund and HRA balances	625
3,948		5,065
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0
219,617	Balance at 31 March	156,395

Financial Instruments Adjustment Account

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

2009/10 £'000	2010/11 £'000
(1,869) Balance at 1 April	(1,741)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	
Proportion of premiums incurred in previous financial years to be charged against 124 the General Fund Balance in accordance with statutory requirements	132
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in 4 accordance with statutory requirements	4
(1,741) Balance at 31 March	(1,605)

Pensions Reserve

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

2009/10 £'000	2010/11 £'000
(16,411) Balance at 1 April	(37,886)
(21,174) Actuarial gains or losses on pensions assets and liabilities	10,553
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and (2,302) Expenditure Statement	5,310
Employer's pensions contributions and direct payments to pensioners payable in 2,001 the year	2,021
(37,886) Balance at 31 March	(20,002)

Deferred Capital Receipts Reserve

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

2009/10 £'000	2010/11 £'000
12 Balance at 1 April	6
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(6) Transfer to the Capital Receipts Reserve upon receipt of cash	(2)
6 Balance at 31 March	4

Collection Fund Adjustment Account

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

2009/10 £'000	2010/11 £'000
(3) Balance at 1 April	37
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year	
40 in accordance with statutory requirements	41
37 Balance at 31 March	78

Accumulated Absences Account

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

2009/10 £'000	2010/11 £'000
(221) Balance at 1 April	(242)
221 Settlement or cancellation of accrual made at the end of the preceding year	242
(242) Amounts accrued at the end of the current year	(211)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration	
(21) chargeable in the year in accordance with statutory requirements	31
(242) Balance at 31 March	(211)

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2009/10 £'000	2010/11 £'000
(311) Interest received	(160)
793 Interest paid	747
0 Dividends received	0
482	587

25. Cash Flow Statement - Investing Activities

2009/10 £'000	2010/11 £'000
3,885 Purchase of property, plant and equipment, investment property and intangible assets	4,701
0 Purchase of short-term and long-term investments	0
0 Other payments for investing activities	0
(223) Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(597)
0 Proceeds from short-term and long-term investments	0
(226) Other receipts from investing activities	(224)
3,436 Net cash flows from investing activities	3,880

26. Cash Flow Statement - Financing Activities

2009/10 £000	2010/11 £000
0 Cash receipts of short and long-term borrowing	(142)
(406) Other receipts from financing activities	(2,119)
137 Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	106
12 Repayments of short and long-term borrowing	2,762
4,622 Other payments for financing activities	67
4,365 Net cash flows from financing activities	674

27. Amounts Reported for Resource Allocation Decisions

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

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

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

Directorate Income and Expenditure 2010/11

	Chief Executive	Community	Corporate	Environment	General Fund Total	Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employee Related Costs	616	2,807	3,735	6,571	13,729	3,287	17,016
All Other Controllable Costs	182	2,188	24,883	3,815	31,068	7,726	38,794
Total Expenditure	798	4,995	28,618	10,386	44,797	11,013	55,810
Controllable Income	(82)	(2,803)	(24,489)	(5,312)	(32,686)	(14,367)	(47,053)
Net Expenditure	716	2,192	4,129	5,074	12,111	(3,354)	8,757

Directorate Income and Expenditure 2009/10 Comparative Figures

	Chief Executive	Community	Corporate	Environment	General Fund Total	Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employee Related Costs	568	2,862	3,724	6,711	13,865	3,327	17,192
All Other Controllable Costs	228	2,468	23,319	5,532	31,547	6,820	38,367
Total Expenditure	796	5,330	27,043	12,243	45,412	10,147	55,559
Controllable Income	(49)	(2,974)	(22,733)	(6,661)	(32,417)	(14,106)	(46,523)
Net Expenditure	747	2,356	4,310	5,582	12,995	(3,959)	9,036

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

2009/10 £000	2010/11 £000
9,036 Net expenditure in the (Directorate) Analysis	8,757
0 Net expenditure of services and support services not included in the Analysis	0
Amounts in the Comprehensive Income and Expenditure Statement not reported (13,277) to management in the Analysis	56,749
Amounts included in the Analysis not included in the Comprehensive Income and 1,423 Expenditure Statement	2,043
(2,818) Cost of Services in Comprehensive Income and Expenditure Statement	67,549

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

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

2009/10 Comparatives	Directorate Analysis	Services & Support Services not in Analysis	Amounts not reported to management	Amounts not included in I & E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(23,594)		(1,512)	1,434		(23,672)	(746)	(24,418)
Recharge Income			(14,386)			(14,386)		(14,386)
Interest & Investment Income	(306)		(1)	304		(3)	(305)	(308)
Income from council tax, Government Grants and Contributions	(22,623)		(1,271)	7		(23,887)	(13,843)	(37,730)
Other Income						0	0	0
Contribution from Collection Fund						0	(44)	(44)
Total Income	(46,523)	0	(17,170)	1,745	0	(61,948)	(14,938)	(76,886)
Employee expenses	17,192		(816)	(85)		16,291	85	16,376
Other service expenses	38,367		1,571	(273)		39,665	273	39,938
Support Service Recharges, Depreciation,			3,138	36		3,174	(36)	3,138
Interest Payments						0	918	918
Precepts & Levies						0	1,154	1,154
Payments to Housing Capital Receipts Pool						0	212	212
Net Pension Interest						0	1,213	1,213
Gain or Loss on Disposal of Non Current Assets						0	(112)	(112)
Total Expenditure	55,559	0	3,893	(322)	0	59,130	3,707	62,837
Surplus or deficit on the provision of services	9,036	0	(13,277)	1,423	0	(2,818)	(11,231)	(14,049)

28. Trading Operations

2009/10 £'000		2010/11 £'000
	ASHBY TOWN HALL MARKET	
2	Expenditure	1
(9)	Income from Rents	(9)
(7)	(Surplus) / Deficit	(8)
	INTERNAL TRADING ACCOUNTS	
119	Unallocated balances	297
112	TOTAL (SURPLUS) / DEFICIT	289

Ashby Town Hall Market includes depreciation of -£1,088 (-£1,088 09/10)

29. Agency Services

The Council, in partnership with Leicestershire County Council carries out the Decriminalised Parking Enforcement throughout North West Leicestershire which cost £163,772 in 2010/11 (£164,134 - 2009/10).

30 Members' Allowances

The total value of Members Allowances paid during the year was £239,301 (£258,627– 2009/10).

31. Officers' Remuneration

The number of employees whose remuneration, including redundancy payments but excluding pension contribution was £50,000 or more in bands of £5,000 were:			
2009/10	Remuneration Band	2010/11	
No of employees		No of employees	Left during year
4	£50,000 - £54,999	2	0
2	£55,000 - £59,999	2	0
1	£60,000 - £64,999	0	1
0	£65,000 - £69,999	0	0
0	£70,000 - £74,999	0	0
1	£75,000 - £79,999	1	1
2	£80,000 - £84,999	0	0
0	£85,000 - £89,999	0	1
0	£90,000 - £94,999	0	0
0	£95,000 - £99,999	0	1
0	£100,000 - £104,999	0	1
0	£105,000 - £109,999	0	0
0	£110,000 - £114,999	0	0
1	£115,000 - £119,999	0	0
0	£120,000 - £124,999	1	0

2010/11 Senior Officers emoluments - salary is between £50,000 and £150,000 per year

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

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

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

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

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

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

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

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

Note 8: Bonuses include performance related pay.

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

Post holder information (Post title)	Note	Salary	Bonus	Compensation (loss of emp)	Other	Total ex pension	Employers Pension	Total inc pension
		£	£	£	£	£	£	£
Chief Executive		115,287	0	0	4,606	119,893	22,481	142,374
Corporate Director		82,802	0	0	54	82,856	16,146	99,002
Director of Community Services		76,430	0	0	5,256	81,686	14,308	95,994
Director of Environment		73,031	0	0	2,825	75,856	13,671	89,527
Head of Finance		52,966	1,079	0	906	54,951	10,117	65,068
Head of Legal & Democratic Services		52,964	1,079	0	901	54,944	10,117	65,061
Head of Service Transformation		51,882	1,084	0	907	53,873	0	53,873
Head of Street Management		53,562	0	0	2,886	56,448	10,027	66,475
Head of Environmental Health	1	45,798	897	0	3,590	50,285	8,256	58,540
Head of Place Shaping	2	35,505	0	0	625	36,130	6,647	42,777
Head of Housing		52,969	6,079	0	2,238	61,286	10,118	71,404
Head of Leisure & Culture		51,881	1,084	0	3,060	56,025	9,915	65,940
Head of Neighbourhoods & Communities	3	13,950	1,080	0	905	15,935	4,450	20,384
		<u>759,027</u>	<u>12,382</u>	<u>0</u>	<u>28,758</u>	<u>800,167</u>	<u>136,252</u>	<u>936,419</u>

Note 1: The Head of Environmental Health worked 32 hours per week. The full time equivalent salary excluding performance related pay was £51,880.

Note 2: The Head of Place Shaping started on 20/7/2009. The annual salary excluding performance related pay was £52,964.

Note 3: The Head of Neighbourhoods & Communities was on maternity leave for most of the year. The annual salary excluding performance related pay was £50,800.

Note 4: Bonuses include performance related pay and for the Head of Housing a retention allowance.

32. External Audit Costs

In 2010/2011 North West Leicestershire District Council incurred the following fees relating to external audit and inspection.

2009/10 £'000		2010/11 £'000
115	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	109
8	Fees payable to the Audit Commission in respect of statutory inspection	8
30	Fees payable to the Audit Commission for the certification of grant claims and returns	25
153		142

33. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

2009/10 £000		2010/11 £000
	Credited to Taxation and Non Specific Grant Income	
6,809	Council Tax Income	6,929
5,700	Redistributed NDR	6,239
1,315	Revenue Support Grant	906
40	Local Authority Business Growth Incentive	0
23	Area Based Grant	40
<hr/> 13,887	Total	<hr/> 14,114
	Credited to Services	
21,178	Housing Benefit Subsidy	22,702
626	Housing Benefit Admin Grant	609
181	Concessionary Travel	199
156	Cost of Collection	151
850	Private Sector Grants	662
455	Supporting People Grant	336
555	Other Grants under £100k each	311
316	Locality Partnerships	449
40	Active Together	132
325	Other Contributions under £100k each	110
<hr/> 24,682	Total	<hr/> 25,661

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

	31 March 2011 £'000
Capital Grant Receipts in Advance	
Affordable Housing	53
Recreation/Playground	62
Healthcare/PCT	287
CCTV	5
Total	407

34. Related Parties

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

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

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

During the year transactions with related parties arose as follows:

2009/10 (Receipts)/ Payments £'000		2010/11 (Receipts)/ Payments £'000
(23,363)	Central Government	(24,456)
(850)	Revenue Grants (Benefits/RSG/other grants)	(662)
	Capital Grants (Improvement Grants)	
32,275	Leicestershire County Council - Precept	33,208
1,613	Leicestershire Fire and Rescue	1,668
5,141	Leicestershire Police - Precept	5,299

35. Capital Expenditure and Capital Financing

Fixed Assets Valuation

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

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

Category	Date of Last Valuation	Basis of Valuation	Details of Valuers
Council Dwellings	01.04.11	The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered Surveyors. In the case of housing stock this is based upon Existing Use Value for Social Housing.	Mr J Leney (MRICS), Head of Property, Charnwood Borough Council.
Other Land & Building	01.04.11	The valuations have been made in accordance with the RICS Appraisal and Valuation manual as published by the Royal Institute of Chartered Surveyors.	Mr J Leney (MRICS), Head of Property, Charnwood Borough Council.

Non Operational Assets

The Council doesn't hold any Non-Operational Assets as at 31st March 2011.

Capital expenditure and financing is as follows: -

2009/10 £'000		2010/11 £'000
16,279	Opening Capital Financing Requirement	15,997
	Capital Investment:	
4,070	Operational assets	5,004
0	Non-operational assets	0
721	Revenue Expenditure Funded from Capital Under Statute	1,025
	Sources of Finance:	
0	Capital Receipts	0
(1,748)	Government grants and other contributions	(1,350)
(3,325)	Revenue provision (including major repairs allowance)	(4,891)
15,997	Closing Capital Financing Requirement	15,785
	Explanation of movements in the year	
(282)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(212)
(282)	Increase/(decrease) in Capital Financing Requirement	(212)

Major fixed assets held at 31st March 2011, are:-

2009/10 No		2010/11 No
	LEISURE SERVICES	
2	Leisure Centres with Pools	2
1	Markets	1
4	Cemeteries	4
	COUNCIL DWELLINGS	
2,660	Houses	2,649
1,021	Flats & Maisonettes	1,020
812	Bungalows	812
	LAND	
115	Parks & Open Spaces (acres)	115
	OTHER	
1	Office Properties	1
3	Depots	3
19	Off Street Car Parks	19
11	Public Conveniences	11
9	Industrial Estates/Business Units	9

36. Leases

Authority as Lessee

Finance Leases

The Council has acquired a number of administrative buildings and its IT and telecommunications system under finance leases.

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

31 March 2010 £'000	31 March 2011 £'000
0 Other Land and Buildings	0
438 Vehicles, Plant, Furniture and Equipment	347
<hr/> 438	<hr/> 347

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

31 March 2010 £'000	31 March 2011 £'000
Finance lease liabilities (net present value of minimum lease payments):	
458 • current	335
• non current	
44 Finance costs payable in future years	27
<hr/> 414 Minimum lease payments	<hr/> 308

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	110	106	123	123
Later than one year and not later than five years	198	308	212	335
Later than five years	308	414	335	458

Operating Leases

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

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

31 March 2010 £'000	31 March 2011 £'000
321 Not later than one year	175
402 Later than one year and not later than five years	242
17 Later than five years	2
<hr/> 740	<hr/> 419

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

2009/10 £'000	2010/11 £'000
359 Minimum lease payments	321
0 Contingent rents	0
<hr/> 359	<hr/> 321

Authority as Lessor

The Authority is not a lessor.

37. Impairment Losses

During 2010/11, the Authority has recognised an impairment loss of £64,081,519 in relation to the Housing stock. This is due to the discount factor applied to the market value of the stock has increased from 50% to 66%.

38. Capitalisation of Borrowing Costs

The Authority had no new borrowing for the year ended 31st March 2011.

39. Termination Benefits

The authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £388,464 (£108,724 in 2009/10). Of this total, £53,920 is payable to the Head of Street Management and £34,326 to the Head of Environmental Health, in the form of compensation for loss of office and enhanced pension benefits to the Head of Street Management of £1,668, as disclosed in note 31. The remaining £298,550 is payable to 20 officers from across the Council.

40. Pension Schemes Accounted for as Defined Contribution Schemes

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

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

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

2009/10 £'000		2010/11 £'000
	Net Cost of Services	
1,089	■ current service cost	2,118
0	■ Past service costs	(8,348)
0	■ curtailments	89
1,089		(6,141)
	Net Operating Expenditure	
3,657	■ interest cost	4,498
(2,444)	■ expected return on assets in the scheme	(3,667)
1,213		831
2,302	Amount charged to Income and Expenditure Account	(5,310)
	Amounts to be met from Government Grants and Local Taxation	
(95)	■ movement on pension reserve	(74)
	Actual amount charged against General Fund & HRA for pensions	
1,934	■ employers' contributions payable to the scheme	1,947
95	■ unfunded discretionary benefit payments	74

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

Income & Expenditure Account contains details of the Authority's participation in the Local Government Pension Scheme (LGPS), administered by Leicestershire County Council. The following information was supplied by Hymans Robertson LLP on 20th April 2011.

Employers Membership Statistics

	Average Age	Number		Total Salaries/Pension £'000	
	31 March 2010	19 January 2011	31 March 2010	31 December 2010	31 March 2010
Actives	50	505	518	10,310	10,932
Deferred Pensioners	50	315	281	*	539
Pensioners	67	360	360	*	1,880

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

PAYROLL

	2011/12 £'000	2010/11 £'000
Assumed total pensionable payroll based on contribution information provided	10,310	10,723

INVESTMENT RETURNS

The return on the fund in market value terms for the year to 31 March 2011 is estimated based on actual fund returns as provided by the Administering Authority and index returns where necessary. Details are given below.

Return for Period 1 April 2010 to 31 December 2010	6.9%
Estimated Return for Period from 1 April 2010 to 31 March 2011	8.7%

UNFUNDED BENEFITS

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

LGPS Unfunded Pensions	Number at 19 January 2011	Annual Unfunded Pensions (£'000)
Male	35	62
Female	4	3
Dependants	9	8
TOTAL	48	73

PROJECTED PENSION EXPENSE FOR YEAR 31/3/2012

Analysis of Projected Amount to be charged to operating profit for the year to 31 March 2012

Year Ended	31/03/2012 £'000	% of pay
Projected Current service cost	1,828	17.7%
Interest on Obligation	3,847	37.3%
Expected Return on Plan Assets	(3,548)	(34.40%)
Losses /(Gains) on Curtailment and Settlements	0	0.0%
TOTAL	2,127	20.6%

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £20,002,000 has a substantial impact on the net worth of the Authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Pension Fund will be made good by increased contributions as assessed by the Actuary.

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The LGPS Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31st March 2010.

The main assumptions used in their calculations have been:

2009/10	Assumptions	2010/11
3.8%	Inflation/Pension Increase Rate	2.8%
5.3%	Salary Increase Rate	5.1%
7.3%	Expected Return on Assets	7.1%
5.5%	Discount Rate	5.5%

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

Assets Authority Share	2009/10			2010/11		
	Value £	Asset Distribution %	Long Term Return %	Value £	Asset Distribution %	Long Term Return %
Equities	39,828	78.0	7.8	42,106	81.6	7.5
Bonds	5,106	10.0	5.0	3,612	7.0	4.9
Property	5,617	11.0	5.8	5,676	11.0	5.5
Cash	511	1.0	4.8	206	0.4	4.6
	51,062	100.0		51,600	100.0	

Mortality

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

	Males	Females
Current pensioners	20.9	23.3
Future pensioners	23.3	25.6

Reconciliation of Present Value of the Scheme Liabilities

2009/10 £'000		2010/11 £'000
53,167	Opening Defined Benefit Obligation	88,948
1,089	Current Service cost	2,118
3,657	Interest cost	4,498
696	Contributions by Members	700
32,462	Actuarial losses/(Gains)	(12,074)
0	Past service costs/(Gains)	(8,348)
0	Losses/(Gains) on Curtailments	89
(95)	Estimated Unfunded Benefits Paid	(74)
(2,028)	Estimated Benefits Paid	(4,255)
88,948		71,602

Reconciliation of fair value of employer assets

2009/10 £'000	YEAR ENDED	2010/11 £'000
36,756	Opening Fair Value of Employer Assets	51,062
2,444	Expected Return on Assets	3,667
696	Contributions by Members	700
1,906	Contributions by the Employer	1,947
95	Contributions in respect of Unfunded Benefits	74
11,288	Actuarial losses/(Gains)	(1,521)
(95)	Estimated Unfunded Benefits Paid	(74)
(2,028)	Estimated Benefits Paid	(4,255)
51,062		51,600

Scheme History

Amounts for the current and previous accounting periods

YEAR ENDED	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Fair Value of Employer Assets	50,495	48,410	36,756	51,062	51,600
Present Value of Defined Benefit Obligation	(59,226)	(54,471)	(53,167)	(88,948)	(71,602)
Surplus/(Deficit)	(8,731)	(6,061)	(16,411)	(37,886)	(20,002)
Experience Gains/(Losses) on Assets	651	(5,942)	(15,555)	11,288	(1,521)
Experience Gains/(Losses) on Liabilities	(151)	(2,157)	101	(104)	(675)
Actuarial Gains/ (Losses) on Employer Assets	651	(5,942)	(15,555)	11,288	(1,521)
Actuarial Gains/ (Losses) on Obligations	3,751	8,318	5,277	(32,462)	12,074
Actuarial Gains/ (Losses) recognised in SRIE	4,402	2,376	(10,278)	(21,174)	10,553

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

YEAR ENDED	2009/10 £'000	2010/11 £'000
Actuarial Gains/(Losses) on Plan Assets	11,288	(1,521)
Actuarial Gains/ (Losses) on Obligations	(32,462)	12,074
Actuarial Gain/ (Loss) Recognised in SRIE	(21,174)	10,553
Cumulative Actuarial Gains and Losses	(31,284)	(20,731)

Balance Sheet

2009/10 £'000	YEAR ENDED	2010/11 £'000
51,062	Fair Value of Employer Assets	51,600
(87,499)	Present Value of Funded Liabilities	(70,513)
(36,437)	Net (Under)/ Overfunding in Funded Plans	(18,913)
(1,449)	Present Value of Funded Liabilities Unrecognised Past Service Cost	(1,089)
(37,886)	Net Asset/(Liability)	(20,002)
(37,886)	Amount in the Balance Sheet	
	Liabilities	(20,002)
	Assets	
(37,886)	Net Asset/(Liability)	(20,002)

41. Contingent Liabilities

Contingent liability for personal searches

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

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

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

42. Nature and Extent of Risks Arising from Financial Instruments

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

2009/10 £'000		2010/11 £'000
	<u>FINANCIAL LIABILITIES</u>	
19,318	Financial Liabilities at Amortised Cost	16,742
	<u>FINANCIAL ASSETS</u>	
10,036	Loans and Receivables	7,290

Fair Value of Assets and Liabilities carried at Amortised Cost

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

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

The Fair Values are calculated are as follows:

2009/10			2010/11	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
19,318	19,435	Financial Liabilities	16,742	17,066
10,036	10,036	Loans and Receivables	7,290	7,290

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

Financial Instruments Gains/Losses

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

Financial Instruments - Nature and Extent of Risk

Credit Risk.

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

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

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

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

The Council has £2,132,047 of General Debtors, for which a provision for doubtful debts of £297,460 has been made in relation to Sundry Debtors of £1,186,203.

Liquidity Risk.

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

Market Risk.

Interest Rate Risk.

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

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

Price Risk.

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

43. Building Control Charges

	2010/11 £'000
<u>BUILDING CONTROL CHARGES (REGULATIONS 2010)</u>	
Period 1st October 2010 to 31st March 2011	
Expenditure	117
Income	(108)
(Surplus) / Deficit	9

The Building (Local Authority Charges) Regulations 2010 introduced a new charging scheme, with Local Authorities having to introduce the charges between 1st April 2010 and 1st October 2010. Our new charges came into effect on the 1st October.

HOUSING REVENUE ACCOUNT (HRA)

HOUSING INCOME AND EXPENDITURE ACCOUNT

2009/10			NOTES	2010/11	
£'000	£'000		£'000	£'000	
		INCOME			
	(12,845)	Rents - Dwellings	H4		(13,151)
(95)		Rents - Garages / Sites		(92)	
(16)		Rents - Shops		(27)	
(3)		Rents - Other		(3)	
	(114)				(122)
	(536)	Charges for Services and Facilities			(502)
	(455)	Supporting People Grant			(337)
	(52)	Other Income			(99)
	0	Decrease in Bad Debt Provision			(30)
	(14,002)	TOTAL INCOME			(14,241)
		EXPENDITURE			
	3,457	Repairs & Maintenance			3,967
		Supervision & Management			
		- General		1,824	
2,080		- Special		519	
742					
	2,822	Capital Charges			2,343
	(9,895)	- Depreciation & Impairment of Fixed Assets	H8/9		67,555
	3,644	Housing Subsidy Payments to the National Pool	H10		3,818
	104	Increase in provision for Bad or Doubtful Debts			0
	18	Debt Management Expenses			2
	150	TOTAL EXPENDITURE			77,685
	(13,852)	NET COST OF HRA SERVICES INCLUDED IN INCOME & EXPENDITURE ACCOUNT			63,444
	170	Housing Share of Corporate & Democratic Costs			158
		Housing Share of other amounts included in the whole authority cost of services but not allocated to specific services			19
	0				
	(13,682)	NET COST OF HRA SERVICES			63,621
	(112)	(Gain) or Loss on Sale of HRA Fixed Assets			12
	165	Interest Payable & Similar Items			165
	102	Amortisation of Premiums & Discounts			110
	(1)	Interest on Sale of Council Houses			(1)
	(13,528)	(SURPLUS)/DEFICIT ON HRA SERVICES			63,907

STATEMENT OF MOVEMENT ON THE HRA BALANCE		
2009/10 £'000		2010/11 £'000
(13,528)	Deficit on Housing Income and Expenditure Account	63,907
13,018	Amounts Required by Statute to be Taken into Account (detailed below)	(64,321)
(510)		(414)
(543)	HRA Balance Brought Forward	(1,053)
(1,053)	HRA Balance Carried Forward	(1,467)

ANALYSIS OF THE MOVEMENT IN THE HRA BALANCE		
2009/10 £'000	Amounts Required to be Taken Into Account	2010/11 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year	
112	Gain or Loss on Sale of HRA Fixed Assets	(12)
(35)	Employee Benefits adjustment	35
(210)	Net charges for retirement benefits in accordance with IAS 19	(222)
11,800	Impairment of Fixed Assets	(64,081)
11,667		(64,280)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year	
832	Transfer To/(From) Major Repairs Reserve	(729)
387	Employer's contributions payable to Leicestershire County Council Pension Fund	213
0	Capital Expenditure funded by the HRA	548
132	Transfer To/(From) Reserves	(73)
1,351		(41)
13,018	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(64,321)

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

H1 MOVEMENT IN DWELLING STOCK

The Council was responsible for managing an average of 4,370 dwellings during 2010/2011. The movement in the stock was as follows:-

2009/10		2010/11
4,496	Stock at 1st April	4,383
(3)	Less: Right to buy Sales	(4)
0	Less: Other Sales	(8)
0	Less: Demolitions	0
(110)	Less: Transfers out of stock	(30)
0	Less: Conversions	0
0	Add: Transfers back into stock	15
4,383		4,356

H2 PROPERTY TYPES IN DWELLING STOCK

The properties owned by the Council at 31st March 2011 comprise the following:-

	Flats/Maisonette	Bungalows	Houses	Total
In stock				
Bed sits	59	4	0	63
1 Bedroom	497	324	1	822
2 Bedroom	349	476	402	1,227
3 Bedroom	6	7	2,080	2,093
4 Bedroom	0	0	148	148
5 Bedroom	0	0	3	3
	911	811	2,634	4,356
Transferred out of stock				
Bed sits	29	0	0	29
1 Bedroom	72	1	0	73
2 Bedroom	4	0	2	6
3 Bedroom	4	0	13	17
4 Bedroom	0	0	0	0
5 Bedroom	0	0	0	0
	109	1	15	125
Total	1,020	812	2,649	4,481

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

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

2009/10 Balance £'000		2010/11 Balance £'000
208,213	Dwellings (inc garages)	147,750
6,224	Other Land and Buildings	5,923
214,437	OPERATIONAL ASSETS	153,673

The vacant possession value of dwellings within the Authority's HRA as at 31st March 2011 was £417,939,000 (31st March 2010 £412,088,500). The vacant possession value of the dwellings within the HRA show the economic cost to Government of providing Council Housing at less than open market rents.

The council does not hold any Non-Operational assets.

H4 RENT INCOME

This is the total rent income due for the year after an allowance is made for empty properties/voids etc. Average rents were £58.09 per week in 2010/11 (£54.94 2009/10) there being an average increase of 3.85% (2.01% 2009/10) over the previous year. During the year 0.55% (1.33% 2009/10) of rentable properties were vacant.

Rent income can be analysed as follows:-

2009/10 £'000		2010/11 £'000
6,031	Collectable from Tenants	6,116
6,814	Rent Rebates	7,035
12,845		13,151
114	Non - Dwelling Rents	122
12,959		13,273

In accordance with the revised accounting practice for rental income there is a favourable effect of £ 33k for the year 2010/11.

H5 RENT ARREARS

During the year total rent arrears, as a proportion of gross rent income were 1.83% (2009/10 - 1.64%). The arrears figures are as follows:-

2009/10 £'000		2010/11 £'000
362	Total Current and Former Tenant Arrears	391
(143)	Less: Accounts in credit	(144)
219	Net Arrears	247

Amounts written off during the year were £ 9,122 (2009/10 - £17,929). At 31st March the Provision for doubtful debts stood at £303,871 (2009/10 - £308,700).

H6 MAJOR REPAIRS RESERVE

2009/10 £'000		2010/11 £'000
(2,098)	Balance at 1st April 2010	(2,247)
(1,890)	Amounts transferred to Reserve during year	(3,474)
	Amounts transferred from Reserve to finance Capital	
	Expenditure:	
2,573	Dwellings	3,656
0	Other Property	0
(832)	Depreciation in excess of / (less than) MRA	729
(2,247)	Balance at 31st March 2011	(1,336)

H7 CAPITAL EXPENDITURE & RECEIPTS

Total Capital Expenditure within the authority's HRA during the financial year was £4,204,069 (dwellings £4,138,566 and Other Property £65,503) . The sources of funding are shown below:

2009/10 £'000		2010/11 £'000
2,573	Major Repairs Reserve	3,656
0	Revenue Contribution	453
0	Other Contributions	95
2,573		4,204

Total Capital Receipts from disposals of Council Dwellings within the authority's HRA. stock during the financial year were £ 600,192. There were no sales of land or other property during the financial year.

H8 DEPRECIATION OF HRA FIXED ASSETS

2009/10 £'000		2010/11 £'000
1,890	Dwellings (excl. garages)	3,411
15	Other Land and Buildings	63
1,905	OPERATIONAL ASSETS	3,474

H9 IMPAIRMENT OF HRA FIXED ASSETS

2009/10 £'000		2010/11 £'000
(11,775)	Dwellings (excl. garages)	64,127
(25)	Other Land and Buildings	(46)
(11,800)	OPERATIONAL ASSETS	64,081

The 'negative' impairment charge in 2009/10 was as a result of a general increase in valuations reflecting the national position, offsetting previous reductions. However, in 2010/11 the basis of the valuation has changed as the discount factor to be applied to the market value to reflect the tenanted social housing use of the property has increased from 50% to 66%. This has the effect of reducing the valuation resulting in the impairment charge.

H10 HRA SUBSIDY

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

2009/10 £'000		2010/11 £'000
6,131	Management & Maintenance	6,330
2,722	Major Repairs Allowance	2,745
820	Charges for Capital	826
(1)	Interest on Receipts	(1)
(13,315)	Guideline Rent Income	(13,717)
(3,643)	Housing element entitlement	(3,817)
(1)	Prior year adjustment	(1)
(3,644)	H.R.A. SUBSIDY ENTITLEMENT	(3,818)

COLLECTION FUND

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2009/10 £'000		2010/11	
		£'000	£'000
	INCOME		
(40,650)	Council Tax (Net of benefits, discounts for prompt payment and transitional relief)		(41,758)
(5,577)	Transfers from General Fund:- - Council Tax Benefit		(5,792)
20	Contributions:- - Towards previous year's Collection Fund Deficit / (Surplus)		98
(44,255)	Business Ratepayers		(45,473)
(90,462)			(92,925)
	EXPENDITURE		
	Precepts and Demands:-		
32,275	L.C.C.	33,208	
5,141	Leicestershire Police	5,299	
1,613	Leicestershire Fire and Rescue	1,668	
6,765	N.W.L.D.C. (including Parish and Specials)	6,874	
45,794			47,049
	Business Rate:-		
43,774	Payment to National Pool	44,959	
325	Increase in doubtful debt provision	363	
156	Costs of Collection	151	
44,255			45,473
	Bad and Doubtful Debts / Appeals		
137	- Provisions	125	
137			125
90,186			92,647
(276)	Movement on fund balance - (Surplus) / Deficit for the year		(278)
21	Collection Fund Balance at 1st April 2010		(255)
(255)	Collection Fund Balance at 31st March 2011		(533)

NOTES TO THE COLLECTION FUND

C1 GENERAL

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

C2 COUNCIL TAX

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent of band D dwellings, was calculated as follows:-

Band	Estimated No. Of Taxable Properties after effect of Discounts	Ratio	Band 'D' Equivalent Dwellings
A(-)	47	5/9	26
A	8,228	6/9	5,485
B	11,048	7/9	8,593
C	6,132	8/9	5,451
D	5,090	9/9	5,090
E	3,130	11/9	3,826
F	1,265	13/9	1,827
G	805	15/9	1,342
H	38	18/9	76
	35,783		31,716
Less: Adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding.			476
COUNCIL TAX BASE for 2010/11			31,240

C3 INCOME FROM BUSINESS RATEPAYERS

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

The total Non-Domestic Rateable Value at the 31st March 2011, was £112,081,371 (£105,612,015 - 31st March 2010).

The National Non-Domestic multiplier for the year was 41.4p (48.5p - 2009/2010).

The Small Business Rate Multiplier was 40.7p (48.1p - 2009/10).

SPECIAL EXPENSES ACCOUNT

2009/10 £		2010/11	
		£	£
	COALVILLE URBAN DISTRICT AREA		
54,667	Balance brought forward	65,445	
663,253	Collection Fund Precept	666,938	
717,920			732,383
	EXPENDITURE		
283,885	Parks, Open Spaces & Allotments	203,812	
102,987	Burial Grounds	95,891	
72,951	Other Expenses	64,614	
30,844	R.C.C.O.	67,000	
20,000	Contribution to Improvement Fund	10,000	
(29,855)	Asset Management Revaluation Account	(61,468)	
144,745	Impairment	270,515	
26,918	Contribution to Ear-Marked Reserves	26,392	
652,475			676,756
65,445	Balance carried forward		55,627
	COLEORTON PARISH AREA		
1,404	Balance brought forward	1,137	
2,683	Collection Fund Precept	2,814	
4,087			3,951
	EXPENDITURE		
1,060	Parks & Open Spaces	1,080	
1,890	Burial Grounds	1,930	3,010
1,137	Balance carried forward		941
	MEASHAM PARISH AREA		
308	Balance brought forward	298	
1,680	Collection Fund Precept	1,718	
1,988			2,016
	EXPENDITURE		
1,690	Burial Grounds		1,720
298	Balance carried forward		296
	STRETTON-EN-LE-FIELD		
519	Balance brought forward	380	
1,141	Collection Fund Precept	1,198	
1,660			1,578
	EXPENDITURE		
1,280	Burial Grounds		1,300
380	Balance carried forward		278
	OSGATHORPE		
326	Balance brought forward	340	
324	Collection Fund Precept	319	
650			659
	EXPENDITURE		
310	Parks & Open Spaces		320
340	Balance carried forward		339
	LOCKINGTON / HEMINGTON		
1,026	Balance brought forward	1,091	
2,665	Collection Fund Precept	2,721	
3,691			3,812
	EXPENDITURE		
940	Parks & Open Spaces	960	
1,660	Burial Grounds	1,690	2,650
1,091	Balance carried forward		1,162

SPECIAL EXPENSES ACCOUNT CONT'D

2009/10 £		2010/11	
		£	£
	KEGWORTH		
336	Balance brought forward	334	
368	Collection Fund Precept	378	
704			712
	EXPENDITURE		
370	Parks & Open Spaces		380
334	Balance carried forward		332
	RAVENSTONE		
250	Balance brought forward	267	
327	Collection Fund Precept	326	
577			593
	EXPENDITURE		
310	Parks & Open Spaces		320
267	Balance carried forward		273
	OAKTHORPE & DONISTHORPE		
729	Balance brought forward	707	
3,428	Collection Fund Precept	3,532	
4,157			4,239
	EXPENDITURE		
3,450	Parks & Open Spaces		3,520
707	Balance carried forward		719

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

Opinion on the Authority accounting statements

I have audited the accounting statements of North West Leicestershire District Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of North West Leicestershire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of North West Leicestershire District Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's 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 review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, North West Leicestershire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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

Neil Bellamy
Officer of the Audit Commission

Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SU

30 September 2011

GLOSSARY OF MAIN FINANCIAL TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

EARMARKED RESERVE – Money set aside for a specific purpose.

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS – International Financial Reporting Standards

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

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

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

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

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

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

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

OUTTURN - actual income and expenditure in a financial year.

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

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

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

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

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

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

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

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

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

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

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

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

ANNUAL GOVERNANCE STATEMENT 2010/11

1. Background and Scope of Responsibility

1.1 North West Leicestershire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. 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.

1.2 In discharging the overall responsibility the Council is responsible for putting into place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.3 The Council has approved and adopted a local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Code is available on our website at:

http://www.nwleics.gov.uk/_System/_System/Transfer/Recieve/Root/corporate/documents/LocalCodeofCorporateGovernance.pdf

or can be obtained from Internal Audit, Council Offices, Coalville.

1.4 This Statement explains how the Council has complied with the code and also meets the requirements of the Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control, now superseded by this Annual Governance Statement.

1.5 Please note that there have been changes to the Committee structure since 31 March 2011 and references in this report are to the Committees that were in existence during the year ended 31 March 2011.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems, processes, culture and values, by which the authority is controlled and directs its activities and through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

2.3 The governance framework has been in place for the year ended 31 March 2011, and up to the date of the approval of the annual report and accounts, subject to changes to the Committee structure since 31 March 2011.

3. The Governance Framework

3.1 The Council's code adopts six core principles as the basis for its corporate governance arrangements which are set out below. The key elements of the Council's systems and processes that comprise the Authority's governance arrangements are set out below for each of the six core principles as follows.

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

- At the heart of the Council's strategic planning process is the Council Delivery Plan (CDP) and annual service plans (SMART Plans). The Council's CDP has been developed in line with the Council's strategic aims and was updated and adopted by Council in March 2010.
- Further improvement will require even greater collaboration and partnership working across various sectors. Creating the place of North West Leicestershire for the future requires engagement, support and buy-in from a range of different partners. The vehicle for delivering this cohesively is the North West Leicestershire Local Strategic Partnership, which is chaired by the Leader of the Council and its membership includes representatives from a wide range of public and private bodies.
- To provide a focus for the work of the Local Strategic Partnership and the various organisations that work in the District, a Vision has been developed called 'North West Leicestershire will be a place where people and businesses feel they belong and are proud to call home'
- The Council's performance management arrangements are strong and include the SMART Planning process which integrates service and financial planning across all of the Council's aims and objectives to better align activities, improvements and resources. A set of clear and consistent Service Delivery Plans was developed for 2010/11 and informative profiled financial monitoring reports which are also predictive are reviewed by all budget holders soon after the month end, enabling managers to respond to issues in a timely way. In addition, financial performance is reported monthly to the senior officers and all Performance Indicators and Financial Performance was reported to the Overview and Scrutiny members and Cabinet on a quarterly basis using a traffic light system to facilitate robust member challenge.
- This model enables any service failure to be identified early and addressed through a project plan which is considered and corrective action approved where necessary.

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

- The Council's Constitution clearly sets out the functions and roles of Members and Officers. The Constitution is continually reviewed by the Monitoring Officer and reported to members at regular intervals, following appropriate Scrutiny.
- The Constitution sets out the responsibility for all the Council's functions, including Council, Executive and Non-executive roles and a scheme of delegation to staff and proper Officer designations. These provisions make the specific responsibilities of the Leader, Chief Executive, Section 151 Officer and Monitoring Officer (MO) clear.
- There are robust codes and protocols, including codes of conduct for both Members and Officers, a protocol on Member/Officer relations, outline roles and responsibilities for Councillors and a procedure for the resolution of disputes.

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

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

- The Standards Committee has a pro-active work programme and each meeting of the Standards Committee receives a report from the Monitoring Officer on current issues. A quarterly performance monitoring report to include ethical indicators is produced.
- The Council has robust arrangements for monitoring compliance with the Member Code of Conduct (including gifts and hospitality). The Officer Register of Gifts and Hospitality received its six monthly check by the Monitoring Officer at the same time she checked the Member Register.
- The Standards Committee undertakes an annual report which it refers to full Council. The report includes a paragraph on cases referred by the Ethical Standards Officers and Individual Cases – Local Statistics.
- The Head of Paid Service, Section 151 Officer and Monitoring Officer meet quarterly at the Statutory Officers' Group. Their work includes monitoring compliance with standards of conduct across the Council, including both Officers and Members. They make an annual report to the Corporate Leadership Team. There is a strong, LEXCEL accredited, legal team.
- Members (including Standards Committee Members) have received training from an external facilitator on the Revised Code of Conduct and from the MO on statutory and constitutional roles.
- Parish liaison meetings are held at least twice a year and the MO also provides ethical training to parishes.
- The Council's Whistle Blowing Policy includes Members, contractors, suppliers and service providers and people working in partnership with the Council (e.g. volunteers). All reports received under the policy are investigated thoroughly.

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

- There were three Overview and Scrutiny Committees as follows: Environment, Communities and Corporate plus an Audit & Governance Committee.
- The Council maintains a Forward Plan of both key and non-key decisions to maximise transparency and consultation. The writing of formal reports follows a prescribed procedure which requires the completion of a number of procedural requirements for content including Statutory Officer checks for legality, budgetary compliance, rationale, etc. Reasons for all decisions must be given and these are recorded in the minutes.
- The Member and Officer Codes of Conduct and associated procedures act as a safeguard against conflicts of interest or bias.
- The Audit & Governance Committee undertakes the functions of an audit committee as identified by CIPFA Guidance. It has received reports and presentations from the District Auditor and is independent of Cabinet and is politically balanced.
- The Council has a customer feedback complaints system and this information is used to improve service delivery and customer satisfaction.
- The Council has a Risk Management Strategy and maintains and reviews its strategic risk register through the Risk Management Group on a quarterly basis. The risks identified have been linked to Council priorities/strategic aims and lead officers have been identified to manage each risk.
- As part of the Council's Corporate Project Management Framework, all major projects have their own risk log and all reports going to Members include the risk implications associated with the decision Members are being asked to make.
- Partnership working is identified as a strategic risk and covers the Council's key strategic partnerships, e.g. LSP, CDRP, Local Resilience Forum.
- Risk Management also forms a key element of the Council's Delivery Plan and the SMART Planning process and Risk Management is an integral part of the Council's performance management arrangements.
- The Council is committed to the effective use of IT and has an ICT strategy and IT Security Policy.

- The Council has a Treasury Management Strategy, agreed in March 2010, and risks are fully evaluated as part of this strategy.

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

- A thorough and rigorous recruitment and selection process for officers is in place and workforce succession planning is undertaken to ensure capacity and continuity issues are identified and addressed.
- A comprehensive induction programme exists for both Members and Officers which has been developed to deal with all relevant core issues.
- The Council is committed to creating an environment where elected Members' skills can develop and thrive and a Member Development Programme is in place with various courses being delivered.
- An annual development review is undertaken for all officers, which includes the identification of training and development needs, which are then considered and built into a service level and corporate training programme where appropriate.

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

- Our Communications Strategy sets out who we communicate with, and why and how we do it. The Council uses various means to communicate key messages to members of the public, such as the Vision magazine and for staff, the Chief Executive's roadshows, Inner Vision and the intranet.
- The Sustainable Community Strategy forms the overarching strategy for the District and the Council. It is crucial that it links directly to the Local Area Agreement between the County Council and Central Government and forms the basis for the Local Development Framework, Housing Strategy and other key strategies and plans.
- In developing the Local Development Framework (LDF), extensive consultation has taken place and a timetable for completion has been produced.
- The Council's scrutiny arrangements were designed to ensure that key elements were externally focussed and involve all sections of the community and stakeholders as relevant. The provisions included a requirement for the Scrutiny Committees to report annually to the Council on their workings and make recommendations for future work programmes and amended working methods.
- The Council has adopted a consultation framework which involves staff at all levels and their Trade Union Representatives and Officials.
- The Council now publishes on its web site monthly details of expenditure over £500 as well as details of major contracts and senior salaries, responsibilities etc.

4. Review of Effectiveness

4.1 The Council has responsibility for conducting at least annually, a review of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers and directors within the Council who have responsibility for the development and maintenance of the internal control environment, the Internal Audit Annual Report, the work of the Audit & Governance Committee plus the comments of external auditors and other review agencies and inspectorates.

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

- The full Council through its overall responsibility for the Annual Budget and Policy Framework;
- The Cabinet, which has responsibility for all executive functions and for making recommendations to Council within the Budget and Policy Framework. Its remit is clearly

set out in the Constitution and it plays a major role in reviewing key aspects of overall service delivery, including monitoring its effectiveness and related governance issues;

- The Audit & Governance Committee which meets the external auditor to discuss findings in the Annual Audit Management Letter and reports and is responsible for ensuring that the Council's systems for internal control are sound by reviewing control mechanisms, and guidelines (both internal and external) as well as adherence to these;
- The Standards Committee which ensured continued probity and good governance of the Council's operations.
- The Council's statutory officers who consist of the Head of Paid Service (the Chief Executive), the Monitoring Officer (Head of Legal & Democratic Services) and S.151 Officer (Head of Finance) fulfil the statutory duties associated with their roles, including ensuring that the Council's activities are in accordance with the law and legislative requirements, and that financial budgets are set appropriately and are monitored regularly;
- The Internal Audit service is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a five year plan from which the annual work plan is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director and Head of Service. The report includes recommendations for improvements that are included within an action plan and require agreement by service managers. The action plan was monitored on a quarterly basis by the Audit & Governance Scrutiny Committee. The Internal Audit service is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the service
- There is a Risk Management Strategy and all reports to Council, Cabinet and Committees have a risk management section.
- Assurance statements have been signed by Heads of Service to ensure that there are adequate internal controls and governance arrangements in their areas of responsibility and to provide an opportunity to inform improvement action planning requirements.
- The Statutory Officers have used the Assessment Framework within the Council's Local Code of Corporate Governance to assess compliance and review the effectiveness of our arrangements, which has informed the compilation of this statement. The overall level of governance assurance is considered to be substantial.

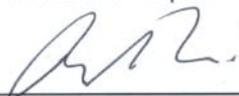
4.2 The Annual Governance Statement 2010/11 has been considered by the Audit & Standards Committee, which has superseded the Audit & Governance Committee. We have been advised by them on the outcome of their review and the effectiveness of the Governance Framework. We plan to address any weaknesses or issues raised to ensure continuous improvement of the systems and governance processes. We will ensure that satisfactory measures are put in place to deal with those issues as set out below.

5. Significant Governance Issues

5.1 There are no significant governance issues which need to be brought to the attention of the public or Councillors.

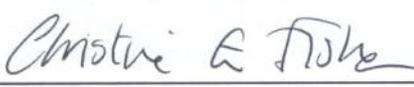
6. Post Balance Sheet Events

6.1 There are no post balance sheet events in respect of 2010/11 that need to be reported on.



Richard Blunt
Leader of the Council

Date: 28/9/11



Christine Fisher
Chief Executive

Date: 28/9/11

COUNCIL'S VISION

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

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

This document is available in other formats on request