

# Public Document Pack

**Steve Atkinson** MA(Oxon) MBA FIoD FRSA  
Chief Executive



Date: 10 September 2012

Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

Dear Sir/Madam

I hereby summon you to attend a meeting of the Hinckley & Bosworth Borough Council in the Council Chamber, Council Offices, Hinckley at these offices on **TUESDAY, 18 SEPTEMBER 2012 at 6.30 pm**

Yours faithfully

A handwritten signature in black ink, appearing to read 'RK Owen'.

Miss RK Owen  
Democratic Services Officer

## AGENDA

1. Apologies
2. To confirm the minutes of the meeting held on 19 June attached. (Pages 1 - 6)
3. To be advised of any additional items of business which the Mayor decides by reason of special circumstances shall be taken as matters of urgency at this meeting.
4. To receive verbally from Members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the Agenda.
5. To receive such communications as the Mayor may decide to lay before the Council.
6. To receive petitions in accordance with the Council's Petitions' Scheme.
7. To deal with questions under Council Procedure Rule number 11.1.
8. To receive the Leader of the Council's Position Statement.
9. To receive for information only the minutes of the Scrutiny Commission meeting held on 24 May 2012. (Pages 7 - 10)
10. Final outturn (Pages 11 - 20)

11. Statement of Accounts (Pages 21 - 118)
12. Annual Governance Statement (Pages 119 - 128)
13. Review of Reserves (Pages 129 - 136)
14. Civic Offices Site (Pages 137 - 142)
15. Changes to HRA budgets (Pages 143 - 146)
16. Richmond Park (Pages 147 - 150)
17. Carlton Rural Exception Site (Pages 151 - 156)
18. Property Asset Management Plan (Pages 157 - 200)
19. Desford, St Martins Drive (Pages 201 - 202)
20. Leicestershire and Rutland County Sports Partnership Annual Review (Pages 203 - 204)
21. Annual Review of the Constitution (Pages 205 - 208)
22. Chairmanship of Committees: It is proposed that Councillor Cartwright replaces Councillor Inman as Chairman of the Appeals Panel
23. To consider the following motions, notice of which have been received in accordance with Council Procedure Rules 13.1 and 13.2:-

- (a) Received from Cllr Bray (to be seconded by Cllr Bannister)

"This Council notes with concern the decision by Leicestershire Police Authority to sell off Hinckley Police Station, an important public building in the centre of Hinckley, in secret and with no public consultation. Furthermore this Council is concerned that any future uses of this building should not add to the already grave on-street parking problems in this part of Hinckley"

- (b) Received Cllr Mullaney (to be seconded by Cllr Inman)

"Council notes with concern the proposals of the East Midlands Ambulance Service (EMAS) which would see the 66 current ambulance stations in this region, including one in Hinckley, replaced by 13 hub stations, one of which will be in Leicester.

EMAS will be announcing later this year the venue for it's public consultations. Because of the huge concern felt by many residents in the borough about the threat to Hinckley Ambulance Station, Council urges EMAS to visit a venue in Hinckley and Bosworth as part of the consultation.

Council believes that Hinckley's Ambulance Station is an important local service and should not be closed unless EMAS can provide extremely compelling and convincing evidence that changing to the Hub system will improve response times."

- (c) Received from Cllr Crooks (to be seconded by Cllr Mullaney)

"Council notes with concern the current proposal by Leicestershire County Council to remove the Number 7 bus service.

This is the only regular bus service that runs through many villages in our

Borough including Fenny Drayton, Witherley and Sheepy Magna.

The proposed demand responsive transport that would replace the number 7 would mean far fewer buses, travelling on fewer days through these villages.

Council notes the large number of submissions to the County Council's consultation on the future of bus services, including many about the Number 7 bus. These included a submission from the Borough Council's Executive supporting the Number 7 service.

Council notes proposals submitted by residents, via a petition, which suggested an amended bus service running through these villages.

Council resolves to urge the County Council to maintain the number 7 bus service and look seriously at the option of an amended route as suggested by residents of the affected villages."

(d) Received from Cllr Taylor

"This Council notes recent concerns and frustrations expressed by members of all groups about the advice often received from the Highways Authority. This Council therefore asks the Deputy Chief Executive (Community Direction) to investigate options for securing secondary highways advice on planning applications to allow members to make more fully informed decisions."

(e) Received from Cllr Bill

"This Council recognises the vital role played by Police Community Support Officers in the upkeep of law and order and urges both the County Council and the incoming Police & Crime Commissioner to ensure that they are retained in full despite the difficult financial situation".

(f) Received from Cllr Hulbert

"The Council notes:

1. Already 1 in 4 households in the UK are in fuel poverty, meaning they need to spend more than 10% of their income on keeping their homes warm. The problem is likely to get worse, with 1 in 3 households projected to be in fuel poverty by 2016.
2. The main reasons for this crisis are that gas, oil and coal prices are high, and the UK's homes are some of the most energy inefficient in Europe – leaking heat from their doors, walls and windows.
3. Cold homes are damaging the health of vulnerable members of society, including children, older people and people with disabilities. Diseases such as asthma are made worse, and people are more likely to have strokes and heart attacks. Illnesses caused by cold homes cost the NHS nearly one billion pounds each year.
4. Over the next 15 years the Government will raise an average of £4 billion every year in carbon taxes through the European Emissions Trading Scheme and the Carbon Floor Price. Recycling this revenue back into households could bring 9 out of 10 homes out of fuel poverty, lower

people's bills, cut carbon emissions and create jobs.

The Council therefore resolves to:

1. Support the Energy Bill Revolution campaign calling for the Government to recycle revenues from carbon taxes into improving the energy efficiency of UK homes.
2. Notify local Members of Parliament of its support for the campaign and urge them to sign Early Day Motion 47 – “Reducing Fuel Bills through Energy Efficiency.”

(g) Received from Cllr Gould

Given the opposition to unplanned development in our Borough, this Council asks that the Chief Officer (Community Direction) writes to George Osborne's office asking that he consider alternative approaches to stimulate development as the National Planning Policy Framework has already failed to have any real impact.

# Agenda Item 2

## HINCKLEY AND BOSWORTH BOROUGH COUNCIL

19 JUNE 2012 AT 6.30 PM

PRESENT: MR MB CARTWRIGHT - MAYOR  
MRS L HODGKINS – DEPUTY MAYOR

Mr RG Allen, Mr PR Batty, Mr DC Bill, Mr SL Bray, Mrs R Camamile,  
Mr DS Cope, Mr WJ Crooks, Mr DM Gould, Mr PAS Hall, Mrs WA Hall,  
Mr MS Hulbert, Mr DW Inman, Mr C Ladkin, Mr MR Lay,  
Mr KWP Lynch, Mr R Mayne, Mr JS Moore, Mr K Morrell,  
Mr MT Mullaney, Mr K Nichols, Mr LJP O'Shea, Mrs H Smith,  
Mrs S Sprason, Mr BE Sutton, Miss DM Taylor, Mr R Ward and  
Ms BM Witherford

Officers in attendance: Bill Cullen, Louisa Horton, Sanjiv Kohli, Rebecca Owen and Sharon Stacey

59 PRAYER

Prayer was offered by Rev Louise Corke.

60 APOLOGIES

Apologies for absence were submitted on behalf of Councillors Bannister, Bessant, Boothby, Chastney and Richards.

61 MINUTES OF THE PREVIOUS MEETINGS

On the motion of Councillor Nichols, seconded by Councillor Taylor, it was

RESOLVED – the minutes of the meetings held on 17 April and 15 May 2012 be confirmed and signed by the Chairman.

62 ITEM OF URGENT BUSINESS - APPOINTMENT OF REPRESENTATIVES ON CHARITABLE BODY: HINCKLEY GRAMMAR SCHOOL

It was reported that there was one item of business which had been deemed urgent due to need to appoint to the charitable body of Hinckley Grammar School. It was agreed that the item would be taken at this juncture.

Councillor Lynch declared a personal interest in this item as his wife had been nominated for re-appointment.

On the motion of Councillor Bray, seconded by Councillor Nichols it was

RESOLVED – Mrs M Lynch, Mrs A Wright and Mrs R Wright be re-appointed to Hinckley Grammar School for a term of three years.

63 DECLARATIONS OF INTEREST

No interests were declared at this stage.

64 MAYOR'S COMMUNICATIONS

The Mayor briefly outlined the events he had attended over the Jubilee weekend and thanked the Deputy Mayor for attending some events too.

65 PETITIONS RECEIVED IN ACCORDANCE WITH THE COUNCIL'S PETITIONS' SCHEME

Councillor Mullaney presented a petition from residents against a telecom mast. It was agreed that this would be passed onto the Development Control team as part of the consultation on the particular application concerned and did not fall under the Petitions Scheme.

66 LEADER OF THE COUNCIL'S POSITION STATEMENT

The Leader of Council thanked officers, parishes and communities for the Jubilee events that had been held, and he reported on the unveiling of a plaque in Argents Mead from the Queen. He also provided an update on free parking initiatives in Hinckley and a letter from Leicestershire County Council's Cabinet portfolio holder for Waste inviting amalgamation of waste collection authorities in the County. In response to the latter it was felt that the amalgamation would not benefit Hinckley & Bosworth Borough Council due to our already high performance.

67 MINUTES OF THE SCRUTINY COMMISSION MEETINGS HELD ON 13 MARCH, 19 APRIL & 26 APRIL 2012

Councillor Lay presented the minutes of Scrutiny Commission meetings held on 13 March and 19 & 26 April for information.

68 REGIONAL GROWTH FUND - CONTRACT & DELIVERY ARRANGEMENTS

Members were presented with a report on contract & delivery arrangements for the Regional Growth Fund of £19,474,000. Members welcomed the report and the opportunities outlined, however, some concern was expressed about potential time delays and difficulties in drawing down funding in light of the Government having abolished organisations which supported economic growth.

Councillor Gould entered the meeting at this point.

On the motion of Councillor Bray, seconded by Councillor Bill, it was

RESOLVED –

- (i) The Chief Executive in consultation with the Leader be granted delegated authority to sign off the final contract arrangements for the RGF offer;
- (ii) The establishment of a budget of £19,474,000 for the RGF project to be spent over the next two years be approved.

69 SUPPORTING NEW HOUSING INITIATIVES AND OPPORTUNITIES

Council received a report which provided information on opportunities and initiatives for improving services and supporting the provision of new and improved affordable housing in the Borough of Hinckley & Bosworth. During discussion, the following points were raised:

- The need to avoid building new large 'council estates' and Members' preference towards pepper potting affordable homes throughout estates;
- Concern regarding the high number of empty residential properties in Earl Shilton;
- The risk of council house waiting lists lengthening in light of the Government's renewed Right to Buy scheme;
- The potential for rent arrears to increase due to a reduction in benefits and the way that these were to be paid.

In response to some of these points it was suggested that the Government be lobbied regarding Right to Buy, that work was being undertaken to identify those who may struggle to make payments due to a reduction in benefit payments, and that a private sector leasing scheme would be developed, funded through the Empty Homes Grant, to enable empty properties to be brought back into use. Members were reminded that there was currently a high level of satisfaction with the Council's housing service.

RESOLVED –

- (i) the Council Housing Investment Strategy and Business Plan be approved;
- (ii) the information contained within the report be endorsed;
- (iii) the Council's approach to the negotiations on affordable rent products with developers be approved;
- (iv) the principles of the Council's affordable housing delivery plan be supported;
- (v) the achievement of the private sector housing team in securing an Empty Property Grant of £522,120 from the Homes and Communities Agency be welcomed and a supplementary expenditure and income budget for this amount be agreed;
- (vi) the work undertaken by the Housing Options team to prevent homelessness be acknowledged, along with the award of a grant for £50,015 for the prevention of homelessness due to mortgage arrears and a supplementary expenditure and income budget for this amount be agreed.

70 LEICESTERSHIRE PARTNERSHIP REVENUES & BENEFITS PARTNERSHIP 2011/12

In presenting a report on the savings of the Leicestershire Partnership Revenues & Benefits 2011/12, it was stated that the savings had been as anticipated and explained that due to having to reduce time taken to process applications and meet the agreed Improvement Plan, the recommendation was that the savings be retained by the partnership.

On the motion of Councillor Lynch, seconded by Councillor Bray, it was

RESOLVED – The retention of £70,898 within the Partnership as this Council's contribution to the Partnership Reserves in 2012/13 be approved.

A report, which had been prepared at short notice due to the Commencement Order for Chapter 7 of the Localism Act being laid on 8 June 2012 and the new regime being due to commence on 1 July 2012, was presented to Council. Members were reminded that the new regime was originally discussed at Council on 17 April and a cross party working group had been set up to consider the issues including drafting a code of conduct. It was further noted that the meeting on 17 April had agreed that the interviewing of Independent Persons should be undertaken by an officer panel but that the final decision on who to appoint be made by Council.

During presentation of the report a further recommendation was made that the selection of Members of the new Committee be delegated to the relevant group leader in consultation with the Monitoring Officer. It was also recommended that no Parish Council representative be appointed to the Committee as many Borough Councillors were also Parish Councillors so parishes would be represented in that way. It was also recommended that the Committee be named the "Ethical Governance and Personnel Committee".

It was noted that a further meeting of the working group was planned for the same week and that it was recommended that they would put more detail into the process for dealing with complaints, agree accompanying guidance and the Register of Interest form.

Many Members acknowledged the amount of work undertaken by the Monitoring Officer, Executive Member and working group and thanked them for this. It was, however, felt that paragraph 1(d) of the Code of Conduct should have additional words added and it was moved by Councillor Lay and seconded by Councillor Batty that 1(d) be amended to read "Not disclose or use confidential information for any other purpose other than that provided by the law unless it is in the public interest". Upon being put to the vote, the amendment was CARRIED. It was therefore

RESOLVED –

- (i) the Code of Conduct be adopted with the inclusion of the above mentioned additional words in 1(d);
- (ii) the appointment of a Committee to deal with the administration of complaints about Councillors be delegated to group leaders in consultation with the Monitoring Officer;
- (iii) the Committee be named the "Ethical Governance and Personnel Committee";
- (iv) the co-option of Parish Council representatives on the Committee be not supported;
- (v) Nine Independent Persons be appointed in line with the recommendations;
- (vi) the Regulations regarding Pecuniary Interests be noted;
- (vii) Agreement of the process for dealing with the administration of complaints and the contents of the Register of Interests be delegated to the cross party working group in conjunction with the Monitoring Officer.



72 MOTIONS RECEIVED IN ACCORDANCE WITH COUNCIL PROCEDURE RULES 13.1 AND 13.2:-

Motion from Councillor Gould, seconded by Councillor Bill

“In view of the Economic Regeneration currently going ahead in the Borough, and the need to achieve modal shift not least to mitigate against climate change, this Council calls on the Department for Transport when franchising rail services stopping at Hinckley for 2014 to reinstate the 2 trains per hour service level that was previously enjoyed throughout the day”.

RESOLVED – the motion be supported.

(The Meeting closed at 8.06 pm)

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MAYOR

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# Agenda Item 9

## HINCKLEY AND BOSWORTH BOROUGH COUNCIL

### SCRUTINY COMMISSION

24 MAY 2012 AT 6.30 PM

PRESENT: Mr MR Lay - Chairman

Mr PR Batty, Mr MS Hulbert, Mr DW Inman, Mr K Morrell, Mrs S Sprason and Miss DM Taylor (for Mrs L Hodgkins)

Officers in attendance: Rebecca Owen, Steve Atkinson, Michael Brymer, Louisa Horton, Sharon Stacey and Simon Wood

#### 21 APOLOGIES AND SUBSTITUTIONS

Apologies were submitted on behalf of Councillors Bessant, Mrs Hall, Mr Hall, Hodgkins, Ladkin and Nichols, with the substitution of Councillor Taylor for Councillor Hodgkins authorised in accordance with Council Procedure Rule 4.1.

#### 22 MINUTES

RESOLVED – the minutes of the meeting held on 19 April 2012 be confirmed and signed by the Chairman.

#### 23 DECLARATIONS OF INTEREST

No interests were declared at this stage.

#### 24 CARE FOR PEOPLE WITH DEMENTIA

Due to the invitee being unable to attend, it was agreed that this item be deferred to the next meeting.

#### 25 SUPPORTING NEW HOUSING INITIATIVES AND OPPORTUNITIES

Members were advised of the opportunities and options with regard to improving services and supporting the provision of new and improved affordable housing in the Borough. Discussion was split into five areas.

In introducing the Housing Investment Strategy and Business Plan five key aims of the council house service were outlined. These included investment in existing stock, investing in new build schemes/acquisition of affordable housing, refurbishment of stock which no longer met needs, environmental improvements and investment in service delivery. Key pieces of work would take place during 2012/13 including validation of stock condition information and consultation with tenants and future tenants. The results of this work would enable members to make decisions on priorities and future investment.

With regard to the section of the report on Affordable Rent evidence base and Affordable Rent policy, the following points were raised:

- Developers were having problems engaging with RSLs, perhaps due to lack of available funding or the situation with affordable rent;
- There were opportunities for developers to build on plots of land as an alternative to rural exception sites;

- There was concern about how to prevent high levels of rent arrears due to the changes in the way benefits were paid. Whilst there were options which provided flexibility, officers shared these concerns;
- Although the housing waiting list was continuously increasing, this by itself was not a full reflection of need as not everyone in need registered onto the waiting list. Some work was needed to encourage people to register, particularly for housing in rural areas which gave precedence to local people;
- The number of requests for homelessness advice had increased by 180% over the last few years;
- The importance of Parish & Town Councils undertaking Housing Needs Surveys;
- The encouragement for communities to build property (ie the Government's 'Community Right to Build' scheme).

The Affordable Housing delivery plan was then discussed, including how council-owned sites were used and whether the authority should take on the role of 'builder' itself. Whilst some Members felt that there was no need for local authorities to build housing when developers were struggling to engage with RSLs to take on the housing they had built, the importance of considering all options was reiterated. The need to consider building bungalows and extra care schemes was also highlighted.

It was reported that an opportunity had become available through the Homes and Communities Agency to bid for an Empty Homes Grant. The private sector housing team, had been successful in securing £522,120 in order to bring 40 long term empty private properties back into use over the next 3 years.

With regard to the prevention of homelessness due to mortgage arrears, it was reported that due to the high performance of the team in preventing homelessness, a grant of £50,015 had been awarded, which was £20,000 more than had been awarded to any other authorities in the county. It was reported that the mortgage rescue scheme would continue. It was suggested that accessing the services of the credit union should be encouraged for people struggling to pay their mortgage.

Members felt that these current opportunities, which had for the most part been possible due to the performance of the housing team, should be maximised and work should be commenced on all areas as soon as possible.

RECOMMENDED – that the Council

- (i) works with developers to acquire properties for council housing as a priority;
- (ii) makes decisions and commences work as soon as possible on the Council Housing Investment Strategy to avoid the risk of funding being withdrawn by the Government;
- (iii) proactively seeks to make use of rural exception sites and the exploration of purchasing and building on agricultural land;
- (iv) ensures S106 monies are used to meet housing need;
- (v) becomes more active as a Registered Provider;
- (vi) explores which build types were required to meet need;
- (vii) fully supports the development of a private sector leasing scheme;

- (viii) considers the potential for and implications of borrowing more to bring more empty private sector properties back into use;
- (ix) explores the possibility of a partnership with the credit union to support people facing housing debt.

26 WASTE STRATEGY 2011

The Scrutiny Commission received a report which informed Members of the Leicestershire Municipal Waste Management Strategy (LMWMS) Update 2011. Concern was expressed with regard to the lack of progress in rolling out the collection of food waste. In response it was reported that it was not economically viable for Leicestershire County Council to roll out the collections, and it would not be affordable for this authority to do so by itself.

27 WASTE COLLECTION POLICY

Members received a report which sought support for the Wheeled Bin and Containers Policy. Aspects of the report were highlighted, for example changes to legislation, assisted collections, additional waste, educating users to avoid contamination, charging for damaged containers and the intention to include a requirement in the Community Infrastructure Levy for developers to pay for the cost of bins for new developments.

A Member asked whether wood could be collected and used for fuel or energy for power stations. In response it was noted that wood from voids was re-used, but that insufficient wood was produced to make kerbside collections worthwhile. However consideration would be given to providing a large container in certain locations once a month. It was also suggested that the same approach could be taken for metal, although the potential for theft of such material prior to collection was also highlighted.

Discussion ensued regarding inconsistent provision in some areas of red bags for clothes recycling, and it was agreed that the contractor would be requested to distribute further bags throughout the Borough.

28 ANNUAL RURAL AREAS REVIEW

Members received the annual rural areas review report. It was requested that future reports contain only items relating to the rural areas.

Two points were highlighted – dog fouling and sale of cars on the roadside. It was stated that these were major problems and that progress was difficult, but that further efforts would be made to address these issues.

29 SCRUTINY COMMISSION WORK PROGRAMME 2012-13

It was agreed that consideration of the future work programme be deferred to the following meeting when more Members would be present.

30 FORWARD PLAN OF EXECUTIVE AND COUNCIL DECISIONS

Consideration was given to the latest Forward Plan.

31 MINUTES OF MEETING MONDAY, 26 MARCH 2012 OF FINANCE, AUDIT & PERFORMANCE COMMITTEE

The minutes were noted.

32 MINUTES OF THE BARWELL & EARL SHILTON SCRUTINY GROUP

The minutes were noted.

(The Meeting closed at 8.29 pm)

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CHAIRMAN

**COUNCIL – 18 SEPTEMBER 2012**

**FINAL OUTTURN**  
**REPORT OF THE DEPUTY CHIEF EXECUTIVE (CORPORATE**  
**DIRECTION)**



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

**WARDS AFFECTED: ALL WARDS**

**1. PURPOSE OF REPORT**

To report to Council the financial outturn for 2011/12 and requested carry forwards.

**2. RECOMMENDATIONS**

- 2.1 That Council approves the outturn positions for 2011/12 and associated transfers to balances set out in paragraphs 3.4 and 3.10
- 2.2 That Council approves the carry forward to 2012/13 as set out in Appendix 1 and 2

**3. BACKGROUND**

- 3.1 The draft 2011/12 outturn position for the General Fund, Housing Revenue Account and the Capital Programme was reported and approved by the Executive at its meeting on 18<sup>th</sup> July 2012. Since the date of this meeting, the Council's 2011/12 Statement of Accounts have been produced and audited, facilitating the production of the final outturn position.
- 3.2 A summary of the final outturn provision is provided below. Full details are contained within the 2011/12 Outturn Book which is available in the members room or may be requested from finance.

**General Fund**

- 3.3 In February 2011 the Council adopted a General Fund Budget for 2011/12 which indicated that £12,142,880 would be spent on services. After taking account of further adjustments to the budget, year end adjustments and savings identified in year, the final outturn shows that £9,512,299 was spent on services.
- 3.4 On the basis of this outturn, it is recommended that £279,193 be transferred to General Fund Balances and a net transfer to earmarked reserves of £789,266.

	<b>2011/12 ORIGINAL ESTIMATE £</b>	<b>2011/12 LATEST ESTIMATE £</b>	<b>2011/12 OUTTURN £</b>	<b>VARIANCE £</b>
<b>GENERAL FUND</b>				
Central Services	3,083,350	3,162,559	2,349,248	813,311
Leisure & Environment	6,540,290	6,791,085	5,579,396	1,211,689
Housing (General Fund)	1,319,890	1,316,780	670,810	645,970
Planning	1,219,680	1,449,357	1,363,075	86,282

Direct Service Organisations	54,200	34,340	(23,989)	58,329
Support Services Holding Account	100,470	182,868	(426,241)	609,109
Corporate Savings	(175,000)	(175,000)	0	(175,000)
<b>TOTAL SERVICE EXPENDITURE</b>	<b>12,142,880</b>	<b>12,761,989</b>	<b>9,512,299</b>	<b>3,249,690</b>
<i>Less Special Expenses - Hinckley</i>				
<i>Parks</i>	363,310	363,310	338,816	24,494
<i>Cemeteries</i>	161,770	161,770	151,076	10,694
<i>Hinckley Town Centre Christmas Lights</i>	2,000	2,000	2,000	0
<i>Hinckley West Neighbourhood Watch</i>	4,000	4,000	4,000	0
<i>New Homes Bonus</i>	0	0	(22,613)	22,613
<b>Special Expenses Total (gross)</b>	<b>531,080</b>	<b>531,080</b>	<b>473,279</b>	<b>57,801</b>
Special Expenses brought down	(531,080)	(531,080)	(473,279)	(57,801)
Pension adjustments	(285,280)	(285,280)	26,850	(312,130)
Capital Accounting Adjustment	(1,133,060)	(1,490,940)	(424,301)	(1,066,639)
External Interest	52,010	52,010	196,593	(144,583)
Transfer to/(from) Pension Reserve	115,470	115,470	115,510	(40)
Accumulated Absences	0	0	4,323	(4,323)
Transfer to Reserves (inc carry forwards)	133,000	133,000	1,121,785	(988,785)
Use of Reserves	(563,000)	(621,730)	(332,519)	(289,211)
Transfer (from) / to General Balances	(253,910)	(456,409)	279,193	(735,602)
<b>HBBC Budget Requirement</b>	<b>9,677,030</b>	<b>9,677,030</b>	<b>10,026,454</b>	<b>(349,424)</b>

#### Housing Revenue Account

3.10 In February 2012, the Council adopted a re-forecasted Housing Revenue Account Revised Budget which forecasted that £218,450 would be taken from the HRA Balance. The Outturn figure recommends that £5,708 is taken to balances.



	2011/12 ORIGINAL ESTIMATE £	2011/12 LATEST ESTIMATE £	2011/12 OUTTURN £	VARIANCE £
<b>INCOME</b>				
Dwelling Rents	(10,620,540)	(10,528,890)	(10,609,471)	80,581
Non Dwelling Rents	(69,800)	(69,800)	(71,072)	1,272
Contributions to Expenditure	(16,420)	(15,290)	(15,290)	0
	<b>(10,706,760)</b>	<b>(10,613,980)</b>	<b>(10,695,833)</b>	<b>81,853</b>
<b>EXPENDITURE</b>				
Supervision & Management (General)	1,476,000	1,449,560	1,334,690	114,870
Supervision & Management (Special)	759,860	518,190	463,404	54,786
Contribution to Housing Repairs A/C	2,400,000	2,400,000	2,400,000	0
Broker's Fees	0	0	22,312	(22,312)
Depreciation & Impairment (Item 8)	4,200,910	4,200,910	4,060,170	140,740
HRA Item 8 Interest	0	0	19,590	(19,590)
Debt Management Costs	7,260	7,260	6,819	441
Increase in Provision for Bad Debts	50,000	50,000	96,265	(46,265)
Negative HRA Subsidy	4,083,160	4,234,110	4,235,801	(1,691)
	<b>12,977,190</b>	<b>12,860,030</b>	<b>12,639,051</b>	<b>220,979</b>
<b>Net Cost of Services</b>	<b>2,270,430</b>	<b>2,246,050</b>	<b>1,943,218</b>	<b>302,832</b>
Transfer from Major Repairs Reserve	(1,976,800)	(2,007,900)	(1,989,018)	(18,882)
Interest Receivable	(9,640)	(9,640)	(1,361)	(8,279)
FRS17 Pension Fund Adjustment	(33,350)	(33,350)	14,648	(47,998)
<b>Net Operating Expenditure</b>	<b>250,640</b>	<b>195,160</b>	<b>(32,513)</b>	<b>227,673</b>
<b>CONTRIBUTIONS</b>				
Contribution to Piper Alarm Reserve	10,400	10,400	10,400	0
Contribution to Pensions Reserve	12,890	12,890	16,405	(3,515)
<b>(Surplus) / Deficit</b>	<b>273,930</b>	<b>218,450</b>	<b>(5,708)</b>	<b>224,158</b>

#### Capital Programme

3.11 The Council's capital programme was under spent by £1,657,103, made up of under spends on the General Fund of £1,120,658 and the HRA of £536,445.

Description	Latest Estimate	Actual 31/03/12	Variance
<b>General Fund</b>			
Community Direction	1,036,708	657,233	379,475
Business, Contract and Streetscene Services	1,490,045	1,220,998	269,047
Corporate Direction	997,177	525,042	472,135
	<b>3,523,930</b>	<b>2,403,272</b>	<b>1,120,658</b>
<b>HRA</b>	<b>70,666,296</b>	<b>70,129,851</b>	<b>536,445</b>
<b>Grand Total</b>	<b>74,190,226</b>	<b>72,533,123</b>	<b>1,657,103</b>

## Carry Forwards

- 3.12 In a number of cases budget managers have requested that the under spend in their budget(s) be carried forward to 2012/13 because of delays in committing expenditure or a need to defer income. Requests totalling a net £409,881 have been received (to be funded as detailed below).

<b>Source of Funding</b>	<b>Amount (£)</b>
Carry Forward Reserve	136,093
Other Earmarked Reserves	180,705
Housing Revenue Account balances	93,083
<b>Total</b>	<b>409,881</b>

- 3.13 Details of revenue carry forwards have been detailed in Appendix 1 and are recommended for approval.

- 3.14 In addition, total capital under spends of £1,243,716 have been requested to be carried forward to 2012/13. A summary of these requests are included in Appendix 2 and are recommended for approval.

### **3 FINANCIAL IMPLICATIONS (KB)**

These are contained in the report

### **4 LEGAL IMPLICATIONS (LH)**

There are no legal implications arising directly from this report.

### **5 CORPORATE PLAN IMPLICATIONS**

This report contributes to the achievement of the following Corporate Plan Priorities:

- The Council sets a balanced budget that meets all requirements of the Council and is aligned to the priorities of the Council and its citizens
- The Council's major projects are completed to time and to budget
- The Council's financial standing is maintained and the finances remain healthy over the period of the plan

### **6 RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision/project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report/decision were identified from this assessment:

<b>Management of Significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating Actions</b>	<b>Owner</b>
None		

**8. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

There are none.

**9. CORPORATE IMPLICATIONS**

By submitting this report the author has taken the following into account:-

- Community Safety Implications
- Environmental Implications
- ICT Implications
- Asset Management Implications
- Human Resources Implications

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Background Papers:           Civica Authority Financials reports  
  Closedown files

Author:                            Katherine Bennett Accountancy Manager ext 5609

Executive Member:            Councillor KWP Lynch

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### Appendix 1 – Revenue Carry Forwards to 2012/13

Detail	General Fund (£)	HRA (£)	Reserves (£)
Economic Development/ Contributions -Atkins Development - Area resident parking scheme-Druid Street Trinity Lane improvements associated with new college- To be funded from Section 111 Contributions.			16,670
ICT Consultancy -ICT Health Check not undertaken in March due to alignment of Services at Oadby & Wigston. Delayed until May 12	5,250		
Depot Relocation - Consultancy Fees- budget to support initial stage of capital project. Likely to be capitalised upon completion of project	25,000		16,955
Customer Contact Centre/Training - Delay in sign language training	750		
Accountancy/Training - Due to restructure training will be required as part of the skills and knowledge transfer	6,000		
Creditors/Salaries - Savings from vacant creditors post to be used to fund utilities monitoring system	9,200		
Cashiers/Software & Maintenance -Delay in paye.net project. 50% Payment at start of project and 50% on Completion	4,000		
Legal Services/Computer Software- Delay in new case management system	3,730		
Mayors Civic expenses - outstanding balance on mayors budgets due to the mayoral year being different from the financial year	6,865		
Bus Station CPO/Hired & contracted- Expenditure in relation to the bus station CPO- Cross charged back to Developer	12,320		
Bus Station CPO/ Private Sector Contributions- Income in relation to the bus station CPO- Cross charged back to Developer	-12,320		
Enforcement/Hired & Contracted- Section 215 Enforcement Direct Action cases requiring action in 2012/13	4,130		
Planning Delivery Grant Development Control - Back Scanning Fees - delays in undertaking work			6,470
Planning Policy/Earl Shilton & Barwell SUE- Delay in SUE Project funded by LDF Reserve			116,120
Planning Policy/Earl Shilton & Barwell Highways- Funds from HCA to fund Paramedics transport modelling for Barwell & Earl Shilton SUE- Delay due to issues with the LLITM Model	15,280		
Planning Policy/Earl Shilton & Barwell Highways- Funds from HCA to fund Paramedics transport modelling for Barwell & Earl Shilton SUE- Delay due to issues with the LLITM Model	-15,280		
Planning Aid- Neighbourhood Planning - Funds received in respect of production of Market Bosworth Neighbourhood development plan.- Delay in project	20,000		

Planning Aid- Neighbourhood Planning - Funds received in respect of production of Market Bosworth Neighbourhood development plan.- Delay in project	-20,000		
Community Infrastructure Levy/Consultancy Fees-Delay in project			6,340
Earl Shilton Masterplan Growth Point/ Consultancy Fees- Ongoing consultancy support for the Examination in public for the Earl Shilton and Barwell Area Action Plan	29,250		
Earl Shilton Masterplan Growth Point/ Consultancy Fees- Ongoing consultancy support for the Examination in public for the Earl Shilton and Barwell Area Action Plan	-25,200		
Health & Well Being- Minor Projects- Grant from Public Health which is ring fenced for the delivery of the small grant scheme- Delay in finalising projects	4,000		
Health & Well Being Contributions from Other bodies- Grant from Public Health which is ring fenced for the delivery of the small grant scheme- Delay in finalising projects. 50% payment upfront & 50% on completion	-4,000		
Sportivate/Contributions- ring fenced funding from County Sports Partnership payments made 50% in advance 50% in arrears	2,500		
Sportivate/Contributions from other bodies- ring fenced funding from County Sports Partnership payments made 50% in advance 50% in arrears	-2,500		
Leisure Promotion/Consultancy- Appointing RTP Consulting - works commenced in March 2012 and phase 1 is due for completion before July 2012			18,150
Positive Action for Young People - Positive Activities - Ring fenced external funding to be used in summer 2012	9,950		
Positive Action for Young People - Positive Activities - Ring fenced external funding to be used in summer 2012	-9,950		
Children & Young People- Minor projects- Earmarked for additional safeguarding training - multi Agency & Joint training with LSCB	1,000		
Open & Training Fund - Ring fenced grant received from County Sports Partnership to fund training of local physical activity instructors some courses have run over into the new year	1,460		
Open & Training Fund - Ring fenced grant received from County Sports Partnership to fund training of local physical activity instructors some courses have run over into the new year	-1,460		
GP Referral Scheme - ring fenced funding from PCT	5,200		
GP Referral Scheme - ring fenced funding from PCT	-5,200		
Programmed Repairs - Central Heating Service- Contracted price less than expected- Budget to be used for boiler renewal at Castle Court		70,000	
Housing Repairs DSO/Hired & Contracted - Budget earmarked for tree work to be done by the Grounds Maintenance teams	8,000		

Housing Repairs DSO/Corporate Communications - Delay in new signage for Vehicles	8,000		
Housing Repairs DSO/Computer Software - Delay in acquisition of new system- Orchard required to carry out extra work in conjunction with new Contractor ICT system- Cost for interface to Civica & Job Tracking system	30,000		
General Fund Housing - Deferral of salary and training costs for projects due to take place in 12/13	20,118		
Tenancy fraud work - funded by grant which was not spent in full		2,460	
To support tenant scrutiny development & training. Unable to deliver in 2012/13 due to work required with tenants around capacity building		8,303	
Systems delays have led to delay in redesign & print of updated Choice Based Letting application forms		5,000	
Fixes required for Abris Choice Based Letting		1,300	
HRA salary savings – request for carry forward to fund housing delivery schemes		6,020	
<b>TOTAL</b>	<b>136,093</b>	<b>93,083</b>	<b>180,705</b>

## Appendix 2 – Capital Carry Forwards to 2012/13

Scheme	C fwds
	£
Disabled Facilities Grant	310,000
<b>Total Community Direction</b>	<b>310,000</b>

Queens Park	-669
Richmond Park Play Area	18,560
Burbage Common	153,821
Memorial Safety Programme	5,156
Churchyard Repairs	2,370
Grounds Maintenance Machinery	2,580
Parks : Major Works	4,916
Brodick Rd Woodland & Wildlife Area	7,019
Billa Barra Footpath Enhancement	10,980
Parish & Community Initiatives	22,297
Blue Recycling Bin project	28,700
<b>Total Business, Contract and Streetscene Services</b>	<b>255,729</b>

Financial Systems	13,386
Electronic Meter Reading	20,000
Asset Management Enhancement Works	48,005
Council Office Relocation	47,810
Depot Relocation	158,000
HR/Payroll System	2,086
General Renewal -Extensions	35,100
Members IT	39,370
Rolling Server Review	43,230
Transformation	5,000
<b>Total Corporate Direction</b>	<b>411,987</b>

Tenant Led Community Projects	20,000
Overdue Programmed repairs	66,000
New Housing Repairs System	70,000
Orchard System (Housing Management) Upgrade	110,000
<b>Total HRA</b>	<b>266,000</b>
<b>TOTAL</b>	<b>1,243,716</b>





Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

## COUNCIL – 18 SEPTEMBER 2012

### STATEMENT OF ACCOUNTS 2011/12

### REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

#### WARDS AFFECTED: ALL WARDS

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#### 1. PURPOSE OF REPORT

To seek Council approval of the Statement of Accounts for 2011/12.

#### 2. RECOMMENDATION

That Council approve the Statement of Accounts for the year 2011/12

#### 3. BACKGROUND TO THE REPORT

3.1 Under the terms of the Accounts and Audit Regulations each Local Authority is required to prepare a Statement of Accounts (the Statement) by 30 June following the end of the year to which they relate. This draft Statement is signed by the Section 151 Officer as being a “true and fair” representation of the Council’s financial performance during the year and of its financial position at the year end. This has been achieved for 2011/12 and the draft Statement is attached to this report.

3.2 The Accounts and Audit Regulations also require that the Statement is approved by members and published by 30 September each year. Between June and September the Statement is subject to external audit and the auditors findings are outlined in their “Report to those charged with governance (ISA (UK&I) 260)” which is reported to the Finance Audit and Performance Committee. **An unqualified opinion has been given for the 2011/12 Statement of Accounts.**

3.3 The Statement has been prepared according to the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Statement has been prepared on the basis International Financial Reporting Standards (IFRS) following its introduction in 2010/11.

3.4 The statement comprises the Main Financial Statements

- Statement of Movements in Reserves
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Financial Statement

In addition, the following supplementary statements with accompanying notes have been produced:

- Housing Revenue Account
- Housing Repairs Account
- Collection Fund

3.5 The Council’s Statement for 2011/12 is appended to this report. This version may require minor amendments following consideration of the results of the ongoing stock

validation process by the external valuer. A verbal update on this process will be given at the meeting and any revised notes circulated.

#### Notable items in the Statement for 2011/12

- 3.6 Members will recall that in prior year a number of significant changes impacted the Statement following the introduction of International Financial Reporting Standards. Relatively few changes have been made to the Code in 2011/12 but those changes (including decisions made by management) that have impacted the Statement for this Council have been summarised below for reference:

<b><i>Change</i></b>	<b><i>Source of change</i></b>	<b><i>Expected Impact</i></b>
<p><u>Heritage Assets</u></p> <p>Heritage Assets are now required to be shown on the face of the Council's Balance Sheet. The Code defines Heritage Assets as those with "<i>historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for their contribution to knowledge and culture</i>"</p>	Code	The Council has identified the Argent's Mead war memorial as a heritage asset and has valued this on the Balance Sheet for £0.121million
<p><u>Exit Packages</u></p> <p>The Council must disclose additional detail around the nature, number and value of exit packages that have been paid in year for compulsory and voluntary redundancies.</p>	Code	An additional note has been included to outline any payments made by the Council in year.
<p><u>HRA Self Financing</u></p> <p>Given the value and significance of the transactions relating to HRA self financing, these should be reflected separately in the financial accounts.</p>	Legislation and Code	The Council's total loan settlement of £67.652million has been disclosed separately on the face of the Comprehensive Income and Expenditure Account.
<p><u>Service Reporting Code</u></p> <p>The Best Value Accounting Code of Practice has been replaced in year with the Service Reporting Code of Practice. This has impacted the classification of certain service areas.</p>	Code	Some minor changes to the classification of service expenditure may be seen in the Statement.
<p><u>Land at Stoke Road</u></p> <p>The Council has leased the land at Stoke Road in Hinckley since 1985. The Council received a "peppercorn rent" for this land and did not have any control over the use of the land during this period. The lease for this land ceased in 2011/12 and therefore the land has been valued by the external valuer upon its return to the Council.</p>	Management decision	The total value of the land (£2.3million) is held as a "surplus asset" on the Council's Balance Sheet in the Statement.

#### 4. **FINANCIAL IMPLICATIONS [KBI]**

There are no other financial implications other than those set out in this report.

The cost of the External Audit for 2011/12 is £108,300.

5. **LEGAL IMPLICATIONS (LH)**

Contained in the body of the report

6. **CORPORATE PLAN IMPLICATIONS**

This report contributes to the following corporate objectives:

- “Proud of our Probity and Honesty in Governance and Management”
- “Value in Service Delivery & Investment in people”

7. **CONSULTATION**

None

8. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

<b>Management of significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating actions</b>	<b>Owner</b>
None		

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

There are none

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

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Background Papers - Civica Authority Financials/Business Objects Reports  
- Accounts and Audit Regulations 2011  
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom

Contact Officer – Katherine Bennett, Accountancy Manager  
Executive Member : Councillor K W P Lynch

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## EXPLANATORY *foreword*

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The Council's Accounting Statements (the statements) for the year ended 31st March 2012 are set out on pages 21 to 77. The statements have been prepared in accordance with the 2011/12 edition of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and International Financial Reporting Standards (IFRS). The statements present the financial affairs of the Council in accordance with the Service Reporting Code of Practice (SeRCOP).

The Accounting Statements consist of:

- The Statement of Accounting Policies  
*This document explains the basis of the figures included in the statements. The statement can be properly appreciated only if the policies, accounting estimates and judgements, which have been followed in dealing with material items, are explained.*
- The Statement of Responsibilities for the Statement of Accounts  
*This sets out the respective responsibilities of the Council and the Chief Financial Officer in respect of preparation of the Statement of Accounts.*
- The Movement in Reserves Statement  
*This statement shows the movement in the year on the different reserves held by the Council, analysed into 'useable reserves' (these reserves can be applied to fund expenditure or reduce local taxation) and other reserves analysed as 'unusable reserves'.*
- The Comprehensive Income and Expenditure Statement  
*This statement shows the accounting cost in the year of providing services and income to fund the cost of providing this service from a combination of Council Tax, National-Non Domestic Rates and grants from Government.*
- The Balance Sheet  
*This shows the value of the assets and liabilities recognised by the Council as at the Balance Sheet date.*
- The Cash Flow Statement  
*Gives a summary of the inflows and outflows of cash arising from transactions with third parties during the financial year. Internal transfers are thus excluded from expenditure and income.*
- The Housing Revenue Statement  
*This statement reflects a statutory obligation to account separately for housing provision. It shows the major elements of housing revenue expenditure and how these are met from rents, subsidy and other income. This account is reported using two statements – the Housing Revenue Account Income and Expenditure Statement and the Movement on the Housing Revenue Account Statement*
- The Collection Fund Comprehensive Income and Expenditure Statement  
*Shows the transactions relating to the collection of Council Tax, and National Non-Domestic Rates.*

These statements are supported by accompanying notes.

## EXPLANATORY foreword

### The 2011/12 Budget

The final outturn for 2011/12 saw a significant improvement in the financial position of the Council compared with that anticipated when the Revised Budget was prepared in the autumn of 2011. At that time it was anticipated that the Council would withdraw funds from General Fund Balances and planned reductions in Earmarked Reserves set up to meet that expenditure. At year end the Council was able to contribute to Balances and to Earmarked Reserves. The main reasons for the variations were:-

- Salary savings across all service areas
- Additional income from benefit overpayments, recycling and car parking
- Receipt of New Homes Bonus in year

The reasons for the variations were considered by the Strategic Leadership Board and they were satisfied that the circumstances leading to the under spend had not impacted on the level of service provided by the Council.

Details of the variances were supplied to Council and Executive following year end.

A summary position to 31st March 2012 is set out below

	Original Budget 2011/12 £'000	Revised Budget 2011/12 £'000	Reported Actual 2011/12 £'000
Service Costs	12,143	12,762	9,512
<i>Less items not chargeable to Council Tax included above</i>			
Capital Accounting	(1,133)	(1,491)	(409)
Pensions re IAS 19	(170)	(170)	143
Accumulated Absence	0	0	4
Special Expenses	(531)	(531)	(473)
<b>Net Cost of Services</b>	<b>10,309</b>	<b>10,570</b>	<b>8,777</b>
Net interest paid	52	52	197
<b>Met from Taxation &amp; Grants</b>	<b>10,361</b>	<b>10,622</b>	<b>8,974</b>
Council Tax	3,584	3,584	3,584
RSG & NNDR	5,972	5,972	5,972
Council Tax Freeze Grant	105	105	105
New Homes Bonus	0	0	350
Collection Fund Surplus/(Deficit)	15	15	15
<b>Total Tax &amp; Grants</b>	<b>9,676</b>	<b>9,676</b>	<b>10,026</b>
<i>Suggested transfers to/(from) Balances and Reserves</i>			
Earmarked Reserves	(430)	(489)	653
Balances	(255)	(457)	279
Grants and contributions	0	0	(15)
Carry Forward of spend	0	0	136

## EXPLANATORY foreword

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There have been no changes in the statutory functions of the Council in year.

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### Material Changes

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Any material items impacting the Income and Expenditure Statement are separately disclosed to ensure transparency. The 2011/12 Income and Expenditure Statement and Housing Revenue Account show a £67.652m charge to expenditure relating to the loan taken out in year under the Government's housing self financing regime. The balance of this loan is held in Borrowing on the Balance Sheet and will be repaid to government over the next 30 years.

Additionally, the Council has brought back in house the provision of housing repairs on the 29<sup>th</sup> September 2011. As such, expenditure for this service has been directly incurred by the Council for part of 2011/12.

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### Accounting Policies

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The Council's Accounting Policies are set out on pages 7 to 19.

One change has been made to the Council's policies for the financial year 2011/12 relating to the introduction of an accounting policy for Heritage Assets, as instructed by the Code. Heritage assets are defined as those tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities and are held with for their contribution to knowledge and culture. The Council has identified one heritage asset and now holds this on the Balance Sheet at market value (£0.121m).

In order to comply with the Code, the prior year financial statements have been restated to reflect this change in accounting policy. The impact of these changes has been summarised in Note 4.

In addition to this change in accounting policy, the replacement of the Best Value Accounting Code of Practice (BVACOP) with the Service Reporting Code of Practice in 2011/12 has meant that some minor changes in classification of service expenditure have occurred on the Income and Expenditure Statement.

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### Revenue Reserves

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Revenue reserves and revenue balances as at 31st March were as follows: -

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Earmarked Reserves	3,547	2,895
General Fund	2,293	1,933
Housing Repairs Account	472	344
Housing Revenue Account	1,699	1,690
	<hr/>	<hr/>
	8,011	6,862
	<hr/>	<hr/>

## EXPLANATORY *foreword*

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### Pension Costs

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The accounting policy in respect of pension costs is in accordance with International Accounting Standard 19 (IAS 19) and reflects our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

IAS 19 requires Council's to see beyond their commitment to pay contributions to the pension fund and to determine the full longer-term effect that the award of retirement benefits in any year has had on the Council's financial position. A net pension asset indicates that a Council has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

The assets held by the pension scheme are valued on a regular basis by independent actuaries at fair value and are in accordance with the requirements of IAS 19.

Hymans Robertson, the scheme Actuaries, has undertaken pension expense calculations in accordance with IAS 19 in respect of the Local Government Pension Scheme (the LGPS) administered by Leicestershire County Council. The figures are disclosed in Note 40 to the Core Financial Statements.

The note discloses a net pension liability of £ 20.520m for the Council as at 31st March 2012 compared to £14.872m at 1 April 2011. Under legislation the Council is required to charge to revenue each year the value of contributions payable to the LGPS administrator rather than the cost of service calculated by IAS 19. This is done by creating a Pensions Reserve that offsets the liability but is not useable other than to balance out the liability.

The significance of the movement during the year is the difference between the expected and actual return on pension scheme assets. The difference arises because events have not coincided with actuarial assumptions or that the actuarial assumptions have changed.

The accounting entries for IAS 19 have no effect on the General Fund and no impact on the Council Tax.

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### Capital Expenditure

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Capital Expenditure on Non Current Assets was £4.345m on operational assets with a further £0.741m on revenue expenditure funded from capital under statute and £0.288m on non operational assets.

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### Resources available to support future Capital Expenditure

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As at 31st March the Borough Council had the following reserves available to meet future capital expenditure:

	2012	2011
	£'000	£'000
Capital Grants Unapplied	949	868
Usable Capital Receipts Reserve	1,050	1,261
Deferred Capital Receipts	4	6
Earmarked Revenue Reserve for Future Capital Projects	611	486
	<u>2,614</u>	<u>2,621</u>



## EXPLANATORY *foreword*

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### Housing Revenue Account

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The financial statements of the Housing Revenue Account appear from page 81. In 2011/12 the Housing Revenue Account has a surplus of £0.009m compared with a surplus of £0.160m in 2010/11. In addition the Housing Repairs Account shows a surplus of £0.129m in 2011/12 compared with a surplus of £0.073m in 2010/11.

The total of both the Housing Revenue Account and Housing Repairs account balances at 31st March 2012 was £2.172m compared with £2.034m in 2010/11.

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### Collection Fund

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From 1 April 1990 the Council has been required by the Local Government Finance Act 1988 to maintain a Collection Fund for transactions relating to the collection of Council Tax and Non-Domestic Rates. The details are set out on page 82. In 2011/12, the Collection Fund collected £81.552m from Council Tax, Council Tax Benefit and National Non Domestic Rates compared to £80.114m in 2010/11. £0.460m of this income was written off (£0.265m in 2010/11).

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### External Borrowing

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As at 31st March 2012 the Council had total external borrowing of £74.552m which consisted of long-term borrowing from the Public Works Loan Board (PWLB) of £70.952m and short term borrowing of £3.600m. The Council is currently able to raise finance using the following approved borrowing instruments and funding is acquired after comparing the various rates available to ascertain the cheapest source and the most appropriate period:

- PWLB Loans;
- Market Long-Term Loans;
- Market Temporary Loans;
- Bank Overdraft;
- Internal Funding;
- Operational Leasing.

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### Direct Services Organisations

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The Council operates the following Direct Service Organisations:

- Markets – the operation of the market in Hinckley town centre;
- Industrial Estates – the provision of factory units for rental principally aimed at small businesses;
- Grounds Maintenance DSO – an internal business unit that provides grounds maintenance services to all parts of the Council;
- Housing Repairs DSO – an internal business unit that provides housing repair services to the Borough Council.

The Waste Collection DSO was merged within Environmental and Regulatory services in 2010/11 and is no longer in Financing and Investment income and expenditure.

## EXPLANATORY *foreword*

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The expenditure and income relating to the DSOs is shown in Note 28 to the Core Financial Statements.

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### Publication of Accounts

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These accounts were approved for publication on 28 June 2012 by S. Kohli, Deputy Chief Executive (Corporate Direction). Post Balance Sheet events have been considered up to this date and none have occurred that require reporting in the statement.

S. Kohli ACA. BSc(Hons)

Deputy Chief Executive (Corporate Direction)

## STATEMENT OF *accounting* POLICIES

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### General Principles

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The Statement of Accounts (the accounts) summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31st March 2012. It has been prepared in accordance with the Code of Practice on Local Council Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12 (SeRCOP), supported by International Financial Reporting Standards (IFRS). It also complies with guidance notes issued by CIPFA on the application of accounting standards to local Council accounts.

The relevant accounting policies adopted have been reviewed to ensure that the Statement of Accounts can be relied upon to give a true and fair view of the Council's financial performance and position. They also ensure that all legislative requirements have been correctly applied and that finally, the accounts have been prepared on a going concern basis. That is, the Council will continue in operational existence for the foreseeable future.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets. The Statement of Accounts have been prepared with reference to the following qualitative characteristics:

- Understandability;
- Relevance;
- Materiality;
- Reliability; and
- Comparability.

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### Revenue Recognition

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Revenue represents the amount receivable in respect of services provided to customers. Revenue from services is recognised as the services are provided and is only recognised when payment is probable. Revenue excludes value added tax, similar sales taxes and discounts.

Revenue arising from provision of other services is recognised evenly over the periods in which the service is provided.

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### Value Added Tax (VAT)

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Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues and Customs and all VAT paid is recoverable from them.

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### Segmental Reporting - Amounts Reported for Resource Allocation Decisions

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Segmental reporting is included in the accounts (Note 34) based on the management reporting information supplied to the officers of the Strategic Leadership and Corporate Operations Boards (Senior management) and to the Finance, Audit and Performance Committee and Executive (elected members). This reflects the resource allocation within the Council and the decision making bodies/process.

## STATEMENT OF *accounting* POLICIES

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### Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- 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.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Expenditure is accrued where goods or services have been received before 31<sup>st</sup> March but the invoice relating to the goods and services is paid after 31<sup>st</sup> March. Income is accrued where income is due but an invoice has not been raised or payment has not been received.
- Provision is made for bad debts by identifying a proportion of the Council's receivables that should have their carrying value adjusted to the probable recoverable amount to zero. Past experience and practice is used within material limits to judge the percentages of each type of debt that will eventually not be recovered.

An exception is made in respect to electricity and similar quarterly payments, which are charged at the date of the meter reading rather than being apportioned between financial years. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts.

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### Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policy 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 Council's financial position or financial performance.

Where a change is made, it is applied retrospectively 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.

STATEMENT OF *accounting* POLICIES

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Exceptional Items

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When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts to ensure they help the readers understand the Council’s financial performance.

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Interest Income and Expenses

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Interest income and expenses are accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable. Interest expenses on a qualifying asset is capitalised.

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Allocation of Overheads and Support Services

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The CIPFA Service Reporting Code of Practice 2011/12 requires that all support service costs and overheads, except for those in relation to Corporate and Democratic Core and Non Distributed Costs, are completely recharged or apportioned to the service users. The main support costs and the basis of allocation are shown below:

<b>COST</b>	<b>BASIS OF ALLOCATION</b>
Corporate Planning, Communication & Performance	Estimated staff time
Law & Administration	Estimated staff time and usage
Financial Support Services	Estimated time spent by staff
Human Resources	Number of Staff
IT Support	Weighted Number of PCs
Council Offices	Area occupied
Internal Audit	Audit plan

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Government Grants and Contributions

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Applications for grant support are made to Government departments and other organisations such as the European Union and the lottery boards whenever the opportunity becomes available.

Whether paid on account, by instalments or in arrears, Government grants and other contributions and donations are recognised in the service areas on the date that the grant conditions have been satisfied. Service specific grants are matched in the revenue accounts against the service expenditure they relate to. General grants are credited to the Income and Expenditure Account and shown after Net Operating Expenditure.

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 Grant Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## STATEMENT OF *accounting* POLICIES

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### Revenue Expenditure funded from Capital under Statute

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Previously known as deferred charges, revenue expenditure funded from capital under statute results from expenditure of a capital nature where no asset is created for the Council. They include improvement grants or advances to other individuals or organisations for the purpose that would have been capital if incurred by the Council.

This also includes exceptional revenue expenditure for which a capitalisation direction can be granted to allow this expenditure to be funded from capital. Capitalisation direction gives the Council the flexibility to treat specified revenue expenditure as capital expenditure, the Council has to meet strict criteria and should only be sought for costs which are due largely to factors beyond the control of the Council and are unavoidable.

It is the Council's policy to write off such expenditure out of the accounts in the year it takes place.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account is taken through the Movement in Reserves Statement so there is no impact on the level of Council Tax.

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### Investment Properties

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An investment property is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.

Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit within the Income and Expenditure Statement rather than through the revaluation reserve. Investment properties held at fair value are not depreciated.

Fair value is to be interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. The fair value of investment property held under a lease is the lease interest.

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### Charges to Revenue for Non-current Asset

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Service accounts, support services and trading accounts are debited with the following charges to record the real cost of holding Property Plant and Equipment and Intangible Assets during the year:

- Depreciation;
- Impairment losses attributable to the consumption of economic benefit;
- Amortisation of intangible assets.

These charges are reversed from the income and expenditure account through the Movement in Reserves Statement to the Capital Adjustment Account so that they do not create a requirement to raise additional Council Tax. However, the Council is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, impairment losses and amortisation are therefore replaced by revenue provision, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## STATEMENT OF *accounting* POLICIES

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### Property, Plant and Equipment

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All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. Expenditure on property, plant and equipment is capitalised, provided that the asset yields benefits to the Council and the services it provides, for a period of more than one year. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. This excludes expenditure on routine repairs and maintenance, which is charged direct to service revenue accounts.

The Council has a general de-minimus limit of £5,000 for capital expenditure purposes. One single item which results in the capitalisation of expenditure above that limit is recognised as an asset in the Balance Sheet. Items below this limit are charged to revenue.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major component) of property, plant and equipment.

Where a component is replaced or restored (i.e. enhancements), the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles as set out above being met.

#### **Measurement**

Assets 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 Institution of Chartered Surveyors (RICS). Non current assets are then carried in the Balance Sheet using the following measurement basis:

- Council dwellings are valued at existing use value – social housing.
- Land, operational properties and other operational assets are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use.
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties, this is normally open market value.
- Infrastructure assets and community assets are included in the Balance Sheet at historical cost, net of depreciation.
- Intangible assets describe the acquisition of software to ensure compliance with the Government's Improving Electronic Government. Such assets will be written off over a five-year period.

Full revaluations of assets are carried out at five yearly intervals, although desktop valuations are obtained in the intervening years and adjustments made on the basis of the reports received. Any adjustments in respect of revaluations are debited (losses) or credited (gains) to the Revaluation Reserve as appropriate. Where a revaluation loss has occurred and the amount held in respect of the asset in the Revaluation Reserve arising from previous revaluation gains is less than the amount of the loss being recognised an amount equal to the amount held in the reserve is written off to the reserve. Any balance outstanding is written off to the Income and Expenditure Account but reversed out to the Capital Adjustment Account and reflected in the Movement in Reserves 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.

All assets acquired under finance leases are capitalised in the Council's accounts, together with the liability to pay future rentals. Any other assets previously acquired under advance and



## STATEMENT OF *accounting* POLICIES

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deferred purchase schemes are recognised and included in the Balance Sheet at their fair value.

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### Depreciation and Impairment

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#### **Depreciation**

Depreciation is provided for all Property, Plant and Equipment except for freehold land and assets under construction. Depreciation is provided for on other assets with a determinable finite life by allocating the value of asset in the Balance Sheet over the periods expected to benefit from their use. Depreciation is calculated over the expected life of each asset.

Depreciation is provided in accordance with the following policy:-

- (a) Operational buildings, vehicles, plant and equipment, and infrastructure assets are depreciated;
- (b) No depreciation provision is made for land or investment properties;
- (c) Newly acquired assets and enhancements are depreciated from the following year, although assets in the course of construction are not depreciated until they are brought into use;
- (d) Depreciation is calculated using the straight line method;
- (e) The basis of calculating depreciation is stated in note 12 to the Core Financial Statements.

Sturgis Snow and Astill, Chartered Surveyors, undertook a desktop valuation as at 31st March 2012 following their last full valuation at 31st March 2009. Before the valuation was undertaken, the Estates and Asset Manager was asked to identify any assets, either housing or non-housing, which were subject to impairment. Any impairments identified in the year are charged to cost of service.

As part of the revaluation exercise, the valuer provides estimated residual lives for all dwellings, using 80 years as the total life per dwelling but reflecting improvements over the years with a minimum residual life of 20 years. A spreadsheet was provided calculating depreciation on the non-land element of the dwelling value. The aggregate of these values is used for the dwellings' depreciation in the following financial year.

#### **Impairment**

Property, Plant and Equipment is subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable. Those events and change in circumstances are listed under Critical Accounting Estimate and Judgements.

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.



## STATEMENT OF *accounting* POLICIES

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### Depreciation and Impairment (continued)

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#### **Disposal**

When an asset is disposed of or decommissioned the value of the asset in the Balance Sheet and the receipt from disposal are written off to the Income and Expenditure Account as part of the loss or gain on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Income from the disposal of Property, Plant and Equipment is accounted for on an accruals basis and the unapplied balance is included in the Balance Sheet as useable capital receipts.

For the purposes of the capital expenditure controls, the Council is now borrowing and will set aside capital receipts for debt repayment. Almost all capital receipts can therefore be used to finance borrowing. There are three exceptions:

- Social Housing Grant receipts for housing association development (where 100% of each receipt is required to be set aside)
- Receipts in relation to assets purchased using grants from Central Government and its agencies, where the receipt must first be used to repay grant in line with any funding agreement.
- Proportion of housing receipts required for Government pooling.

The Local Government Act 2003, Regulation 12: Receipts from disposal of housing land introduced pooling arrangements from disposal of housing land (which includes any land, house or other building). The Pooling arrangements are:

- Dwellings sold under Right to Buy (RTB) - 75% of receipt pooled;
- Other HRA assets (e.g. Bare land, shops) - 50% of receipt pooled unless used for regeneration or social housing.

#### **Assets under Construction**

Asset under Construction are recognised only when it is probable that the future economic benefits will flow to the Council and the cost can be measured reliably. Assets under Construction are capitalised at cost which includes labour and overhead costs arising directly from the construction of the asset. Assets under Construction are not depreciated until they are brought into use under the relevant sections of property plant and equipment.

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#### Heritage Assets

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Heritage assets are defined as those tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities and are held for their contribution to knowledge and culture.

Heritage assets are recognised where they meet this criteria and are valued in excess of the de-minimus threshold of £5,000. Heritage assets are measured in the Balance Sheet at valuation which is based on replacement value or insurance value, where the former cannot be established. An impairment review will be carried out each year to assess any physical depletion of the assets. All heritage assets held by the Council are deemed to have indefinite lives and therefore are not depreciated. Any disposal of assets will be treated in the same manner as other Property, Plant and Equipment.

## STATEMENT OF *accounting* POLICIES

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### Borrowing Cost

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Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset are capitalised.

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### Cash and Cash Equivalents

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Cash comprises cash in hand and on demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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### Asset Held for Sale

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When the value of non-current assets is expected to be recovered principally through sale rather than through continuing usage, they are classified as non-current assets held for sale. In these cases, the assets are actively marketed at 31<sup>st</sup> March and their sale is probable in the following year. With the exception of assets arising from employee benefits and financial instruments, these assets are classified as current and are stated at the lower of their carrying amount and fair value less costs to sell.

Disposal groups are groups of assets and liabilities to be disposed of together as a group in a single transaction. They are recognised as held for sale at the reporting date and are separately disclosed as current assets and liabilities on the Balance Sheet.

The results of discontinued operations are presented separately in Surplus or Deficit on the Provision of Services. Measurement differences arising between the carrying amount and fair value less cost of disposal are treated as impairment charges and separately disclosed.

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### Leases

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Leases of property, plant and equipment in which the Council retains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the underlying liabilities and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in short term borrowing and long term borrowings.

The discount rate that shall be used is the rate implicit in the lease or, if it is not practicable to determine, the Council's incremental borrowing rate.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. Assets recognised under a finance lease shall be depreciated in accordance with the depreciation policy for owned assets.

Leases comprising a lease of land and a lease of buildings within a single contract are split into the two component parts. The component part for buildings is then tested to determine whether the lease is finance or operating lease and treated accordingly.

Leases of land and all other leases including industrial and commercial units are classified as operating leases and are not recognised in the Balance Sheet.

Payments made under operating leases, net of lease incentives or premiums received, are charged to the Income and Expenditure Account on a straight-line basis over the period of the lease.

## STATEMENT OF *accounting* POLICIES

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### Provisions

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Provisions are liabilities of uncertain timing or amount. They are recognised when the Council has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are presented in the Accounts at the present value of the estimated future outflows expected to be required to settle the obligation. Provision charges and reversals are charged to the appropriate service revenue account. Discount unwinding is recognised as a finance expense.

Provisions are recognised for unavoidable lease payments in onerous contracts as the difference between the rentals due and any income expected to be derived from the vacant properties being sublet.

Holiday pay provision (accumulated absence) relates to the leaves accrued to the employees.

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### Inventories

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The value of inventories held by the Council shown in the Accounts is calculated on the basis of the lower of cost or net realisable worth in accordance with IAS 2.

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### Reserves

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The Council has established a number of reserves to allow specific future objectives to be financed. It also retains general balances to allow for contingencies and for cash flow management purposes.

Reserves are created by appropriating amounts in the Income and Expenditure Account. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund so that there is no net charge against Council Tax for the expenditure.

By law, the Council may use its Useable Capital Receipts Reserve only to finance capital expenditure. The Revaluation Reserve cannot be used to finance either revenue or capital expenditure.

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### Item 8 Housing Credit

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Statutory Item 8 interest is credited to the Housing Revenue Account representing interest earned on housing balances. The amounts are calculated in accordance with Government directions.

## STATEMENT OF *accounting* POLICIES

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### Contingent Assets and Liabilities

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A contingent liability is disclosed where a liability exists but a reliable estimate cannot be made. Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. A provision is recognised in the financial statements of the period in which the change in probability occurs

A contingent asset shall be disclosed in the note of the accounts where an inflow of economic benefits or service potential is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the debtor (or cash where consideration has been received) and the related revenue are recognised in the financial statements of the period in which the change occurs.

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### Related Party Transactions

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Authorities shall identify and disclose material related party relationships and transactions, outstanding balances between the Council and its related parties. Related parties are identified where the Council is deemed to have "control" over a 3<sup>rd</sup> party.

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### Jointly Controlled Operations and Jointly Controlled Assets

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Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the asset being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf and the income that it earns from the venture.

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### Employee Benefits – Benefits Payable During Employment

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Short-term employee benefits (those that fall wholly within 12 months of the year end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits such as car loans for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against the service in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and flexi-time earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Unusable Reserve – Accumulated Absence Account in the Movement in Reserves Statement.

## STATEMENT OF *accounting* POLICIES

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### Employee Benefits – Termination Benefits

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These are amounts payable as a result of a decision by the Council 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 relevant service(s) within the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating 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 Council 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 termination benefits related to pensions enhancements and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year end.

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### Employee Benefits – Post-employment Benefits

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Employees of the Council are members of the Local Government Pension Scheme (LGPS) administered by Leicestershire County Council.

The policy of the Council in respect of pension and retirement costs is as follows: -

International Accounting Standard 19 (IAS 19) requires Council's to see beyond its commitment to pay contributions to the pension fund and to determine the full longer-term effect that the award of retirement benefits in any year has had on the Council's financial position. A net pension asset indicates that a Council has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

The assets held by the pension scheme have been valued by independent actuaries at fair value and are in accordance with the requirements of IAS 19.

Scheme assets include current assets, such as cash as well as the investment portfolio. Accrued expenses and other current liabilities are deducted from the net asset/liability.

Liabilities largely comprise benefits promised under the formal terms of the pension scheme.

The projected unit method as prescribed by IAS 19 examines all the benefits for pensioners and deferred pensioners and their dependants and the accrued benefits for current members of the scheme, making allowance for projected scheme member earnings.

A scheme asset is only disclosed where a surplus is recoverable through reduced contributions in the future or through refunds from the scheme. As refunds to employers are not permitted under the local government schemes, in nearly all cases surpluses arising from schemes will then be realised by the Council through a reduction in the employer's contribution rate at the next actuarial valuation.

Liabilities are limited to those that reflect the legal or constructive obligation of the Council. The local government schemes generally fix the contribution rate due from employees by law, so that any deficit arising is recoverable wholly from increases in employer's contributions. Any deficit cannot then be shared with employees and will need to be recognised in full by the Council.

## STATEMENT OF *accounting* POLICIES

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### Employee Benefits – Post-employment Benefits (continued)

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The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to the receipt of a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is thus unaffected by whether any fund established to meet liabilities is in surplus or deficit.

The current service cost is stated net of employees' contributions, reflecting the part of the total pensions liabilities that is not to be funded by the Council.

Interest cost is the amount needed to unwind the discount applied in calculating the current service cost. As members of the scheme are one year older and one year closer to receiving their pension, the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

The amount is calculated using the Government Actuary's Department rate applying at 1 April of the year of account.

The expected return is a measure of the return (income from dividends, interest etc and gains on invested sums) on the investment assets held by the scheme for the year. It is not intended to reflect the actual realised return by the scheme, but a longer-term measure, based on the value of assets at the start of the year (taking into account movement in assets during the year) and an expected return factor.

The expected return is based on actuarial advice and details are provided in Note 40 to the Core Financial Statements.

The actuarial gains and losses arise where actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or the actuarial assumptions have been changed. Scheme assets and liabilities are revalued using the outturn information or revised/new assumptions. Any movement is shown as "Other Comprehensive Income and Expenditure" in the Comprehensive Income and Expenditure Statement.

Past service costs are disclosed on a straight-line basis over the period in which the increases in benefits vest.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Council becomes demonstrably committed to the transaction and is disclosed in notes to the accounts covering that date. Gains arising from settlements/curtailments not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction.

Settlements and curtailments are also non-periodic costs. They are events that change the pension's liabilities but are not normally covered by actuarial assumptions.

Settlements are irrevocable actions that relieve the employer of the primary responsibility for pension's obligations, eliminating significant risks relating to the obligations and the assets used in making the settlement (e.g. the transfer of scheme assets and liabilities relating to a group of employers moving to another scheme).

Curtailments are events that reduce the expected years of future service of present employees or reduce for a number of employees the accrual of defined benefits for some or all of their future service (e.g. closing a service unit of the Council).



## STATEMENT OF *accounting* POLICIES

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Where either of these events arises, a calculation will be required of the net pensions asset/liability before and after the event, in order to determine the net movement attributable to the changes in the individual elements arising from the settlement or curtailment.

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### Accounting for Precept and NNDR

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The Code requires that precepts and NNDR are accounted for on an agency basis. This means that only the proportion of outstanding or prepaid Council Tax and NNDR relating to this Council is accounted for in the main financial statements. Other amounts outstanding are reported in the financial statements of the “owning” body.

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### Financial Instruments

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Financial Instruments (Loans and Receivables and Investments) are shown in the accounts at Amortised Cost in accordance with IAS 32, 39 & IFRS 7.

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### Events after the Reporting Period

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Events after the Balance Sheet date are those events, both favourable and unfavourable, which provide evidence of conditions that existed at the end of the reporting but occur between the end of the reporting period and the date when the financial statements are authorised for issue.

An adjustment is made to the Statement of Accounts where events provide evidence of conditions that existed at the end of the reporting. Where events are only indicative of conditions, no adjustment is made but a disclosure is made where the impact is deemed to be material.

## STATEMENT OF *Responsibilities*

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### The Authority's Responsibilities

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The Authority is required:

- a) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Deputy Chief Executive (Corporate Direction);
- b) To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- c) To approve the statement of accounts.

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### The Deputy Chief Executive (Corporate Direction)'s Responsibilities

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The Deputy Chief Executive (Corporate Direction) 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 2011/12 (The Local Authority Code of Practice).

In preparing this Statement of Accounts, the Deputy Chief Executive (Corporate Direction) has:

- a) Selected suitable accounting policies and then applied them consistently;
- b) Made judgements and estimates that were reasonable and prudent;
- c) Complied with the Local Authority Code of Practice.

The Deputy Chief Executive (Corporate Direction) has also:

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

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

S. Kohli ACA. BSc(Hons)

Deputy Chief Executive (Corporate Direction)

Cllr S Bray

Leader of the Council



# CORE *financial* STATEMENTS

THE *Movement in Reserves* Statement

THE *Comprehensive Income and Expenditure* Statement

THE *Balance Sheet*

THE *Cash Flow* Statement



## CORE *Financial* STATEMENTS

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### The Movement in Reserves Statement

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This statement shows the movement in the year on the different reserves held by the Council, analysed into 'useable reserves' (i.e. those 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 Council's services and more details are shown in 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 Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

### The Comprehensive Income & Expenditure Account

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This statement is fundamental to the understanding of the Council's activities, in that it reports the cost of services of the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the Council's functions, in three distinct sections, each divided by a sub-total.

The *first* section provides accounting information on the costs of the local Council's different services, net of specific grants and income from fees and charges, to give the cost of services. It also includes the cost of any acquired and discontinued operations.

The *second* section comprises items of income and expenditure relating to the Council as a whole. When added to the cost of services these give the Council's Surplus or Deficit on provision of services and it also included the cost of any acquired or discontinued operations.

The *third* section shows the total comprehensive income and expenditure. Not all gains and losses are reflected in the Surplus or Deficit on provision of services for example gains on revaluations of Non Current Assets are excluded as they arise out of asset changes rather than from the entity's operating performance the complete position and performance of the Council. Therefore it is necessary to consider all gains and losses recognised in a period when assessing the financial result for the period in this section. This is the total gains and losses of the Council to give a complete performance of the Council.

### The Balance Sheet

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The Balance Sheet shows the value as at the Balance Sheet date of assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by reserves held by the Council. Reserves are reported in two categories. The first is useable reserves and these are reserves which the authority can use to provide services. The second is unusable reserves the Council cannot use to provide services.

### The Cashflow Statement

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The Cashflow statement shows how the Council generates and uses cash and cash equivalents.

Movement in Reserves Statement

	General Fund Balance	General Fund reserve	Housing Revenue Account	Earmarked Reserves	Capital receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserve	Total Authority reserve
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1st April 2010</b>	<b>1,560</b>	<b>2,739</b>	<b>1,530</b>	<b>417</b>	<b>3,882</b>	<b>0</b>	<b>779</b>	<b>10,907</b>	<b>150,174</b>	<b>160,960</b>
<u>Movement in Reserves during 2010/11</u>										
Surplus or (deficit) on the provision of services	(3,697)	0	(47,607)	0	0	0	0	(51,304)	0	(51,304)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	6,663	6,663
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,697)</b>	<b>0</b>	<b>(47,607)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(51,304)</b>	<b>6,663</b>	<b>(44,641)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	4,674	0	47,821	0	(2,621)	0	0	49,874	(49,874)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>977</b>	<b>0</b>	<b>214</b>	<b>0</b>	<b>(2,621)</b>	<b>0</b>	<b>0</b>	<b>(1,430)</b>	<b>(43,211)</b>	<b>(44,641)</b>
Transfers to/from Earmarked Reserves (Note 8)	(604)	521	(54)	48	0	0	89	0	0	0
<b>Increase/Decrease in Year</b>	<b>373</b>	<b>521</b>	<b>160</b>	<b>48</b>	<b>(2,621)</b>	<b>0</b>	<b>89</b>	<b>(1,430)</b>	<b>(43,211)</b>	<b>(44,641)</b>
<b>Balance at 31st March 2011 carried forward</b>	<b>1,933</b>	<b>3,260</b>	<b>1,690</b>	<b>465</b>	<b>1,261</b>	<b>0</b>	<b>868</b>	<b>9,477</b>	<b>106,963</b>	<b>116,440</b>
<u>Movement in Reserves during 2011/12</u>										
Surplus or (deficit) on the provision of services	142	0	-68,300	0	0	0	0	-68,158	0	-68,158
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	-3,262	-3,262
<b>Total Comprehensive Income and Expenditure</b>	<b>142</b>	<b>0</b>	<b>-68,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-68,158</b>	<b>-3,262</b>	<b>-71,420</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	1,062	0	68,446	0	-211	0	81	69,378	-69,378	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,204</b>	<b>0</b>	<b>146</b>	<b>0</b>	<b>-211</b>	<b>0</b>	<b>81</b>	<b>1,220</b>	<b>-72,640</b>	<b>-71,420</b>
Transfers to/from Earmarked Reserves (Note 8)	-844	768	-137	139	0	0	0	-74	74	0
<b>Increase/Decrease in Year</b>	<b>360</b>	<b>768</b>	<b>9</b>	<b>139</b>	<b>-211</b>	<b>0</b>	<b>81</b>	<b>1,146</b>	<b>-72,566</b>	<b>-71,420</b>
<b>Balance at 31st March 2012</b>	<b>2,293</b>	<b>4,028</b>	<b>1,699</b>	<b>604</b>	<b>1,050</b>	<b>0</b>	<b>949</b>	<b>10,623</b>	<b>34,397</b>	<b>45,020</b>

# CORE Financial STATEMENTS

## Comprehensive Income and Expenditure Statement

2010/11 - Restated *			2011/12			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	Note	£000	£000	£000
3,483	(955)	2,528		2,522	(1,046)	1,476
5,838	(1,505)	4,333		5,541	(1,437)	4,104
11,507	(2,350)	9,156		3,374	(1,906)	1,468
17,916	(17,337)	579		18,765	(18,094)	671
8,051	(6,855)	1,196		7,979	(6,845)	1,134
1,136	(28)	1,108		1,145	(88)	1,057
1,555	(621)	934		867	(1,220)	(353)
(5,716)	0	(5,716)		0	0	0
0	0	0		67,652	0	67,652
58,632	(10,931)	47,701		12,384	(11,545)	839
<b>102,401</b>	<b>(40,582)</b>	<b>61,818</b>		<b>120,229</b>	<b>(42,180)</b>	<b>78,048</b>
1,515	0	1,515	9	2,089	(228)	1,861
10,213	(9,190)	1,023	10	5,215	(4,859)	356
0	(13,075)	(13,075)	11	0	(12,107)	(12,107)
<b>114,129</b>	<b>(62,824)</b>	<b>51,304</b>		<b>127,533</b>	<b>(59,374)</b>	<b>68,158</b>
			6			(2,254)
			24			5,516
						<b>3,262</b>
						<b>71,420</b>

\* Due to the move from the Best Value Accounting Code of Practice to the Service Reporting Code of Practice in year, a number of cost centres have been reclassified to meet the revised disclosure requirements

# CORE Financial STATEMENTS

## The Balance Sheet

1st April 2010 £000	31st March 2011 £000		Notes	31st March 2012 £000
181,306	129,246	Property, Plant & Equipment	12	131,209
121	121	Heritage Assets	44	121
8,107	9,456	Investment Property	13	9,064
770	604	Intangible Assets	14	702
283	293	Long Term Debtors	18	232
<b>190,587</b>	<b>139,720</b>	<b>Long Term Assets</b>		<b>141,328</b>
4,150	4,150	Short Term Investments	17	2,500
16	19	Inventories	15	5
5,063	4,333	Short Term Debtors	19	3,077
0	356	Cash and cash Equivalents	16	1
<b>9,229</b>	<b>8,858</b>	<b>Current Assets</b>		<b>5,582</b>
(1,304)	0	Cash and Cash Equivalents	16	(233)
(179)	(5,500)	Short term Borrowing	41	(3,600)
(4,487)	(4,016)	Short Term Creditors	20	(3,439)
(204)	(213)	Short Term Provisions	21	(140)
<b>(6,174)</b>	<b>(9,730)</b>	<b>Current Liabilities</b>		<b>(7,412)</b>
(1,275)	(1,139)	Long Term Creditors	20	(807)
(309)	(292)	Long Term Provisions	21	(161)
(4,300)	(4,300)	Long Term Borrowing	41	(70,952)
(26,677)	(16,667)	Other Long Term Liabilities	22	(22,547)
0	(11)	Capital Grants Receipts in Advance		(11)
<b>(32,561)</b>	<b>(22,409)</b>	<b>Long Term Liabilities</b>		<b>(94,478)</b>
<b>161,081</b>	<b>116,440</b>	<b>Net Assets</b>		<b>45,020</b>
10,907	9,477	Useable Reserves	23	10,623
150,174	106,963	Unusable Reserves	24	34,397
<b>161,081</b>	<b>116,440</b>	<b>Total Reserves</b>		<b>45,020</b>

## CORE *Financial* STATEMENTS

### The Cash Flow Statement 2011/12

The Cashflow Statement has been generated using CIPFA's indirect method. Previously the statement was generated using the direct method where a breakdown of cash inflows and outflows arising from revenue activities were analysed. This breakdown did not give any further information to the reader of the statement.

2010/11 £'000		Note	2011/12 £'000
<b>(51,304)</b>	<b>Net surplus or (deficit) on the provision of services</b>		<b>(68,158)</b>
57,126	Adjustments to net surplus or deficit on the provision of services for non cash movements		5,661
(1,617)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		66,727
<b>4,205</b>	<b>Net Cash flows from Operating Activities</b>	22	<b>4,230</b>
(7,771)	Investing Activities	23	(1,662)
5,226	Financing Activities	24	(3,155)
<b>1,660</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>(587)</b>
(1,304)	Cash and Cash Equivalents at the beginning of the reporting period		355
<b>356</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	13	<b>(232)</b>

### 1. Accounting Standards Issued But Not Yet Adopted

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The Council has not yet adopted the amendments to IFRS 7 Financial Instruments: Disclosures (Transfer of Financial Assets). Full adoption of this amendment will take place in 2012/13 as prescribed by the Accounting Code of Practice.

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### 2. Critical Judgements in Applying Accounting Policies

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In applying the accounting policies set out on pages 7 to 19, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Code gives strict criteria for assets held as Investment Properties. For the Council, those assets which are held for rental purposes are classified as investment properties. The Council's Atkin's building has been deemed as an operational asset on the basis that it is used to a material extent to carry out Council operations.
- The Council has reviewed the arrangements in place for operation of the Leicestershire Partnership – Revenues and Benefits. The joint committee has been classified as a Joint Controlled Operation on the basis that it is not a separate legal entity and has been accounted for in line with the Council's Accounting Policies for these arrangements.



**3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounting Policies describes the significant areas in which estimates and assumptions have been made relating to the reporting of results of operations and the financial position of the Council.

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2012 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Property Plant and Equipment are reviewed for both economic and price impairment on an annual basis. Any movement in market value of property will have any impact on the Council's valuation.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.403m for every year that the useful life is reduced.</p> <p>If an asset is impaired the carrying amount of the asset is reduced.</p>
Pensions Liability	<p>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. These judgements are made by actuaries appointed by Leicestershire County Council who administer the pension fund.</p>	<p>The effect on net pensions of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> <li>• A decrease in the discount rate assumption would result in an increase in pension liability.</li> <li>• A one year increase in member life expectancy would result in an increase in pension liability.</li> <li>• An increase in the pension increase rate would result in an increase in pension liability.</li> </ul> <p>A 1% increase in the pension liability would decrease the Council's net assets by £0.205m.</p>
Arrears	<p>At 31<sup>st</sup> March 2012, the Council had a balance of £1.4m for sundry debtors. A review of balances suggested that an impairment of doubtful debts of £0.4m was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.8m to be set aside as an allowance.</p>
Provisions	<p>The Council has made a provision of £0.3m for the capital cost of early retirements and future redundancies. It is not certain that all payments will materialise or be paid at the estimated level.</p>	<p>An increase over the forthcoming year of 10% would have the effect of adding £0.030m to the provision needed.</p>
Accruals	<p>Estimates of known future expenses or income where amounts are not yet certain are accrued in the year that they relate to.</p>	<p>The expense or the income could be either higher or lower than expected. An increase in creditor accruals of</p>

## NOTES TO THE *Core Financial Statements*

		25% would mean that an additional £0.042m would be taken to service accounts.
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### 4. Prior Period Adjustment

In the 2011/2012 Statement of Accounts, we adjusted the 2010/11 accounts for the introduction of an accounting policy for heritage assets, as instructed by the Code. Those heritage assets identified by the Council are now held on Balance Sheet.

As this change is considered a change in accounting policy, both the opening and closing balances for 2010/11 have been amended to retrospectively apply this change. This has had the following effect on the figures for 2010/2011 (opening and closing Balance Sheet) compared with those in the published in Statement of Accounts:

	Opening Balance Sheet as at 1 <sup>st</sup> April 2010 (Published Accounts)	Restatement	Opening Balance Sheet as at 1 <sup>st</sup> April 2010 (Restated)
	£'000	£'000	£'000
Heritage Assets	0	121	121
Revaluation Reserve	673	121	794
Net Worth	160,960	121	161,081

### 5. Material Items of Income and Expenses

There are no material items, not otherwise disclosed in the Comprehensive Income & Expenditure Statement and other schedules, that require disclosure here.

### 6. Post Balance Sheet Events

A post Balance Sheet event could be favourable or unfavourable. It is one that occurs between the Balance Sheet date (31st March 2012) and the date on which the financial statements are approved by the Council.

The Council's 2011/12 Statement of Accounts were authorised for publication on 28 June 2012 by Sanjiv Kohli, Deputy Chief Executive (Corporate Direction). Post Balance Sheet events were considered up to this date and none have occurred that require reporting in the statement.

7. Adjustments between Accounting Basis and Funding Basis under Regulation

**2011/12**

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustment primarily involving the Capital Adjustment Account</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute</i>						
Charges for depreciation/amortisation of non current Assets	(1,285)	(2,935)	0	0	0	4,220
Revaluation losses on Property Plant and Equipment	168	(263)	0	0	0	95
Movement in the market value of Investment Properties	(285)	(15)	0	0	0	300
Revenue expenditure funded from capital under statute	(352)	0	0	0	0	352
Capital Expenditure Financed from Unapplied Grants and Contributions	465	114	0	0	0	(579)
Amounts 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	(455)	(149)	0	0	0	604
Local Authority Housing Settlement payment to Government for HRA Self – Financing	0	(67,652)	0	0	0	67,652
<i>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement to comply with Accounting Practice but not chargeable under statute</i>						
Statutory provision for the financing of capital investment	638	0	0	0	0	(638)
<b>Adjustments Primarily Involving the Capital Grants Unapplied Account</b>						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	207	0	0	0	(207)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	126	(126)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	124	351	(477)	0	0	2

## NOTES TO THE Core Financial Statements

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(263)	0	263	0	0	0
Application of Capital Receipts to finance new Capital Expenditure	0	0	425	0	0	(425)
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	2,071	0	(2,071)	0	0
Use of the major Repairs Reserve to finance new capital expenditure	0	0	0	2,071	0	(2,071)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(1,328)	(183)	0	0	0	1,511
Employer's Pension contributions and direct payments to pensioners payable in the year	1,296	214	0	0	0	(1,510)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(4)	0	0	0	0	4
<b>Adjustment involving the Accumulated Absences Adjustment Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	4	1	0	0	0	(5)
<b>Adjustment involving the Financial Instruments Adjustment Account</b>						
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	8	0	0	0	0	(8)
<b>TOTAL ADJUSTMENTS</b>	<b>(1,062)</b>	<b>(68,446)</b>	<b>211</b>	<b>0</b>	<b>(81)</b>	<b>69,378</b>

## NOTES TO THE Core Financial Statements

### 2010/11 Comparative Figures

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustment primarily involving the Capital Adjustment Account</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement to comply with Accounting Practice but not chargeable under statute</i>						
Charges for depreciation/amortisation and impairment of non current Assets	(1,342)	(4,184)	0	0	0	5,526
Revaluation losses on Property Plant and Equipment	(9,994)	(48,852)	0	0	0	55,846
Revenue expenditure funded from capital under statute	(1,144)	0	0	0	0	1,144
Capital Expenditure Financed from Earmarked Reserves	2,540	36	0	0	0	(2,576)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	676	0	0	0	0	(676)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	114	0	0	0	(114)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(208)	0	208	0	0	0
Application of Capital Receipts to finance new Capital Expenditure	0	0	2,413	0	0	(2,413)
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	2,052	0	(2,052)	0	0
Use of the major Repairs Reserve to finance new capital expenditure	0	0	0	2,502	0	(2,502)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	3,656	(198)	0	0	0	(3,458)
Employer's Pension contributions and direct payments to pensioners payable in the year	1,177	216	0	0	0	(1,393)

## NOTES TO THE *Core Financial Statements*

	General Fund Balance	Housing Revenue Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(23)	0	0	0	0	23
<b>Adjustment involving the Accumulated Absences Adjustment Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(12)	(5)	0	0	0	17
<b>TOTAL ADJUSTMENTS</b>	<b>(4,674)</b>	<b>(47,821)</b>	<b>2,621</b>	<b>0</b>	<b>0</b>	<b>49,874</b>

## NOTES TO THE Core Financial Statements

### 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 and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	Balance at 1 April 2010	Transfers out 2010/11	Transfers in 2010/11	Balance at 31st March 2011	Transfers out 2011/2012	Transfers in 2011/12	Balance at 31st March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund:</b>							
Commutation and Feasibility	247	0	0	247	(10)	50	287
Benefits Reserve	170	(58)	60	172	0	100	272
Local Plan	330	(75)	136	391	(17)	68	442
Historic Buildings	14	0	0	14	0	0	14
Land Charges	51	0	0	51	0	0	51
Disaster Recovery	118	0	0	118	(118)	0	0
Pensions Contributions	67	0	42	109	(75)	15	49
Building Control	54	0	10	64	0	70	134
Waste Management Reserve	188	(109)	94	173	(12)	82	243
ICT Reserve	241	0	0	241	0	12	253
Grounds Maintenance Health & Safety	14	(14)	0	0	0	0	0
Project Management/Masterplan	343	(10)	0	333	0	0	333
Shared Services Reserve	74	0	0	74	0	0	74
Housing & Planning Delivery Grant	373	(126)	0	247	(75)	0	172
Flexible Working	162	(147)	0	15	0	0	15
IFRS Capacity Support	15	(13)	0	2	(2)	0	0
Web Development	0	0	0	0	0	0	0
Freedom of Information Act Training	3	0	0	3	0	0	3
New Performance Improvement	10	0	0	10	0	0	10
Corporate Services	6	(6)	0	0	0	0	0
Housing Energy Certificate Training	11	0	0	11	0	0	11
Finance Capacity Fund	20	(10)	10	20	0	2	22
Priority Improvement Fund	70	0	0	70	0	0	70
Workforce Strategy	3	0	0	3	0	0	3
Elections	60	0	25	85	(68)	45	62
Grounds Maintenance Machinery Replacement	25	0	25	50	0	25	75
Planning Legal Costs	20	(20)	0	0	0	0	0
Transformation	50	0	0	50	0	0	50
Relocation Reserve	0	0	182	182	0	135	317
Future Capital Projects	0	0	486	486	0	125	611
Modern Gov Reserve	0	0	20	20	(18)	0	2
Greenfields Reserve	0	0	19	19	0	0	19
Special Expenses	0	0	0	0	(7)	55	48
Atkins	0	0	0	0	(9)	9	0
Carry Forwards	0	0	0	0	0	136	136
Hub Future Rental Management	0	0	0	0	0	250	250
<b>Total Earmarked Reserves</b>	<b>2,739</b>	<b>(588)</b>	<b>1,109</b>	<b>3,260</b>	<b>(409)</b>	<b>1,177</b>	<b>4,028</b>
Unapplied Grants and Contributions	779	(15)	98	862	(141)	221	942
<b>Total General Fund</b>	<b>3,518</b>	<b>(603)</b>	<b>1,207</b>	<b>4,122</b>	<b>(550)</b>	<b>1,398</b>	<b>4,970</b>



## NOTES TO THE *Core Financial Statements*

<b>Housing Revenue Account:</b>							
HRA Piper Balance	107	0	10	117	0	9	126
HRA Communal Furniture	40	(36)	0	4	0	0	4
HRA Housing Repairs Account	270	0	74	344	0	128	472
<b>Total HRA Earmarked Reserves</b>	<b>417</b>	<b>(36)</b>	<b>84</b>	<b>465</b>	<b>0</b>	<b>137</b>	<b>602</b>
HRA Unapplied Grants and Contributions	0	0	6	6	0	0	6
<b>Total Housing Revenue Account</b>	<b>417</b>	<b>(36)</b>	<b>90</b>	<b>471</b>	<b>0</b>	<b>137</b>	<b>608</b>
<b>TOTAL</b>	<b>3,935</b>	<b>(639)</b>	<b>1,297</b>	<b>4,593</b>	<b>(550)</b>	<b>1,535</b>	<b>5,578</b>

### Earmarked reserves:

#### HRA Piper Balance

This reserve will provide funding for the replacement of the Piper alarm system at the Control Centres when the current system becomes unviable.

#### HRA Communal Furniture Reserve

This Reserve has been created to provide for the replacement of furniture in the Communal Areas of Sheltered Housing Schemes which currently does not meet safety standards.

#### Commutation and Feasibility Reserve

The Borough Council has been applying the commutation adjustment to reduce its minimum revenue provision, but prospective increases in the capital financing requirement and a reducing commutation adjustment means that there will be a progressive increase in future MRP.

Proposed capital projects often need feasibility studies before final commitment can be made to a project. This reserve will be used to cater for each of these requirements.

#### Benefits Reserve

This reserve is to allow for variances between estimates for housing benefits rents allowances and Council Tax benefits and the subsidy received. In view of the significant budget only a small variation would have a significant effect on balances. It is therefore prudent to keep an earmarked reserve for such variations particularly in light of the changes in Council Tax Benefit support from 2012/13.

#### Local Plan

This reserve is to smooth out the costs of the Local Development Framework. The reserve will be used as elements of the framework are required.

#### Pensions Contributions

This reserve has been created to meet future potential increases in Employers Pension Contributions resulting from triennial valuations of the Pensions Fund. It was agreed as part of the Medium Term Financial Strategy that any surplus on the Collection Fund would be put in this Reserve.

#### Historic Buildings

This reserve is to allow owners of listed buildings the opportunity to borrow money to fund historic alterations and restorations. It will be used as and when applications for loans are submitted and contributions will be made as and when repayments are received.

#### Land Charges Reserve

During the first quarter of the 2005 calendar year there had been a noticeable reduction in income received from Search Fees. This was mainly due to the slowdown in the housing market at that time and also a shift from Standard Searches to more Personal Searches. Given the trend and the fact that the level of fees is driven by demand, this reserve was established to meet any shortfall in income.



**8. Transfers To/From Earmarked Reserves (continued)**

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**Building Control**

The Council strives to ensure that fee income from Building Control work is sufficient to cover the associated costs of the work over a rolling three-year period. This reserve will be used to smooth out variations in surpluses and deficits from year to year.

**Waste Management Reserve**

The Waste Management Service is currently experiencing a number of pressures on its resources particularly in respect of the need to recycle more waste and a growth in population requiring additional rounds. This reserve has been set up using underspends to provide resources to address the pressures ahead for this high priority service area.

**ICT Reserve**

This reserve has been set up from the 2007/08 underspend on the ICT budget arising in the main from delays in the IEG programme schemes coming on line and the resultant Revenue consequences not being incurred in 2007/08. This reserve is to be used to further improve the ICT support service, in particular by upgrading the aging infrastructure and to fund the infrastructure moves to the Hinckley Hub.

**Project Management/Masterplan Reserve**

At the present time the Council has an ambitious Capital Programme and is looking to facilitate the regeneration of Hinckley Town Centre through the Town Centre Renaissance Masterplan. This reserve is intended to provide project management support to the Capital Programme and resources to support the implementation of the Masterplan.

**Shared Services Reserve**

This reserve has been created to deal with any one off costs associated with increased collaboration and shared working of the Council across Leicestershire.

**Housing & Planning Delivery Grant**

This reserve has been set up to carry forward receipts of Housing & Planning Delivery Grant that are going to be spent in future years. A significant sum of grant was received in 2009/10 based on past performance which could not be spent on improvements to the Planning Service in that year but will be spent on such schemes in future years.

**Flexible Working**

This reserve has been set up to provide additional resources to help in the role out of a flexible working programme.

8. Transfers To/From Earmarked Reserves (continued)

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**Web Development**

Electronic delivery of the Council's services via the web site is becoming a more popular and cost effective way of customers dealing with the Council. The present web site is based on old technology and is considered not to be very user friendly. The reserve has been set up to provide resources to update and improve the web site to make it more fit for purpose.

**Freedom of Information Act Training**

To provide resources to enable employees to be trained in the requirements of the Freedom of Information Act.

**New Performance Improvement Set**

This reserve has been established to develop a base line for the new performance improvement set.

**Housing Energy Certificate Training**

To provide resources for Housing Energy Certificate Training.

**Finance Capacity Fund**

To provide resources to cover short term capacity issues in the Finance Service Area.

**Priority Improvement Fund**

To provide resources to enable the Council to undertake projects in areas that have prioritised for improvement.

**Workforce Strategy**

To provide resources to enable the workforce strategy to be developed.

**Election Reserve**

Elections to the Borough Council are held every four years. It is considered to be inequitable to charge the full cost in the year of the election. An earmarked reserve has therefore been created to allow the cost of the election to be provided for each year.

**Grounds Maintenance Machinery Replacement Reserve**

This reserve has been established from the savings in rental charges following the initial purchase of the new machinery to allow for its replacement at the end of its useful life.

**Special Expenses**

This reserve has been established to fund additional parks and open spaces expenditure within the Hinckley area.

**Atkins**

Reserve was to fund additional improvements to maximise rental income of the Atkins building.

**Carry Forwards**

Relates to those budget carry forwards authorised from the previous financial year.

**Hub Future Rental Management**

This reserve has been established to minimise the risk of future movement in rental indices which may impact the Council's expenditure on the new Hinckley Hub.

**8. Transfers To/From Earmarked Reserves (continued)**

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**Planning Legal Costs Reserve**

Costs were awarded against the Council in a Planning Appeal. Negotiations with the appellant have failed to date to resolve the position. This reserve has provide the resources to meet these costs.

**Transformation Reserve**

This reserve has been created to provide resources to support the Transformation agenda within the Council

**Relocation Reserve**

This reserve has been established from savings in 2010/11 to provide resources to support the Council's office move planned for 2012/13.

**Future Capital Projects Reserve**

This reserve has been established using savings in 2010/11 and 2011/12 to support the Capital Programme in future years if other resources fail to materialise.

**Modern.Gov Reserve**

This reserve was established to cover the cost of the acquisition and installation of the Modern.gov software system

**Greenfields Reserve**

This reserve has been created to finance minor alterations to the Greenfields Industrial Units to make them more attractive to tenants.

**Unapplied Grants and Contributions Reserves**

This reserve has been established to deal with grants and contributions that cannot yet be applied to finance expenditure as the grant conditions have not yet been satisfied

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**9. Other Operating Expenditure**

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	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Gain/Losses on disposal of Non Current Assets	129	(114)
Amounts due to Precepting Authorities	1,469	1,420
Contribution to Housing pooled Capital Receipts	263	209
<b>TOTAL</b>	<b>1,861</b>	<b>1,515</b>

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**10. Financing and Investment Income and Expenditure**

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	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable and similar charges	300	223
Pension Interest Costs	2,720	3,209
Net Surplus of Undertakings (See note 28)	(409)	(2,111)
Interest and Investment Income	(75)	(84)
Expected return on pension assets	(2,460)	(2,643)
Revaluation of Investment Properties	280	2,429
<b>TOTAL</b>	<b>356</b>	<b>1,023</b>

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**11. Taxation and Non Specific Grant Income**

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	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Demand on Collection Fund	(5,665)	(5,567)
Balance on Collection Fund	(15)	(42)
Revenue Support Grant	(1,410)	(937)
Area Based Grant	0	(40)
Habitat Grants	0	(17)
Contribution from Non -Domestic Rate pool	(4,562)	(6,449)
New Homes Bonus	(350)	0
Freeze Grant	(105)	0
<b>TOTAL</b>	<b>(12,107)</b>	<b>(13,052)</b>

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12. Property, Plant and Equipment

**Movement on Balances:**

**Movements in 2011/12**

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infra-Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>								
At 1 April 2011	106,279	13,864	7,461	2,011	3,703	0	0	133,318
Additions	2,485	77	1,606	0	177	0	12	4,357
Revaluation								
Increases/(decreases) recognised in the Revaluation Reserve	0	(69)	0	0	0	2,300	0	2,231
Revaluation								
Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(261)	112	0	0	0	0	0	(149)
Derecognition -Disposals	(149)	(355)	0	0	0	0	0	(504)
Other Movements in the cost of valuation	(2,923)	(513)	0	0	0	0	0	(3,436)
At 31st March 2012	105,431	13,116	9,067	2,011	3,880	2,300	12	135,817
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2011	0	0	(3,513)	(559)	0	0	0	(4,072)
Depreciation Charge	(2,924)	(589)	(481)	(55)	0	0	0	(4,049)
Depreciation written out to the Revaluation Reserve	0	22	0	0	0	0	0	22
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	54	0	0	0	0	0	54
Other Movements in Depreciation and Impairment	2,924	513	0	0	0	0	0	3,437
At 31st March 2012	0	0	(3,994)	(614)	0	0	0	(4,608)
<b>Net Book Value</b>								
At 31st March 2012	105,431	13,116	5,073	1,397	3,880	2,300	12	131,209
At 31st March 2011	106,279	13,864	3,948	1,452	3,703	0	0	129,246

12. Property, Plant and Equipment (continued)

**Comparative Movement in 2010/11**

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infra-Structure Assets	Community Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>							
At 1 April 2010	153,739	12,914	5,409	2,005	3,412	7,467	184,946
Reclassification	0	7,467	0	0	0	(7,467)	0
Additions	2,711	1,514	2,052	6	291	0	6,574
Revaluation Increases/(Decreases)	632	(89)	0	0	0	0	543
De-recognition –Disposals	(174)	0	0	0	0	0	(174)
Other movements in the cost of valuation	(50,629)	(7,942)	0	0	0	0	(58,571)
<b>At 31st March 2011</b>	<b>106,279</b>	<b>13,864</b>	<b>7,461</b>	<b>2,011</b>	<b>3,703</b>	<b>0</b>	<b>133,318</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2010	0	0	(3,136)	(504)	0	0	(3,640)
Depreciation Charge	(4,173)	(472)	(377)	(55)	0	0	(5,077)
Revaluations	0	96	0	0	0	0	96
De-recognition –Disposals	(46,456)	0	0	0	0	0	(46,456)
Other Movements in Depreciation and Impairment	50,629	376	0	0	0	0	51,005
<b>At 31st March 2011</b>	<b>0</b>	<b>0</b>	<b>(3,513)</b>	<b>(559)</b>	<b>0</b>	<b>0</b>	<b>(4,072)</b>

### 12. Property, Plant and Equipment (continued)

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#### **Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

<b>ASSET CLASSIFICATION</b>	<b>BASIS OF DEPRECIATION</b>
Council Dwellings	Residual lives based on total life of 80 years but with a minimum residual life of 20 years to reflect enhancements as the Borough Council is at Decent Homes Standard.
Land	Not depreciated.
Operational Buildings	Residual lives provided by valuer in report of 31st March 2012.
Vehicles, Plant & Equipment	Based on expected lives of the asset.
Infrastructure	Depreciated over a 40 year life.
Community Assets	Not depreciated as these are land assets.
Non-Operational Investment Assets	Not depreciated.
Intangible Assets	Amortised over useful life (e.g. software over 5 years).
Heritage Assets	Not depreciated as have indefinite life.

#### **Capital Commitments**

At 31st March 2012, the Council had capital commitments of £0.119m (£0.299m 2010/11) relating to

	<b>£'000</b>
Works on Burbage Common	67
Waste Management Receptacles	52

#### **Revaluations**

The freehold and leasehold properties, which comprise the Council's property portfolio, have now been revalued by Mr D.W. Flatley FRICS of Sturgis, Snow and Astill LLP, 98 New Walk, Leicester. The valuations were carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors and the government specifications relating to the revised Housing Revenue Account.

A valuation of Council Properties was undertaken by Sturgis Snow and Astill LLP as at 31<sup>st</sup> March 2009. The valuation of Council dwellings used beacon values to determine the total valuation. This has been updated by a desktop valuation at 31st March 2012. The Council commissions full revaluations on a 5 year cycle.

Plant, furniture and equipment in the Council Offices is included in the valuation of those offices.

## NOTES TO THE *Core Financial Statements*

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### 12. Property, Plant and Equipment (continued)

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Properties regarded as operational were valued on the basis of open market value for the existing use. Where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost basis was used.

#### **Effects of changes in Estimates**

In 2011/12 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

### 13. Investment Properties

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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:

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Income from investment property including capital grant credited to the Comprehensive Income and Expenditure Statement but appropriated to Reserves	(626)	(2,389)
Direct operating expenses arising from investment property	481	2,583
Net (Gain)/Loss	<u>(145)</u>	<u>194</u>

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

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Balance at the start of the year	9,455	8,107
Additions:		
Construction	0	3,834
Subsequent Expenditure	8	0
Disposals	(100)	(30)
Net Gains/(Losses) from fair value adjustments	(299)	(2,456)
Balance at the end of the year	<u>9,064</u>	<u>9,455</u>



## NOTES TO THE Core Financial Statements

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### 14. Intangible Assets

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The Council accounts for its software as intangible assets, to the extent that the software is not integral part of a particular IT system and accounted for as part of a hardware item.

The intangible assets included on the Balance Sheet relate to both purchased licences and internally generated software. All intangible assets are given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £170,000 charged to revenue in 2011/12 was charged to IT Administration cost centre and then absorbed as an overhead across all the service headings in the net expenditure of respective services.

The movement in Intangible Asset balances during the year is as follows:

	2011/12 £'000	2010/11 £'000
Balance at start of year:		
Gross carrying amounts	3,135	2,852
Accumulated amortisation	(2,531)	(2,082)
Net carrying amount at start of year	604	770
Additions	268	283
Amortisation for the period	(170)	(449)
Net carrying amount at the end of year	702	604
Comprising:		
Gross Carrying amounts	3,403	3,135
Accumulated amortisation	(2,701)	(2,531)
	<u>702</u>	<u>604</u>

### 15. Inventories

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	2011/12 £'000	2010/11 £'000
Inventories	5	19

Inventories are valued on a First In First Out (FIFO) basis and relate to consumables.

### 16. Cash and Cash Equivalent

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

31st March 2011 £'000		31st March 2012 £'000
0	Cash held by the Authority	1
(76)	Bank Current Accounts	(233)
432	Short-term deposits with Building Society/Banks	0
<b>356</b>	<b>Total Cash and Cash Equivalents</b>	<b>(232)</b>

## NOTES TO THE *Core Financial Statements*

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### 17. Investments

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The Council's investments are detailed below:

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Short Term Investments < 1 Year	2,500	4,150
Long Term Investments > 1 Year	0	0
Total Investments	<u>2,500</u>	<u>4,150</u>

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### 18. Long Term Receivables

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The value of Long Term Receivables as at 31<sup>st</sup> March is:

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
North West Leicestershire DC	161	174
Hinckley Museum	8	8
Car Loans to Employees	43	84
Sale of Council Houses	3	5
District Council's Network	0	5
Atkins Café	17	17
Total Long Term Receivables	<u>232</u>	<u>293</u>

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### 19. Short Term Receivables

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The value of Short Term Receivables as at 31<sup>st</sup> March is:

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Car Loans to Employees	34	32
Central Government Bodies	921	643
Other Local Authorities	38	297
Housing rent	229	181
Sundry debtors	1,422	1,304
Council Tax, Community Charge & NNDR	341	1,791
Prepayments	453	343
Provision for Doubtful Debts	(361)	(258)
Total Short Term Receivables	<u>3,077</u>	<u>4,333</u>

20. Short and Long Term Payables

	2011/12 £'000	2010/11 £'000
<b>Short Term Payables</b>		
Inland Revenue	211	0
Other Local Authorities	262	146
Housing Rents	74	59
Sundry Creditors	2,543	3,167
Central Government Bodies	282	604
Council Tax, Community charge and NNDR	67	40
Total Short Term Payables	3,439	4,016
<b>Long Term Payables</b>		
Sundry Payables	807	1,139
	4,246	5,155

Included within the balance of Sundry Creditors are amounts that the Council holds in respect of Section 106 contributions from developers that they are required to make for infrastructure provision and improvement as a result of developments they have received Planning Consent for. If the Council does not make the necessary provision or improvement within a set period of time specified in the Consent and associated agreement then the contribution is returned to the developer. An analysis of the amount held is set out below.

	2011/12			2010/11		
	Repayable in less than 1 year £'000	Repayable in more than 1 year £'000	Total £'000	Repayable in less than 1 year £'000	Repayable in more than 1 year £'000	Total £'000
Section 106	241	655	896	41	758	799
Play & Open Spaces	248	152	400	119	381	500
<b>TOTAL</b>	489	807	1,296	160	1,139	1,299

21. Provisions

	Capital Cost of Early Retirement £'000	Redundancy Cost Provision £'000	Total Provision £'000
Balance at 1 April 2011	424	81	505
Additional provisions arising in the year	0	8	8
Amounts used during the year	(131)	(81)	(212)
<b>At 31st March 2012</b>	293	8	301
Balance at 1 April 2010	412	101	513
Additional provisions arising in the year	115	81	196
Amounts used during the year	(103)	(101)	(204)
<b>At 31st March 2011</b>	424	81	505

## NOTES TO THE *Core Financial Statements*

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### 21. Provisions (continued)

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Provisions are split on the Balance Sheet as follows:

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Short Term Provisions	140	213
Long Term provisions	161	292
Total	<u>301</u>	<u>505</u>

The Council creates provisions in order to recognise expenditure where a liability has arisen in one financial year but will not be discharged until a future year.

The Council currently operates two provisions details of which are set out below

- Capital Cost of Early Retirement. – when an employee leaves the employment of the Council before their normal retirement date and receives immediate payment of their pension benefits there is an actuarial strain on the Pension Fund. Where the retirement is due to reasons other than ill health retirement the Council is required to make a payment to the Pension Fund to cover the value of the strain. Whilst the liability needs to be recognised immediately the pension Scheme Regulations allow employers to make equal annual payments over a period of up to 5 years. This provision represents the unexpended amount of the liability.
- Redundancy Cost – International Financial Reporting Standards require that the cost of redundancy terminations are recognised in the accounts when it becomes certain that they will occur and when they can be quantified. Where terminations are approved in one financial year but will not occur until the next an estimate of the costs is recognised in the year of account the redundancy is approved and shown as a provision in the accounts. The provision will be utilised when the redundancy occurs and payments made to the employee.

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### 22. Other Long term Liabilities

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The amount of other long term liabilities shown in the Balance Sheet is made up as follows

	<b>31<sup>st</sup> March 2012</b>	<b>31<sup>st</sup> March 2011</b>
	<b>£'000's</b>	<b>£'000's</b>
Pensions Liability (see note 40)	20,520	14,872
Finance lease liabilities	2,027	1,795
	<u>22,547</u>	<u>16,667</u>

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### 23. Usable Reserves

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Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in Notes 7 and 8.

## NOTES TO THE Core Financial Statements

### 24. Unusable Reserves

The Council has a number of reserves. Some are new whilst others have been built up over a number of years. The unusable reserves are as below:

	31 <sup>st</sup> March 2012	31 <sup>st</sup> March 2011 Restated
	£'000	£'000
Revaluation Reserve	(3,039)	(800)
Capital Adjustment Account	(52,366)	(121,661)
Financial Instrument Adjustment Account	28	36
Deferred Credits	(4)	(6)
Collection Fund Adjustment Account	(6)	(10)
Pension Fund Reserve	20,812	15,295
Accumulated Absences Adjustment Account	178	183
Total Unusable Reserves	(34,397)	(106,963)

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increase in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when asset 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<sup>st</sup> April 2007, the date the Reserve was created.

2010/11 Restated		2011/12	
£'000		£'000	£'000
(794)	Balance at 1 April	(800)	
(165)	Upward revaluation of assets	(2,637)	
159	Downward revaluation of assets and impairment losses not charged to the Surplus/deficit on the provision of services	383	
(6)	Surplus or Deficit on revaluation of non-current assets not posted to the surplus or Deficit on the Provision of Services		(2,254)
0	Difference between fair value depreciation and historical cost depreciation	0	
0	Accumulated gains on assets sold or scrapped	15	
0	Amount written off to the Capital Adjustment Account		15
(800)	Balance at 31st March		(3,039)

#### Capital Adjustment Account

This account contains the amount that was required to set aside from capital receipts and amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and statutory minimum amount that must be set aside from revenue for repayment of external debt.

Note 7 provide details of the source of all transactions posted to the account, apart from those involving the revaluation reserve.

## NOTES TO THE *Core Financial Statements*

### 24. Unusable Reserves (continued)

2010/11		2011/12	
		£'000	£'000
(176,346)	Balance at 1 April		(121,661)
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure statement:</i>		
0	LA Authority settlement payment for self-financing	67,652	
5,526	Charges for depreciation and impairment of non current Assets	4,220	
58,196	Revaluation losses on Property, Plant and Equipment	95	
1,144	Revenue expenditure funded from Capital under statute	352	
204	Amounts 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	604	
65,070	Adjusting amounts written out of the revaluation reserve	72,923 (15)	72,908
(111,276)	<i>Capital financing applied in the year:</i>		(48,753)
(2,733)	Use of the Capital Receipts Reserve to finance new capital expenditure	(425)	
(2,052)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,071)	
15	Capital grants and contributions credited to the Comprehensive and Income and Expenditure statement that have been applied to capital financing	(579)	
0	Application of grants to capital financing from the Capital Grants Unapplied Account	(126)	
(676)	Statutory provisions for financing of capital investment charged against the General Fund and HRA balances	(712)	
(2,589)	Capital expenditure charged against the General Fund and HRA balances	0	
(8,035)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,913) 300	(3,613)
(121,661)	<b>Balance at 31st March</b>		(52,366)

24. Unusable Reserves (continued)

**Financial Instrument Adjustment Account**

This account absorbs timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and bearing losses or benefiting from gains per statutory provisions.

2010/11 £'000		2011/12 £'000	£'000
36	Balance at 1 April		36
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement		
3	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance	(5)	
3			(5)
(3)	Amount by which finance costs charged to Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance to statutory requirements		(3)
36	<b>Balance at 31st March</b>		28

**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 Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2010/11 £'000		2011/12 £'000
(7)	Balance at 1 April	(6)
0	Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2
1	Transfer to the Capital Receipts Reserve upon receipt of cash	0
(6)	<b>Balance at 31st March</b>	(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 if falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11 £'000		2011/12 £'000
(33)	Balance at 1 April	(10)
23	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 to Statutory requirements	4
(10)	<b>Balance at 31st March</b>	(6)

24. Unusable Reserves (continued)

**Pension Fund Reserve**

These reserves absorb the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits 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. The arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11 £'000		2011/12 £'000
26,804	Balance at 1 April	15,295
(6,669)	Actuarial gains and losses on pensions assets and liabilities	5,516
(3,458)	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 Expenditure Statement	1,511
(1,393)	Employers pension contributions and direct payments to pensioners payable in the year	(1,379)
11	Capital cost of early retirement	(131)
<b>15,295</b>	<b>Balance at 31st March</b>	<b>20,812</b>

**Accumulated Absences Adjustment Account**

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

2010/11 £'000		2011/12 £'000
166	Balance at 1 April 2011	183
(166)	Settlement or cancellation of accrual made at the end of the preceding year	(183)
183	Amounts accrued at the end of the current year 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 accordance with statutory requirements	178
183	<b>Balance at 31st March</b>	<b>178</b>

25. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2010/11 £'000		2011/12 £'000
(79)	Interest Received	(85)
236	Interest Paid	220



## NOTES TO THE *Core Financial Statements*

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### 26. Cash Flow Statement – Investing Activities

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The cash flow for investing activities includes the following items:

<b>2010/11</b>		<b>2011/12</b>
<b>£'000</b>		<b>£'000</b>
110,339	Purchase of short-term and long-term investments	115,374
11,288	Purchase of property, plant and equipment, investment property and intangible assets	5,214
4	Other Payments not in above	0
(318)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(477)
(110,339)	Proceeds from short-term and long-term investments	(117,456)
(3,203)	Other proceeds not in above	(993)
7,771	Net cash flows from investing activities	1,662

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### 27. Cash Flow Statement – Financing Activities

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<b>2010/11</b>		<b>2011/12</b>
<b>£'000</b>		<b>£'000</b>
(24,870)	Cash Receipts from short and long term borrowing	(83,152)
274	Cash payments for the reduction of outstanding liabilities relating to Finance Leases	486
19,370	Repayment of short and long term borrowing	18,400
0	Other Payments not in above	67,652
(5,226)	Net cash flows from financing activities	<b>3,386</b>

**28. Trading Operations**

The Council operated the following trading services in 2011/12 for which outturn income and expenditure was as shown in the table below:

- Markets – the operation of a market in Hinckley Town Centre
- Industrial Estates – the provision of factory units for rental principally aimed at small businesses
- Waste Collection DSO – in 2010/11 the trading service was merged with the ‘client’ services
- Grounds Maintenance DSO – an internal business unit that provides grounds maintenance services to all parts of the Council
- Housing Repairs DSO – an internal business unit that provides housing repair services to the Borough Council

	2011/12 Income	2011/12 Expenditure	2011/12 (SURPLUS)/ DEFICIT	2010/11 (SURPLUS)/ DEFICIT
	£'000	£'000	£'000	£'000
Markets	(177)	217	40	35
Industrial Estates	(626)	481	(145)	(359)
Waste Collection DSO	0	0	0	(30)
Grounds Maintenance DSO	(957)	932	(25)	29
Housing Repairs DSO	(564)	565	1	0
<b>Net Surplus on ordinary activities</b>	<b>(2,324)</b>	<b>2,195</b>	<b>(129)</b>	<b>(325)</b>
<b>Net impact of extra-ordinary items on (surplus)/deficit</b>			<b>0</b>	<b>539</b>
<b>Market Value Impairment</b>			<b>(280)</b>	<b>(2,429)</b>
<b>Net (surplus)/deficit reported in Financing and Investment Income &amp; Expenditure (Note 10)</b>			<b>(409)</b>	<b>(2,111)</b>

**29. Members Allowances**

The total members’ allowances paid in 2011/12 was £162,050 (2010/11 - £167,174) and £9,122 was paid for members expenses (2010/11 – £10,399)

## NOTES TO THE *Core Financial Statements*

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### 30. External Audit Costs

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In 2011/12 Hinckley and Bosworth Borough Council incurred the following fees relating to external audit and inspection:

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to the PricewaterhouseCoopers LLP with regard to external audit services carried out by the appointed auditor	108	114
Fees Payable to the PricewaterhouseCoopers LLP for the certification of grant claims and returns	61	71
Total	<hr/> 169	<hr/> 185
Rebate received from Audit Commission	(9)	(7)

**31. Grant Income**

	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>
<b>Credited to Taxation and Non Specific Grant Income:</b>		
Revenue Support Grant	1,410	936
New Homes Bonus	350	0
Area Based Grant	0	40
Habitat Grants	0	16
Council Tax Freeze Grant	105	0
Total	1,865	992
<b>Credited to Services:</b>		
Waste and Recycling	943	977
Homelessness	54	36
Housing Benefit Administration	590	636
Benefit Reimbursements	23,052	22,233
Regional Improvement Efficiency Partnership (RIEP)	372	274
Decent Homes	52	139
Locality Partnership (Sure Start)	444	424
Community Safety	59	113
Sports Grants	172	342
Play and Open Space	88	19
Growth Point	0	106
East Midlands Development Agency (EMDA)	0	1,976
Developer Contributions	585	191
Concessionary Fares	0	422
Elections	36	111
NNDR Cost of Collection	125	127
Supporting People and other HRA grants	561	445
Land Charges	0	34
Future Jobs Fund	0	52
Other	23	31
Total	27,156	28,688

The 2010/11 disclosure in the table above has been reclassified to reflect Supporting People and other HRA grants that were received in the year.

The Council 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 or property to be returned to the giver. The balances at the year-end are as follows:

### 31. Grant Income (continued)

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	2011/12 £'000	2010/11 £'000
<b>Capital Grants Receipt in Advance</b>		
East Midlands Development Agency (EMDA)	11	11
	<hr/>	<hr/>
	11	11

### 32. Related Third Party Transactions

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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 act independently or might have secured the ability to limit another party's ability to bargain with the Council.

Central Government has effective control over the general operations of the Council - it is responsible for providing statutory framework within the Council operates provides the majority of its funding via grants and prescribes the terms of many of the transactions the Council has with other parties (e.g. Housing Benefits).

The details of Government Grants received are detailed in note 31. The employer's contribution paid to the Pension Fund is shown in note 40.

Members of the Council and Chief Officers have direct control over the Council's financial and operating policies. The following related party declarations have been made in 2011/12:

- One elected member is a member of the related party Next Generation Board which received £44,000 of funding from the Council in 2011/12;
- Two elected members hold Board responsibilities for Community Action Hinckley and Bosworth which received funding of £15,926 in year; and
- One member has declared that two members of his family provide buffets for Council occasions. The Council has paid the organisation £744 in 2011/12 for these services.

**33. Capital Expenditure and Capital Financing**

	2011/12 £'000	2010/11 £'000
<b>Opening Capital Financing Requirement</b>	<b>16,551</b>	<b>12,764</b>
<b>Capital Investment</b>		
Operational Assets	4,357	6,857
Non Operational Assets	268	3,834
Revenue Expenditure funded from Capital under Statute	741	1,806
Housing Revenue Account – Self Financing	67,652	0
Total Expenditure in year	73,026	12,497
<b>Internal Financing of Capital Expenditure</b>		
Application of Usable Capital Receipts	(426)	(2,733)
Application Capital Grants/ Contributions	(967)	(3,007)
Capital Financed from Revenue	(2,933)	(2,970)
Total Internal Financing	(4,326)	(8,710)
<b>Closing Capital Financing Requirement</b>	<b>85,251</b>	<b>16,551</b>
<b>Explanation of Movements in year:</b>		
Increase in underlying need for borrowing		
- Supported by Government Financial Assistance	107	107
- Unsupported Government Financial Assistance	68,593	3,680
Increase in Capital Financing Requirement	68,700	3,787

**34. 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 Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Strategic Leadership Board (SLB) on the basis of the budget reports analysed across the services. 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 benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year;
- support service recharges are excluded for internal reporting for services.

**Income and Expenditure Analysis 2011/12**

	Leisure & Environment £'000	Planning £'000	DSO £'000	Central Services to public £'000	Support Services £'000	Housing General Fund £'000	Housing Revenue	Total £'000
Fees, charges & other service income	(2,239)	(2,675)	(1,521)	(6,567)	(1,198)	(18,039)	(10,929)	(43,168)
Other Government Grants	(3)	0	0	0	0	(30)	(486)	(519)
<b>Total Income</b>	<b>(2,242)</b>	<b>(2,675)</b>	<b>(1,521)</b>	<b>(6,567)</b>	<b>(1,198)</b>	<b>(18,069)</b>	<b>(11,415)</b>	<b>(43,687)</b>
Employee expenses	2,956	1,427	860	373	2,790	374	1,344	10,124
Other service expenses	4,099	1,344	558	7,701	2,052	18,132	11,896	45,782
<b>Total Expenditure</b>	<b>7,055</b>	<b>2,771</b>	<b>1,418</b>	<b>8,074</b>	<b>4,842</b>	<b>18,506</b>	<b>13,240</b>	<b>55,906</b>
<b>Net Expenditure</b>	<b>4,813</b>	<b>96</b>	<b>(103)</b>	<b>1,507</b>	<b>3,644</b>	<b>437</b>	<b>1,825</b>	<b>12,219</b>

**Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

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

2010/11 £'000		2011/12 £'000
12,657	Net Expenditure in the Directorate analysis	12,219
(10,714)	Net expenditure of services and support services not included in the analysis	(4)
59,875	Amounts in the Comprehensive Income and Expenditure Statement not reported to the management analysis	65,833
<b>61,818</b>	<b>Cost of services in Comprehensive Income and Expenditure Statement</b>	<b>78,048</b>

34. Amounts Reported for Resource Allocation Decisions (continued)

**2011/12 Reconciliation to Subjective Analysis**

	Directorate Analysis	Net expenditure of services and support services not included in the analysis	Amounts in the Comprehensive Income and Expenditure Statement not reported to the Management Analysis	Additional Segments not included in analysis but included in income and expenditure statement	Cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(43,168)	0	(802)	2,324	(41,646)	(2,324)	(43,970)
Interest and Investment income	0	0	0	0	0	(75)	(75)
Expected Return on Pension Assets	0	0	0	0	0	(2,460)	(2,460)
Government Grants and Contributions	(519)	0	0	0	(519)	0	(519)
Income From Council Tax	0	0	0	0	0	(12,107)	(12,107)
<b>Total Income</b>	<b>(43,687)</b>	<b>0</b>	<b>(802)</b>	<b>2,324</b>	<b>(42,165)</b>	<b>(16,966)</b>	<b>(59,131)</b>
Employee expenses	10,124	(4)	(86)	(941)	9,093	941	10,034
Other service expenses	45,782	0	66,400	(1,066)	111,116	1,253	112,369
Support services recharges	0	0	0	(188)	(188)	0	(188)
Interest Payments	0	0	(10)	0	(10)	300	290
Pension Interest Costs	0	0	0	0	0	2,720	2,720
Precepts and Levies	0	0	0	0	0	1,469	1,469
Payments to Housing Capital Receipts Pool	0	0	0	0	0	263	263
Gain or Loss on Disposal of Non Current Assets	0	0	202	0	202	130	332
<b>Total Expenditure</b>	<b>55,906</b>	<b>(4)</b>	<b>66,506</b>	<b>(2,195)</b>	<b>120,213</b>	<b>7,076</b>	<b>127,289</b>
<b>Surplus or Deficit on the provision of services</b>	<b>12,219</b>	<b>(4)</b>	<b>65,704</b>	<b>129</b>	<b>78,048</b>	<b>(9,890)</b>	<b>68,158</b>



**34. Amounts Reported for Resource Allocation Decisions (continued)**

**Income and Expenditure Analysis 2010/11**

	Leisure & Environment £'000	Planning £'000	Central Services to public £'000	Support Services £'000	Housing General Fund £'000	Housing Revenue £'000	Total £'000
Fees, charges & other service income	(2,399)	(1,928)	(6,832)	(621)	(17,330)	(10,493)	(39,603)
Other Government Grants	(61)	(422)	(51)	0	(7)	(438)	(979)
<b>Total Income</b>	<b>(2,460)</b>	<b>(2,350)</b>	<b>(6,883)</b>	<b>(621)</b>	<b>(17,337)</b>	<b>(10,931)</b>	<b>(40,582)</b>
Employee expenses	1,738	1,322	1,012	2,995	640	1,388	9,095
Other service expenses	5,330	2,038	1,605	2,674	16,691	9,452	37,790
Support service recharges	1,046	839	1,351	1,644	284	1,190	6,354
<b>Total Expenditure</b>	<b>8,114</b>	<b>4,199</b>	<b>3,968</b>	<b>7,313</b>	<b>17,615</b>	<b>12,030</b>	<b>53,239</b>
<b>Net Expenditure</b>	<b>5,654</b>	<b>1,849</b>	<b>(2,914)</b>	<b>6,692</b>	<b>278</b>	<b>1,099</b>	<b>(12,657)</b>

## NOTES TO THE Core Financial Statements

### 34. Amounts Reported for Resource Allocation Decisions (continued)

#### 2010/11 Comparative

	Directorate Analysis	Net expenditure of services and support services not included in the analysis	Amounts in the Comprehensive Income and Expenditure Statement not reported to the Management Analysis	Additional Segments not included in analysis but included in income and expenditure statement	Allocation of Recharges	Cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(39,603)	621		(2,581)	(621)	(39,603)	(2,581)	(42,184)
Interest and Investment income	0	0	0	0	0	0	(84)	(84)
Expected Return on Pension Assets	0	0	0	0	0	0	(2,643)	(2,643)
Government Grants and Contributions	(979)	0	0	0	0	(979)	0	(979)
Income From Council Tax							(13,052)	(13,052)
<b>Total Income</b>	<b>(40,582)</b>	<b>621</b>	<b>0</b>	<b>(2,581)</b>	<b>(621)</b>	<b>(40,582)</b>	<b>(18,360)</b>	<b>(58,942)</b>
Employee expenses	9,095	(2,998)	0	2,142	2,998	9,095	2,142	11,237
Other service expenses	37,790	(2,673)	0	1,596	2,673	37,790	1,596	39,386
Support services recharges	6,354	(4,773)	0	(3,509)	(5,941)	(4,360)	(3,509)	(7,869)
Depreciation, amortisation and impairment	0	(891)	59,875	2,670	891	59,875	2,670	62,545
Interest Payments	0	0	0	0	0	0	223	223
Pension Interest Costs	0	0	0	0	0	0	3,209	3,209
Precepts and Levies	0	0	0	0	0	0	1,420	1,420
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	209	209
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	0	(114)	(114)
<b>Total Expenditure</b>	<b>53,239</b>	<b>(11,335)</b>	<b>59,875</b>	<b>2,899</b>	<b>621</b>	<b>102,400</b>	<b>7,846</b>	<b>110,246</b>
<b>Surplus or Deficit on the provision of services</b>	<b>12,657</b>	<b>(10,714)</b>	<b>59,875</b>	<b>318</b>	<b>0</b>	<b>61,818</b>	<b>(10,514)</b>	<b>51,304</b>

## NOTES TO THE Core Financial Statements

### 35. Officers Remuneration

The number of employees, not including senior staff disclosed separately below, whose remuneration in the year, including employer's pension contributions, was £50,000 or more in bands of £5,000 were:

REMUNERATION BAND	31st March 2012	31st March 2011
	NUMBER OF EMPLOYEES	NUMBER OF EMPLOYEES
£50,000 - £54,999	1	1

The following table sets out in detail the remuneration for Senior Officers whose salary is £50,000 or more per year:

Post holder information (Post title)	Year	Salary (Including fees & allowances)	Bonuses	Expense Allowances	Compensation for loss of Office	Benefits in Kind (e.g. Car Allowance)	Total Remuneration Excluding pension contributions	Pension Contribution	Total Remuneration Including pension contributions
		£	£	£	£	£	£	£	£
Chief Executive (Steve Atkinson)	2011/12	136,712	0	0	0	0	136,712	22,557	159,269
	2010/11	131,481	0	0	0	5,231	136,712	25,139	161,851
Deputy Chief Executive Community Direction	2011/12	95,231	0	0	0	0	95,231	15,713	110,944
	2010/11	90,000	0	0	0	5,231	95,231	17,208	112,439
Deputy Chief Executive Corporate Direction	2011/12	110,231	0	0	0	0	110,231	18,188	128,419
	2010/11	93,629	0	0	0	5,231	98,860	17,902	116,762
Head of Business Development & Street Scene Services	2011/12	65,100	0	0	0	0	65,100	10,742	75,842
	2010/11	59,695	0	0	0	3,848	63,543	10,960	74,503
Head of Corporate & Scrutiny Services	2011/12	62,700	0	0	0	0	62,700	10,345	73,045
	2010/11	58,239	0	0	0	3,848	62,087	10,693	72,780
Head of Community Services Housing	2011/12	60,300	0	0	0	0	60,300	9,950	70,250
	2010/11	55,434	0	0	0	3,848	59,282	11,096	70,378
Chief Officer Environmental Health	2011/12	58,690	0	0	0	0	58,690	9,554	68,244
	2010/11	52,699	0	0	0	3,848	56,547	9,676	66,223
Chief Officer Transformation	2010/11	29,120	0	0	0	1,924	31,044	5,346	36,390
Chief Officer- Finance, ICT, Asset Management, Audit and Procurement *	2011/12	50,617	0	0	0	549	51,166	8,352	59,518

\* The Chief Officer – Finance, ICT, Asset Management, Audit and Procurement was promoted into role in September 2011

## NOTES TO THE *Core Financial Statements*

### 35. Officers Remuneration (Continued)

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £	2011/12 £
£0 - £20,000	0	0	3	2	3	2	30,385	26,914
£20,001 – £40,000	0	0	4	2	4	2	116,163	62,963
£40,001-£60,000	0	0	0	1	0	1	0	70,448
£60,001-£80,000	0	0	1	0	1	0	76,740	0
£80,001-£100,000	0	0	0	0	0	0	0	0
£100,001-£150,000	0	0	1	0	1	0	133,963	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>5</b>	<b>9</b>	<b>5</b>	<b>357,251</b>	<b>160,325</b>

The total cost of exit packages includes £144,000 of costs for 2010/11 & £78,000 for 2011/12, which relate to the pension contributions in respect of added years for those officers that were granted early retirement. These costs have been met by Leicestershire County Council Pension Fund and therefore have not been directly incurred by the Council in year. The Council's pension fund liability has been adjusted to reflect these notional costs.

## NOTES TO THE Core Financial Statements

### 36. Leases

#### Authority as Lessee

#### Finance Leases

The Council has acquired vehicles and office premises 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:

31st March 2011		31st March 2012
£'000		£'000
201	Other Land and Buildings	135
1,607	Vehicles, Plant, Furniture and Equipment	1,914
<b>1,808</b>		<b>2,049</b>

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

	2011/12 £'000	2010/11 £'000
<b>Finance lease liabilities(net present value of minimum lease payments):</b>		
Current	338	248
Non Current	1,668	1,548
Finance Costs payable in future years	356	428
<b>Minimum Lease Payments</b>	<b>2,362</b>	<b>2,224</b>

	Minimum Lease Payments		Finance Lease Liabilities	
	31 <sup>st</sup> March 2012	31 <sup>st</sup> March 2011	31 <sup>st</sup> March 2012	31 <sup>st</sup> March 2011
	£'000	£'000	£'000	£'000
Within One year	447	363	338	248
Between one and five years	1,504	1,256	1,290	983
After five years	411	605	399	565
	<b>2,362</b>	<b>2,224</b>	<b>2,027</b>	<b>1,796</b>

#### Operating Leases (As Lessee)

The Council had previously acquired 10 photocopiers by entering into operating leases. On the 1<sup>st</sup> April 2010 the authority entered into a new three year lease for a colour copier with an annual rental charge of £3,704.

	2011/12 £'000	2010/11 £'000
Not later than one year	4	4
Later than one year and not later than five years	0	4
	<b>4</b>	<b>8</b>

## NOTES TO THE *Core Financial Statements*

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### 36. Leases (continued)

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#### **Operating Leases (As Lessor)**

The Council acts as a lessor for 95 industrial and commercial units, rented under operating leases. The total income from the operating leases was £833,000 (£587,000 2010/11).

Industrial and commercial rents:

2010/11 £'000		2011/12 £'000
799	Not later than one year	817
2,475	Later than one year and not later than five years	3,338
<u>3,274</u>		<u>4,155</u>

### 37. Impairment Review

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During 2011/12, the Council has undergone an impairment review through the following means:

- An external review of the market value of assets by the Council's external valuer; and
- Review of assets for obsolescence by the Council's Estates and Asset Manager

As a result of the above, the Council has recognised a net impairment loss of £0.134m in the Comprehensive Income and Expenditure Statement split as follows:

	2011/12 £'000	2010/11 £'000
Property Plant and Equipment	(166)	53,417
Investment Property	300	2,429
	<u>134</u>	<u>55,846</u>

### 38. Capitalisation of Borrowing Costs

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No borrowing costs have been capitalised in the year.

### 39. Termination Benefits

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The Council offered the option of Voluntary Redundancy to a number of employees in 2011/12 incurring costs, which resulted in redundancy payments of £82,390 (£213,350 in 2010/11) and capital costs of early of early retirement of £77,936 (£143,900 in 2010/11). All Capital costs associated with early retirement have been funded by Leicestershire County Council Pension Fund. See Note 35 for the number of exit packages and the cost per band.

One further Voluntary Redundancy has been approved for an employee to leave in 2012/13 and a provision for £7,795 for the redundancy costs has been made in the 2011/12 Accounts for this cost (see Note 21).

### **40. Pensions and Retirement Benefits**

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Local Authorities are required to recognise the full requirements of International Accounting Standard 19 (ISA 19).

The objectives of ISA 19 are to ensure that:-

- a) Financial statements reflect at fair value assets and liabilities arising from an employer's retirement benefit obligations and any related funding:
- b) The operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise: and
- c) The financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities

The accounting entries required under have no impact on the Council Tax Liability.

#### **Participation in Pension Schemes**

The Council participates in the Local Government Pension Scheme for all employees, administered locally by Leicestershire County Council. This is a funded, defined benefit, final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The Council pays contributions to the Leicestershire County Council Pension Fund, which provides its members with defined benefits related to pay and service. The contribution rate is determined by the County Fund's Actuary based on triennial actuarial valuation. A full valuation has been carried out on 31st March 2010. A roll forward valuation is performed by the actuary in the years between full valuations. This valuation will determine contribution rates payable with effect from 1 April 2011.

#### **Transactions Relating to Retirement Benefits**

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 in the statement of movement in the General Fund Balance.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Statement of Movement in Reserves during the year:

#### **Payments to the Pension Fund 2011/12**

It is budgeted that the Council will pay Leicestershire County Council £1.326m in Employer's Pension Contributions in the year 2012/13.

## NOTES TO THE Core Financial Statements

### 40. Pensions and Retirement Benefits (continued)

#### Income & Expenditure Account

	2011/12 £'000	2010/11 £'000
Net Cost of Service:		
Current Service Cost	1,194	1,330
Past Service Costs	0	(5,716)
Losses/(Gains) on Curtailments & Settlements	57	362
Net Operating Expenditure:		
Interest Cost	2,720	3,209
Expected return on Scheme Assets	(2,460)	(2,643)
Net Charge to the Income & Expenditure Account	1,511	(3,458)
Movement in Reserves Statement		
Reversal of Net Charges made for Retirement Benefits in accordance with IAS 19	(1,511)	3,458
<b>Actual Amount charged against the General Fund Balance for pensions in the year</b>		
Employers' Contributions Payable to Scheme	1,293	1,308

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £5.516m (2010/11 gains of £6.669m) were included in the Comprehensive Income & Expenditure Statement. The Cumulative amount of actuarial losses recognised in the Comprehensive Income & Expenditure Statement is £19.915m (£14.399m 2010/11).

#### Assets & Liabilities in Relation to Retirement Benefits

##### **Reconciliation of present value of the Scheme Liabilities**

	2011/12 £'000	2010/11 £'000
Balance at 1 <sup>st</sup> April	(49,562)	(63,734)
Current Service Costs	(1,194)	(1,330)
Interest Cost	(2,720)	(3,209)
Contributions by Members	(455)	(461)
Actuarial Gains & Losses	(3,235)	9,704
Losses/(Gains) Curtailments	(57)	(362)
Past Service Costs/ (Gains)	0	5,716
Estimated Unfunded Benefits Paid	86	85
Estimated Benefits Paid	1,838	4,029
<b>Balance at 31st March</b>	<b>(55,299)</b>	<b>(49,562)</b>

##### **Reconciliation of Fair Value of Employer Assets**

	2011/12 £'000	2010/11 £'000
Balance at 1 <sup>st</sup> April	34,690	37,342
Expected Return on Assets	2,460	2,643
Contributions by Members	455	461
Employers Contributions	1,293	1,308
Contributions in respect of Unfunded Benefits	86	85
Actuarial Gains & Losses	(2,281)	(3,035)
Unfunded Benefits Paid	(86)	(85)
Benefits Paid	(1,838)	(4,029)
<b>Balance at 31st March</b>	<b>34,779</b>	<b>34,690</b>



## NOTES TO THE Core Financial Statements

### 40. Pensions and Retirement Benefits (continued)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on Scheme assets in the year was £188m (£3,169m 2010/11).

#### Scheme History

	31 <sup>st</sup> March 2012 £'000	31 <sup>st</sup> March 2011 £'000	31 <sup>st</sup> March 2010 £'000	31 <sup>st</sup> March 2009 £'000	31 <sup>st</sup> March 2008 £'000
Present Value of Scheme Liabilities	(55,299)	(49,562)	(63,734)	(39,336)	(40,137)
Fair Value of Scheme Assets	34,779	34,690	37,342	26,932	35,417
	<b>(20,520)</b>	<b>(14,872)</b>	<b>(26,392)</b>	<b>(12,404)</b>	<b>(4,720)</b>

#### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The County Council fund liabilities have been assessed by the actuaries Hymans Robertson.

The principal assumptions used by the actuary have been:

	<b>2011/12</b>	<b>2010/11</b>
<b>Long Term Expected Rate of Return on Assets in the Scheme:</b>		
Equity Investments	6.2%	7.5%
Bonds	3.9%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%
<b>Mortality Assumptions:</b>		
	<b>Men</b>	<b>Women</b>
Longevity at 65 for Current Pensioners	20.9	23.3
Longevity at 65 for Future Pensioners	23.3	25.6
Assumptions as at	<b>31<sup>st</sup> March 2012 Per Annum</b>	<b>31<sup>st</sup> March 2011 Per Annum</b>
Price Increases	2.5%	2.8%
Rate of Increase in Salaries	4.8%	5.1%
Rate for Discounting Scheme Liabilities	4.8%	5.5%

#### Constitution of the Fair Value of Scheme Assets

The Local Government Pension Scheme's assets consist of the following categories, by proportion the total assets held:

	31 <sup>st</sup> March 2012	31 <sup>st</sup> March 2011
Equity Investments	65%	82%
Bonds	16%	7%
Property	11%	11%
Cash	8%	0%

## NOTES TO THE Core Financial Statements

### 40. Pensions and Retirement Benefits (continued)

#### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve

	2011/12	2010/11	2009/10	2008/09	2007/08
Experience adjustments arising on scheme assets as a % of assets	(6.6%)	(8.7%)	22.10%	(42.3%)	(8.7%)
Experience adjustments arising on scheme liabilities as a % of liabilities	1.4%	(3.4%)	0.10%	(0.2%)	7.5%

### 41. Financial Instruments

#### Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments

	Long-Term		Current	
	31st March 2012 £'000	31st March 2011 £'000	31st March 2012 £'000	31st March 2011 £'000
Financial liabilities (1)	70,952	4,300	6,761	10,700
<b>Financial liabilities at amortised cost</b>	<b>70,952</b>	<b>4,300</b>	<b>6,761</b>	<b>10,703</b>
PFI and finance lease liabilities	1,690	1,565	337	0
<b>Total financial liabilities</b>	<b>72,642</b>	<b>5,865</b>	<b>7,098</b>	<b>10,703</b>
Loans and receivables (1)	232	293	4,783	6,169
<b>Total financial assets</b>	<b>232</b>	<b>293</b>	<b>4,783</b>	<b>6,169</b>
Soft loans provided (2)	68	109	41	43

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the Balance Sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 - The Council has made loan to voluntary organisations and to staff under the Assisted Car Purchase Scheme at less than market rates (soft loans). In addition loans have been made to the Hinckley Museum at Atkins Cafe to cover repairs to the property and furniture. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance

41. Financial Instruments (continued)

Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain 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.

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 Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

**Financial instruments Gains/Losses**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2011/12

	Liabilities measured at amortised cost £'000s	Loans and Receivables £'000s	Total £'000s
Interest expense	(300)		(300)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(300)</b>		<b>(300)</b>
Interest income		75	85
<b>Total income in Surplus or Deficit on the Provision of Services</b>			<b>85</b>
<b>Net gain/(loss) for the year</b>	<b>(300)</b>	<b>75</b>	<b>(215)</b>

2010/11

	Liabilities measured at amortised cost £'000s	Loans and Receivables £'000s	Total £'000s
Interest expense	(223)		(223)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(223)</b>		<b>(223)</b>
Interest Income		84	84
<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>84</b>	<b>84</b>
<b>Net gain/(loss) for the year</b>	<b>(223)</b>	<b>84</b>	<b>139</b>

**Fair value of Assets and Liabilities carried at Amortised Cost**

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

**41. Financial Instruments (continued)**

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

£'000s	31st March 2012		31st March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt	71,952	75,580	4,300	4,606
Long term payables	807	807	1,139	1,139
<b>Total Liabilities</b>	<b>72,759</b>	<b>76,387</b>	<b>5,439</b>	<b>5,745</b>
The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.				
Money market loans	2,500	2,500	4,150	4,150
Long term Receivables	215	215	276	276
<b>Total Assets</b>	<b>2,715</b>	<b>2,715</b>	<b>4,426</b>	<b>4,426</b>

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

**Disclosure of nature and extent of risk arising from Financial Instruments**

**Key risks**

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk and maturity risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

### 41. Financial Instruments (continued)

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#### **Overall procedures for managing risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance (regulations – Scotland) issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Strategy and treasury management clauses within its financial regulations/standing orders/constitution;
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual Treasury Management Strategy which incorporates the Prudential Indicators was approved by the Finance Audit and Performance Committee on 25/07/2011 and is available on the Council website. The key points within the strategy were:

- The Authorised Limit for 2011/12 was set at £17.75m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £13.69m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £16m and £4m based on the Council's net debt.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

### 41. Financial Instruments (continued)

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#### **Credit risk**

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

This risk is minimised through the Annual Investment Strategy element of the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Details of the Investment Strategy can be found on the Council's website. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term of F1, Long Term A, Support 3 and Individual C (Fitch or equivalent rating), with the lowest available rating being applied to the criteria.
- Guaranteed Banks with suitable sovereign support;
- Building societies which meet the required credit ratings and hold assets in excess of £500m.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £5million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31st March 2012 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its customers, such that £304k of the £970k general debtor balance is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>General Receivables as 31<sup>st</sup> March 2012</b>
<30 days	665,843
30-59 days	42,195
60-89 days	17,903
90-119 days	19,487
>120 days	224,763
	<b>970,192</b>

Collateral – During the reporting period the council held no collateral as security

#### **Liquidity risk**

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

41. Financial Instruments (continued)

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31st March 2012 £'000s	31st March 2011 £'000s
Less than 1 year	2,500	4,150
Between 1 and 2 years	0	0
Between 2 and 3 years	0	0
More than 3 years	0	0
Total	2,500	4,150

**Refinancing and Maturity risk**

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rate borrowings maturing in each period:

	Approved minimum limits	Approved maximum limits	Actual 31st March 2011 £'000s	Actual 31st March 2012 £'000s
Less than 1 year	0%	100%	5,500	3,600
Between 1 and 2 years	0%	100%	1,000	0
Between 2 and 5 years	0%	100%	0	0
Between 5 and 10 years	0%	100%	0	8,824
More than 10 years	0%	100%	3,300	62,128
Total	0%	100%	9,800	74,552



### 41. Financial Instruments (continued)

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#### Market risk

**Interest rate risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

If all interest rates had been 1% higher or lower (with all other variables held constant) the financial effect would be nil as all the Council's borrowing and investments are fixed rate.

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### 42. Contingent Liabilities

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The Council is aware of litigation currently taking place regarding charges for personal local property searches. If the case goes against Local Authorities the Council will have to refund charges made for such searches. At the time the Accounts were being prepared the outcome of the case and resultant liability was not known, however, it is estimated the maximum cost will be £60,000.



### 43. Revenues and Benefits Partnership

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

All partners contribute towards the operation of the partnership which is classified as a Jointly Controlled Operation. On this basis, each partner accounts for their share of contributions within their Statement of Accounts. The funding provided by Hinckley and Bosworth Borough Council in 2011/12 was £1.321million.

Each partner provides equipment and software for the operation of the Partnership. These remain the property of the partners. Those assets used by the Council for the Partnership are included in the Balance Sheet at a Net Book Value of £349k (Vehicles, Plant and Equipment) and £268k (Intangible Software Assets).

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### 44. Heritage Assets

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These assets are held and maintained principally for their contribution to knowledge and culture. They have historical, artistic, technological, geophysical or environmental qualities. All assets are deemed to have indefinite useful economic lives.

	2011/12	Restated	Restated
	£'000	2010/11	2009/10
		£'000	£'000
Balance at start of year:	121	121	121
Additions	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
Impairment losses/(reversals) recognised in Revaluation Reserve	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Other Movements	0	0	0
Closing Balance	121	121	121



# ADDITIONAL *financial* STATEMENTS

THE *Housing Revenue* Statement

THE *Collection Fund*

## ADDITIONAL *financial* STATEMENTS

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### Housing Revenue Account 2011/12

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The Housing revenue Account Income and Expenditure Statement shows the economic cost in the year of providing the landlord's housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The difference between the accounting cost and the funding cost is adjusted in the Movement on the Housing Revenue Account Statement.

## ADDITIONAL *financial* STATEMENTS

### Housing Revenue Statement 2011/12

2010/11 £'000	<b>HRA INCOME &amp; EXPENDITURE STATEMENT</b>	Notes	2011/12 £'000
	<b>INCOME</b>		
10,168	Dwelling Rents	5	10,609
70	Non Dwelling Rents	5	71
189	Charges for Services & Facilities		220
504	Contributions towards Expenditure		644
<b>10,931</b>	<b>Total Income</b>		<b>11,544</b>
	<b>EXPENDITURE</b>		
2,193	Repairs and Maintenance		2,236
2,400	Supervision and Management		2,351
202	Rents, Rates, Taxes, Other Charges		245
3,743	Negative Housing Revenue Account Subsidy Payable	10	4,236
0	LA Housing Settlement payment to Government for HRA Self-Financing		67,652
50,036	Depreciation and Impairment of Non Current Assets	9	3,213
5	Debt Management Costs		7
53	Increase in Bad Debt Provision / Bad debt write off	6	96
<b>58,632</b>	<b>Total Expenditure</b>		<b>80,036</b>
<b>47,701</b>	<b>Net Cost of HRA Services per Authority Income &amp; Expenditure Statement</b>		<b>68,492</b>
24	Interest Payable		20
(4)	Interest and Investment Income		(10)
(114)	Surplus on disposal of Non Current Assets		(202)
<b>47,607</b>	<b>Deficit for the Year on HRA Services</b>		<b>68,300</b>
	<b>STATEMENT OF MOVEMENT ON THE HRA BALANCE</b>		
47,607	(Surplus)/Deficit for the year on HRA Income & Expenditure Statement		68,300
	<b>Items included in the HRA Income &amp; Expenditure Statement but excluded from the movement on HRA Balance for the year.</b>		
(198)	Net Charges made for retirement benefits in accordance with IAS 19	11	(183)
0	LA Housing Settlement paid to Government for HRA Self-Financing		(67,652)
114	Surplus on disposal of Non Current Assets		202
	<b>Items not included in the HRA Income &amp; Expenditure Statement but included in the movement on HRA Balance for the year</b>		
(45,852)	Impairment of Non Current Assets		(278)
(2,132)	Transfer from Major Repairs Reserve	7	(864)
73	Transfers to/(from) Housing Repairs Account	1	127
202	Employer's Contributions to the Leicestershire County Council Pension Fund and retirement benefits payable direct to pensioners	11	198
17	Contribution to Reserves		125
13	Contribution from Pensions Reserve re Capital Cost of Early Retirement		16
(4)	Movements regarding employee benefits accruals		1
	<b>Movements regarding grant contributions</b>		
<b>(47,767)</b>	<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>		<b>(68,309)</b>
<b>(160)</b>	<b>(Surplus)/Deficit for the Year</b>		<b>(9)</b>
<b>(1,530)</b>	<b>Balance Brought Forward 1 April</b>		<b>(1,690)</b>
<b>(1,690)</b>	<b>Balance Carried Forward 31st March</b>		<b>(1,699)</b>

## ADDITIONAL *financial* STATEMENTS

### Collection Fund 2011/12

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing Authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the billing Authority. The accounts of the fund have been prepared on an accruals basis.

2010/11 £'000		2011/12 £'000	2011/12 £'000
	<b>INCOME</b>		
47,898	Income from Council Tax		48,205
	Transfer from General Fund		
5,753	Council Tax Benefits		5,737
26,463	Income from Business Ratepayers		27,580
<b>80,114</b>	<b>Total Income</b>		<b>81,522</b>
	<b>EXPENDITURE</b>		
53,331	Precepts and Demands from County, District, Fire and Police Authorities		53,701
	Business Rate		
26,143	Payment to National Pool	27,120	
127	Costs of Collection	125	
26,270			27,245
	Bad and Doubtful debts/appeals		
265	– Write Offs	460	
91	Provisions	8	
356			468
	Contributions		
	Distribution of Previous Year's		
393	Estimated Balance		143
<b>80,350</b>	<b>Total Expenditure</b>		<b>81,557</b>
(236)	Movement on Fund Balance		(35)
331	Fund Balance at 1 <sup>st</sup> April 2011		95
<b>95</b>	<b>Fund Balance at 31<sup>st</sup> March 2012</b>		<b>60</b>

## ADDITIONAL *financial* STATEMENTS

### Notes to the Additional Financial Statements

#### 1. Housing Repairs Account 2011/12

2010/11 £'000		2011/12 £'000	2011/12 £'000
	<b>INCOME</b>		
(2,300)	Contribution from HRA		(2,400)
(4)	Interest on cash balances		(5)
0	Miscellaneous Income		(2)
(6)	Other contributions		0
<b>(2,310)</b>	<b>Total Income</b>		<b>(2,407)</b>
	<b>EXPENDITURE</b>		
	<b>Administration</b>		
345	Employee costs	266	
22	Transport related costs	17	
93	Supplies and services costs	94	
<u>310</u>	<u>Central support costs</u>	<u>285</u>	
770			662
498	Programmed repairs		457
963	Responsive repairs		1,156
<b>2,231</b>	<b>Total Expenditure</b>		<b>2,275</b>
<b>(79)</b>	<b>Net Cost of Service</b>		<b>(132)</b>
<b>(1)</b>	<b>IAS 19 Pension Adjustment</b>		<b>3</b>
<b>6</b>	<b>Contribution to Unapplied contributions reserve</b>		<b>0</b>
<b>(74)</b>	<b>(Surplus)/Deficit for the year</b>		<b>(129)</b>
<b>(270)</b>	<b>Balance brought forward 1 April</b>		<b>(344)</b>
<b>(344)</b>	<b>Balance carried forward 31st March</b>		<b>(473)</b>

#### 2. Movement in Dwelling Stock

The Council was responsible for managing a housing stock of 3,399 dwellings at 31st March 2012. During the year the following movement took place: -

	2011/12	2010/11
Sales (Right to Buy)	(4)	(3)
Transfer (to)/from Community Centre/Office use	0	(2)
Additions	2	0
Reclassification adjustments*	<u>8</u>	<u>0</u>
	<u>(6)</u>	<u>(5)</u>

## ADDITIONAL *financial* STATEMENTS

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### 3. Property Types in Dwelling Stock

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The types of properties owned by the Council at 31<sup>st</sup> March comprise the following:-

TYPE	2012	2011
	NUMBER OWNED	NUMBER OWNED
1 bedroom bungalows	268	263
1 bedroom houses	1	2
1 bedroom flats	595	599
2 bedroom bungalows	425	427
2 bedroom houses	264	260
2 bedroom flats	422	420
3 bedroom bungalows	10	7
3 bedroom houses	1,397	1,399
3 bedroom flats	1	0
4 bedroom bungalows	1	1
4 bedroom houses	15	15
Total Dwellings	3,399	3,393

The 1 bedroom flats total, shown above, includes 14 units that are the dwelling equivalent of the flexible hostel places.

\*The Council is currently going through a validation exercise to verify the archetype of all its properties. A number of reclassification changes are expected to occur through this process.

### 4. Balance Sheet Value of Authority's HRA Assets

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	BALANCE AS AT 31st March 2012 £'000	BALANCE AS AT 31st March 2011 £'000
Dwellings	105,431	106,279
Other Land & Buildings	365	368
<b>OPERATIONAL ASSETS</b>	105,796	106,647
Investment Land/Properties	324	339
<b>TOTAL ASSETS</b>	106,120	106,986

The vacant possession value of dwellings within the Council's HRA as at 31st March 2012 was £285.209m. The vacant possession value and Balance Sheet value of dwellings within the HRA show the economic cost to Government of providing Council housing at less than open market rents.

### 5. Rent Income

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Rent Income can be analysed as follows: -

	2011/12 £'000	2010/11 £'000
Collectable from Tenants	4,577	4,297
Rent Rebates	6,032	5,871
	10,609	10,168
Non-dwelling Rents (Shops etc.)	71	70
	10,680	10,238



## ADDITIONAL *financial* STATEMENTS

### 6. Rent Arrears

	31st March 2012 £'000	31st March 2011 £'000
Rent Arrears	271	212
Bad Debt Provision	144	100
Bad Debts Written Off	52	35

### 7. Major Repairs Reserve

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	<b>0</b>	<b>0</b>
Amounts transferred to Reserve during year	(2,935)	(4,184)
Amounts transferred from Reserve to HRA during year	864	2,132
Capital Expenditure	2,071	2,052
<b>Balance at 31st March</b>	<b>0</b>	<b>0</b>

The HRA capital expenditure in 2011/12 was incurred entirely on dwellings (see note 8). Accordingly, the use of the Major Repairs Reserve to finance HRA capital expenditure relates entirely to enhancement of dwellings.

### 8. Capital Expenditure & Receipts

The total HRA capital expenditure of £2,485,000 (£2,710,889 2010/11) was incurred entirely on works to dwellings.

The sources of funding are shown below: -

	2011/12 £'000	2010/11 £'000
Earmarked Reserves	0	36
Other Contributions	114	1
Borrowing	300	622
Major Repairs Reserve	2,071	2,052
	<b>2,485</b>	<b>2,711</b>

Total capital receipts from disposals within the Authority's HRA assets during the financial year are shown below: -

	2011/12 £'000	2010/11 £'000
Right to Buy Dwellings	351	278
Council House Mortgage Repayments	2	2
Other Sales	0	40
	<b>353</b>	<b>320</b>

## ADDITIONAL *financial* STATEMENTS

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### 9. Depreciation

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The total charge for depreciation and impairment for the land, houses and other property within the Authority's HRA during the financial year is as follows:-

	2011/12 £'000	2010/11 £'000
<b>Depreciation</b>		
Dwellings	2,924	4,173
Other Land & Buildings	11	11
<b>Total Depreciation – Operational Assets</b>	<b>2,935</b>	<b>4,184</b>
<b>Impairment of Non Current Assets</b>	<b>278</b>	<b>45,852</b>
<b>Total Depreciation and Impairments</b>	<b>3,213</b>	<b>50,036</b>

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### 10. HRA Subsidy

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A breakdown of the amount of HRA subsidy payable by the Authority for the financial year is provided below.

	2011/12 £'000	2010/11 £'000
Management & maintenance	4,814	4,687
Major Repairs Allowance	2,083	2,052
Charges for capital	121	114
Guideline Rent Income	(11,253)	(10,537)
<b>HRA Subsidy payable for year</b>	<b>(4,235)</b>	<b>(3,684)</b>
Post audit subsidy adjustment relating to previous year *	(1)	(59)
	<b>(4,236)</b>	<b>(3,743)</b>

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\* The subsidy claim to the Department of Communities and Local Government is subject to a separate audit which takes place after the Statement is prepared and in some cases the amount payable is adjusted to take account of matters that arise from the audit.

### 11. HRA Share of Contribution To or From the Pension Reserve

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To comply with IAS 19, the current service costs for HRA are calculated separately and incorporated into Supervision & Management and Repairs & Maintenance costs shown. In order that there is no net cost to the HRA, these entries are reversed by the net effect of the following items:

1. Net charges made for retirement benefits in accordance with IAS 19; This amounted to £183,000 in 2011/12 (£198,000 in 2010/11).
2. Employer's contributions to the Leicestershire County Council pension fund and retirement benefits payable direct to pensioners. This amounted to £198,000 in 2011/12 (£202,000 in 2010/11).

## ADDITIONAL *financial* STATEMENTS

### 12. Non-Domestic Rateable Value

	2012 £'000	2011 £'000
Value at 31 <sup>st</sup> March	70,166	70,142

### 13. National Non-Domestic Rates Multiplier

	2011/12	2010/11
National Non-Domestic Rates multiplier	43.3p	41.4p

### 14. Council Tax Base

Number of chargeable dwellings in each valuation band converted to an equivalent number of Band D dwellings.

Band	2011/12	2010/11
A	4,442	4,377
B	9,901	9,863
C	8,367	8,323
D	6,176	6,157
E	4,288	4,245
F	2,597	2,581
G	1,482	1,478
H	99	99
<b>Council Tax Base</b>	<b>37,352</b>	<b>37,123</b>

### 15. Significant Precepting Authorities

	2011/12 £'000	2010/11 £'000
Leicestershire County Council	39,706	39,462
Leicestershire Police Authority	6,336	6,297
Leicester, Leicestershire & Rutland Combined Fire Authority	1,994	1,982
Hinckley & Bosworth Borough Council	5,665	5,590
	<b>53,701</b>	<b>53,331</b>

### 16. Fund Balances

The balance on the Fund comprises two components:

	31 <sup>st</sup> March 2012 £'000	31 <sup>st</sup> March 2011 £'000
a) A surplus on Council Tax collection. This will be distributed to the Borough Council, the County Council, the Fire and the Police Authorities in subsequent years in proportion to their demands and precepts on the Fund. The Borough Council's share amounts to £6,000. (£10,000 – 31 <sup>st</sup> March 2011)	60	95
	<b>60</b>	<b>95</b>

## Glossary of Terms

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Term	Definition
<b>Accounting Policies</b>	Principles, bases, rules and practices applied in the preparation of the financial statements.
<b>Accruals</b>	The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.
<b>Actuarial Gains and Losses</b>	<p>For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because</p> <ul style="list-style-type: none"> <li>a) events have not coincided with the actuarial assumptions made at the last valuation (experience gains or losses)</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>b) the actuarial assumptions have changed.</li> </ul>
<b>Capital Charge</b>	A charge to revenue accounts to reflect the cost of Non Current Assets used in the provision of services.
<b>Capital expenditure</b>	Expenditure on the acquisition of Non Current Assets or expenditure which adds to and not merely maintains the value of an existing asset.
<b>Capital Receipt</b>	Money the Council receives from the sales of assets (buildings, land etc).
<b>CCAB</b>	Consultative Committee for Accountancy Bodies.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy, the principal accountancy body dealing with local government finance.
<b>Community Assets</b>	Land held permanently for the benefit of Borough residents.
<b>Consistency</b>	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
<b>Corporate and Democratic Core</b>	Activities of the Council due to being an elected, multi purpose body. The cost of these activities is over and above those that would be incurred by a series of independent, single purpose nominated bodies managing the same activities. There is no logical basis for apportioning these costs to services.
<b>Current Service Cost (Pensions)</b>	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

## Glossary of Terms

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<b>Defined Benefits Scheme</b>	A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investment of the scheme. The scheme may be funded or unfunded (including notionally funded).
<b>Depreciation</b>	The measure of the wearing out, consumption, or other reduction in the useful life of Property, Plant and Equipment assets whether arising from use, passage of time or obsolescence through technology or other changes.
<b>Discretionary Benefits</b>	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers such as the Local Government Discretionary Payments Regulations 2000.
<b>Expected Rate of Return on Pensions Assets</b>	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
<b>Fair Value</b>	The fair value of an asset is the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.
<b>Finance Lease</b>	A lease that substantially transfers all of the risks and rewards of ownership of an asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment amounts to substantially all of the fair value of the leased asset.
<b>Non Current Assets</b>	Property, plant and equipment assets that yield benefits to the local Authority and the services it provides for a period of more than one year.
<b>General Fund</b>	The Council's main Revenue Account covering the net cost of all services other than Council Housing.
<b>Going Concern</b>	The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and the Balance Sheet assume no intention to curtail significantly the scale of operations.
<b>Housing Revenue Account (HRA)</b>	A separate account to the General Fund, which includes the income and expenditure arising from the provision of Council Housing by the Authority. The HRA is ring fenced with no cross subsidy being allowed between the HRA and the General Fund.

<p><b>Housing Subsidy</b></p>	<p>A payment received from or made to Central Government designed to equate needs and resources for Social Housing across the country based on a notional Housing Revenue Account.</p>
<p><b>IEG</b></p>	<p>Implementation of electronic government.</p>
<p><b>Impairment</b></p>	<p>The reduction in the valuation of a Property, Plant and Equipment asset or goodwill below its Balance Sheet value and occurs when something adverse has happened to either the asset itself or to the economic environment in which the asset is operated.</p>
<p><b>Infrastructure Assets</b></p>	<p>Non Current Assets that are inalienable expenditure on which is recoverable only by continued use of assets created. Examples of infrastructure assets are Highways and Footpaths.</p>
<p><b>Interest Cost (Pensions)</b></p>	<p>For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.</p>
<p><b>Inventories</b></p>	<p>Comprise the following categories:-</p> <ul style="list-style-type: none"> <li>i) goods or other assets purchased for resale;</li> <li>ii) consumable stores;</li> <li>iii) raw materials and components purchased for incorporation into products for sale;</li> <li>iv) products and services in intermediate stages of completion;</li> <li>v) contract balances;</li> <li>vi) finished goods.</li> </ul>
<p><b>Investments (Non Pensions Fund)</b></p>	<p>A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Authority. Investments should only be classed as such where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.</p> <p>Investments, other than those in relation to pension's funds, which do not meet the above criteria, are classified as current assets.</p>
<p><b>Investments (Pensions Fund)</b></p>	<p>The investments of the Pensions Fund will be accounted for in the Statements of the administering Authority, which is Leicestershire County Council. District Councils are required to disclose as part of the requirements relating to retirement benefits the attributable share of Pensions Scheme assets associated with their underlying obligations.</p>

## Glossary of Terms

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<b>Investment Properties</b>	Interest in land and/or buildings:-  a) in respect of which construction work and development has been completed; and  b) which is held for its investment potential, any rental income being negotiated at arm's length.
<b>Major Repairs Reserve</b>	A reserve created to deal with major repairs to HRA properties financed from the Major Repairs Allowance element of Housing Subsidy.
<b>Minimum Revenue Provision (MRP)</b>	Minimum Revenue Provision is the minimum amount the Council is required to provide for the repayment of long-term debt used to finance the acquisition of Non Current Assets.
<b>National Non-Domestic Rates (NDR)</b>	National Non-Domestic Rates (Business Rates) represents the rate of taxation on business properties. Central Government has the responsibility for setting the rate and Local Authorities are responsible for the billing and collection of the tax.
<b>Net Book Value</b>	The amount at which Non Current Assets are included in the Balance Sheet i.e. their historic cost or current value less the cumulative amounts provided for depreciation.
<b>Net Current Replacement Cost</b>	The cost of replacing or recreating the particular asset in its existing condition and existing use i.e. the cost of its replacement or the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.
<b>Net Realisable value</b>	The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses incurred in realising the asset.
<b>Non-Distributed Costs</b>	These are overheads for which no user benefits and therefore should not be apportioned to services.
<b>Non-Operational Assets</b>	Non Current Assets that are held by a Local Authority but not directly occupied, used or consumed in the delivery of services. Examples would be investment properties and assets surplus to requirements, pending sale or redevelopment.
<b>Operating Leases</b>	A lease other than a finance lease.
<b>Operational Assets</b>	Non Current Assets that are held and occupied used or consumed by the Local Authority in the direct delivery of services for which it has a statutory or discretionary responsibility.
<b>Past Service Cost</b>	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee

<p><b>Post Balance Sheet Events</b></p> <p><b>Precept</b></p> <p><b>Projected Unit Method</b></p> <p><b>Prudence</b></p> <p><b>Reserve</b></p> <p><b>Retirement Benefits</b></p>	<p>service in prior periods arising in the current period as a result of the introduction of or improvement to retirement benefits.</p> <p>Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.</p> <p>A demand by one public body to another public body to collect revenue from a Council Tax payer.</p> <p>An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:-</p> <ul style="list-style-type: none"> <li>i) the benefits for pensioners and deferred pensioners (i.e. the individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases;</li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>ii) The accrued benefits for members in service on the valuation date. The accrued benefits are benefits up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note 27 issued by the Faculty and Institute of Actuaries.</li> </ul> <p>The concept that revenue is not anticipated but is recognised only when realised in the form of cash or other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.</p> <p>Monies set aside for a scheme or event that may happen.</p> <p>All forms of consideration given by an employer in exchange for services rendered by an employee that are payable after the completion of employment. Retirement benefits do not include termination payments payable as a result of either;</p> <ul style="list-style-type: none"> <li>i) An employer's decision to terminate an employee's employment before normal retirement date</li> </ul> <p>Or</p> <ul style="list-style-type: none"> <li>ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.</li> </ul>
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## Glossary of Terms

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<b>Revenue expenditure</b>	Any expenditure that is of a recurring nature and does not result in the creation of an asset that is of benefit to the organisation beyond the end of the current accounting period.
<b>Scheme Liabilities</b>	The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.
<b>Settlement</b>	<p>An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include.</p> <ul style="list-style-type: none"> <li>i) a lump sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;</li> <li>ii) the purchase of an irrevocable annuity contract sufficient to cover vested benefits;</li> <li>iii) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.</li> </ul>
<b>Total Cost</b>	The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.
<b>Ultra Vires</b>	An action that is outside the powers allowed to the body that wants to execute the action.
<b>Useful Life</b>	The period over which the Local Authority will derive benefits from the use of an asset.
<b>Vested rights</b>	<p>In relation to a defined benefits pension scheme, these are:-</p> <ul style="list-style-type: none"> <li>i) For active members, benefits to which they would be unconditionally entitled to on leaving the scheme;</li> <li>ii) For deferred pensioners, their preserved benefits;</li> <li>iii) For pensioners, pension to which they are entitled.</li> </ul> <p>Vested rights include where appropriate, the related benefits for spouses or other dependants.</p>

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COUNCIL – 18 SEPTEMBER 2012

ANNUAL GOVERNANCE STATEMENT 2011/12  
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE  
DIRECTION)



WARDS AFFECTED: ALL WARDS

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1. PURPOSE OF REPORT

To seek the approval of the Annual Governance Statement for 2011/12.

2. RECOMMENDATION

That Council approve the Annual Governance Statement

3. BACKGROUND TO THE REPORT

- 3.1 The Accounts and Audit Regulations 2011 have established requirements that all local authorities must adhere to in relation to systems of internal control. This has implications for the whole authority and all its services. The regulations require councils to “have a sound system of internal control which facilitates the effective exercise of the council’s functions and which include the arrangements for the management of risk”.
- 3.2 The Council is required to review at least annually the effectiveness of the system of internal controls and make a statement on that alongside the Statement of Accounts.
- 3.3 Whilst the legislation requiring the statement is placed with the Accounts and Audit Regulations **this is not just an accounting or auditing issue. The Annual Governance Statement is a key measure of the overall effectiveness of the Authority.**
- 3.4 As part of the production of the Annual Governance Statement, assurance is required from all services regarding their current systems, procedures and accompanying controls operated. All services were therefore asked to complete a service assurance assessment which has formed part of this statement.
- 3.5 The Annual Governance Statement is appended to this report.
- 3.6 The Annual Governance Statement includes one significant control weakness to bring to this committee’s attention. This relates to the previous qualification of the Council’s Housing Revenue Account Base Data Subsidy Return for 2010/11. An action plan has been put in place to address this issue, the details of which are contained within the statement.

4. FINANCIAL IMPLICATIONS (KB)

None

5. LEGAL IMPLICATIONS (LH)

The 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous

improvement in the way in which it functions, having regard to a combination of economy efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the council's functions and which includes arrangements for the management of risk. The Accounts and Audit Regulations 2011 have established the requirement that all local authorities must adhere to in relation to systems of internal control.

6. **CORPORATE PLAN IMPLICATIONS**

The Council's governance arrangements are robust

7. **CONSULTATION**

All members of COB and Middle Managers have been consulted in preparing the Statement.

8. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
None		

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

None

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

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Background Papers: Service Assurance Statements  
Council Policies and Procedures  
Author: Katherine Bennett, Accountancy Manager  
Executive Member: Councillor KWP Lynch

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## The Annual Governance Statement

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### **SCOPE OF RESPONSIBILITY**

Hinckley and Bosworth Borough Council (the 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 and to ensure economy, efficiency and effectiveness.

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

Hinckley and Bosworth Borough Council has approved and adopted a code of corporate governance (The Constitution) which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Constitution can be found on the Council's website at *Services>Council & Democracy>Councillors, democracy and elections*. This statement explains how the Council has complied with the Constitution and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2011.

In overall terms this is a positive statement for the financial year 2011/12. This document relies on several assurance mechanisms including internal audit, the work of Council committees and external audit.

### **THE PURPOSE OF THE SYSTEM OF CORPORATE GOVERNANCE**

The system of corporate governance is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of corporate governance is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate the likelihood and impact of these risks, and to manage them efficiently, effectively and economically.

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

The governance framework has been in place at the Council for the year ended 31 March 2012 and up to the date of the approval of the Statement of Accounts

### **THE INTERNAL CONTROL ENVIRONMENT**

CIPFA's "*Delivering Good Governance in Local Government: Guidance Note for English Authorities*" outlines that the principles of good governance are:

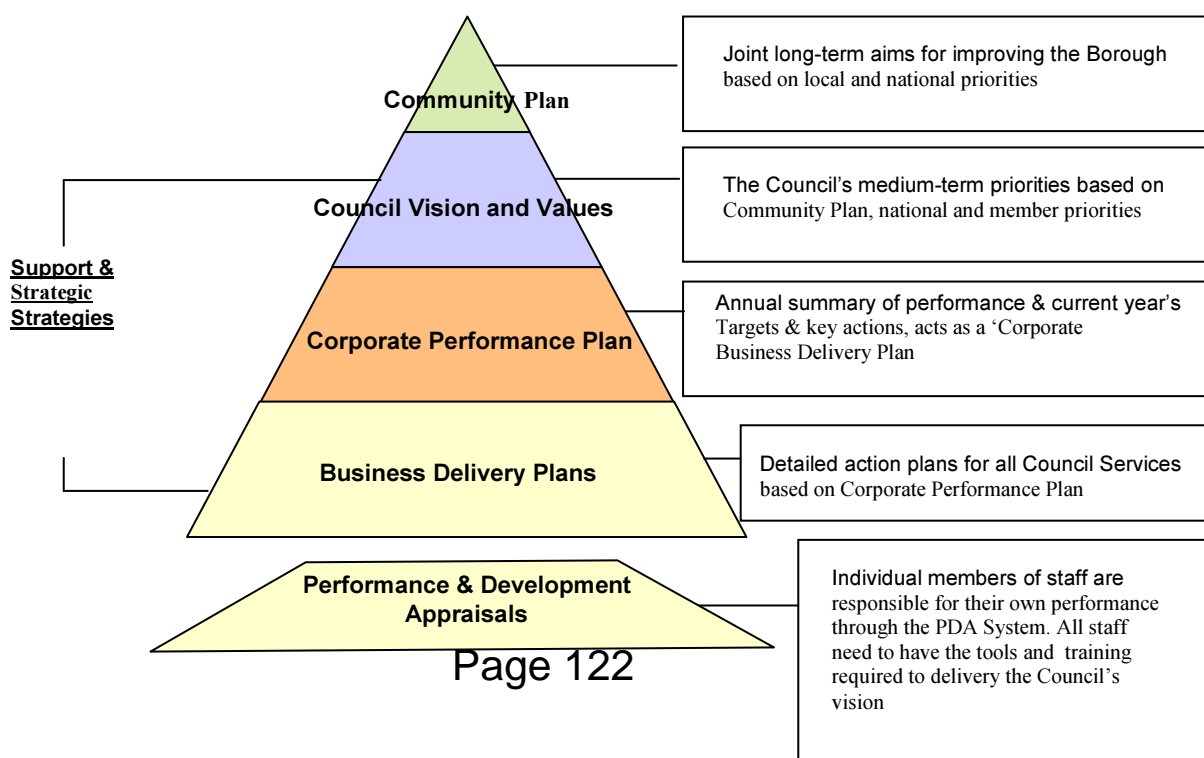
## Annual Governance Statement

- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust accountability.

The key elements of the Council's internal control environment and governance framework are outlined below.

- The Council's Community Plan developed by the Local Strategic Partnership for the period 2010-2015 sets out the long-term aims of the Borough and drives the Corporate Performance Plan and Medium Term Financial Strategy. The Council's Corporate Plan for the period 2010-2015 provides residents, councilors and staff with a clear idea of Council's long-term vision to improve the quality of life for residents and make Hinckley and Bosworth a 'Borough to be Proud Of'. The plan outlines five corporate aims which guide all decisions made by the Council.
- The Council uses plans and strategies at all levels of the organisation to plan and monitor the achievement of its aims and objective. At a corporate level the system is governed by the Corporate Planning Framework which is represented by the diagram below. The Council's objectives are reflected in Service Improvement Plans which outline how each department will achieve the corporate aims within a three year period. Progress achieved against these plans are managed through the TEN performance management system on a monthly basis as part of the Service Managers' team briefings chaired by the Council's two Deputy Chief Executives, on a quarterly basis by the Council's joint Management Boards, and annually in the Corporate Performance Plan.

### Hinckley & Bosworth Borough Council – Corporate Planning Framework



## Annual Governance Statement

- The Council's financial strategy is outlined in the Medium Term Financial Strategy 2011/12-2014/15 which was approved by the Scrutiny Commission in January 2012 and by full Council on 23<sup>rd</sup> February 2012. The document outlines eleven financial objectives which the Council looks to achieve in order to resolve the continuing pressure of service requirements in the context of available resources. Alongside this, the Council has put in place a Housing Revenue Account (HRA) Business Plan which sets out how the Council will respond and operate under the new scheme of self financing.
- The system of internal financial control is based on a budgetary control framework which is based on the following principals:
  - Preparation of comprehensive annual budgets and a Medium Term Financial Strategy to examine the financial health of the Council ;
  - Preparation of regular financial reports for member committees which indicate actual expenditure against forecasts;
  - Disaggregated reporting at both a fund and cost centre level to ensure that stakeholders receive information to inform decisions; and
  - Inclusion of financial implications in all committee reports.

The Council's budgetary control system is reviewed each year by internal audit and in 2011/12 received a "green" rating.

- As a key element of internal control, the internal audit function operates a risk-based approach to its work and carries out its duties in accordance with the CIPFA *Code of Practice*. Internal audit reports are performed in accordance with the approved Plan. Internal audit review each scoped area against a set of system controls agreed with management at the start of the visit and within the overall framework of system control objectives. The findings of internal audit, including any recommendations are reported to, and scrutinised by, the Finance and Audit and Performance Committee at each meeting. This Committee Select undertakes the core functions of an Audit Committee as set out in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*
- The Corporate Planning Framework is underpinned by a number of strategies which identify how the support services of the Council will reinforce and sustain the front line services that the Council provides. These include the:
  - Asset Management Strategy;
  - Capital Strategy;
  - Human Resources Strategy;
  - ICT Strategy;
  - Medium Term Financial Strategy;
  - Risk Management Strategy; and
  - Procurement Strategy.
- The Council's strategic documents outline how specific services will be provided to the Borough in the medium to long term. These strategies include the Cultural Strategy, Green Space Strategy, Hinckley Town Centre Master Plan, Local Development Framework and Leicestershire Waste Management Strategy.
- Council policies are produced in accordance with the Constitution and are recommended for approval following review by senior management. Decision-making that falls within the policy and budgetary framework rests with the Council's Executive, whilst those falling outside the framework are

## Annual Governance Statement

referred to full Council. The call-in procedure enables the Scrutiny Commission to review decisions made by Executive (although the major focus of the overview and scrutiny function involvement is through policy development rather than policy review). Day to day decision-making is carried out by appropriate officers in accordance with the Scheme of Delegated Powers and the Financial Procedure Rules. These arrangements all contribute to the economic, efficient and effective operation of the Council.

- The standards of behaviour expected from members and officers are set out in member/officer codes of conduct. A register of members' interests is maintained. All members are required to complete 'related party' declarations at the end of the financial year in support of the statutory financial statements. Members' allowances are published and a member's allowance scheme is included in the Constitution.
- The Constitution, Financial Procedure Rules, Whistle Blowing Policy and the Anti-fraud and Corruption Policy set the rules and standards within which Council business is conducted and provide the mechanisms for dealing with any failures in these procedures. The Standards Committee monitors the performance of members, senior officers and the Council's committees. The Council's decision making practices are guided by the values as set out in the corporate plan.
- The Constitution also includes provisions for the governance of partnerships the Council is part of. A separate constitution or terms of reference is in place for all partnerships which outlines their respective roles and responsibilities. Quarterly dashboards are produced to plot how partnerships are helping the Council achieve its strategic objectives. Significant partnerships that the Council is involved with include the Community Safety Partnership, Leicestershire Waste Partnership and Leicestershire Together.
- The Council ensures compliance with established policies, procedures, laws and regulations through various channels. Two statutory officers (Section 151 Officer and the Monitoring Officer) have responsibility for ensuring that the Council does not act in an ultra vires manner. Management are supported by the internal audit function, which facilitates the management and mitigation of risk and provides assurance on matters of internal control. The Human Resources function, through the use of workforce development reviews assess and provide a means of improving competencies to ensure that officers are equipped to discharge their duties in accordance with the requirements of the Council. The Council's financial management arrangements conform with the governance arrangements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*.
- The Communication and Engagement Strategy outlines how the Council will engage with local people and stakeholders through means such as the Community Plan, public meetings and the citizen's panel. A number of public consultations have taken place in year on pertinent issues including



## Annual Governance Statement

crime, Burbage conservation area and housing tenancy. The Council communicates to residents through Borough Bulletin which is circulated to all residents each quarter. Regular staff communication is ensured through the staff and management notice boards and regular briefings held by the management team.

- The Council regularly measures performance through a suite of performance indicators managed on the TEN Performance Management system. All indicators are mapped to corporate priorities and are embedded within individual Service Improvement Plans. Each month figures are entered by managers before the database is locked to maintain accuracy in reporting. These reports show all performance indicators in and are allocated to individual Executive Member leads. The reports are presented to Strategic Leadership Board, Scrutiny Commission and the Executive. The reports provide the following information for each of these indicators:
  - Performance for current year;
  - The target set for current year;
  - Performance in the previous year;
  - Targets for the next three years;
  - An explanation of performance and the targets set; and
  - Data Quality Checks

The Council is committed to continuous improvement. This was proved by the fact that in 2008/09 the Council sought a CPA re-assessment and was re-categorised as an “excellent” authority. This was a recognition of all the work that had been undertaken since 2004 to implement and embed the improvement actions identified in the 2004 inspection.

- The Council’s performance management regime is supported by risk management processes. The Risk Management Strategy outlines how best practice risk management processes are embedded into the Council’s operations. Operational risk registers are maintained on the TEN system and all managers are required to assess the impact and likelihood of risks as well as mitigating controls and action plans to reduce their severity. Quarterly reports on the risk position are taken to Finance, Audit and Performance Committee and Executive.

### **REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is reported by internal audit in their Annual Report, Chief Officers through their service assurance returns and also by comments made by the external auditors and other review agencies and inspectorates.

#### **Internal Audit**

Internal audit is provided in accordance with the statutory responsibility under S151 of the Local Government Act 1972, the *Accounts and Audit Regulations*

## Annual Governance Statement

2011 and to the professional standards of the *CIPFA Code of Practice for Internal Audit in Local Government*.

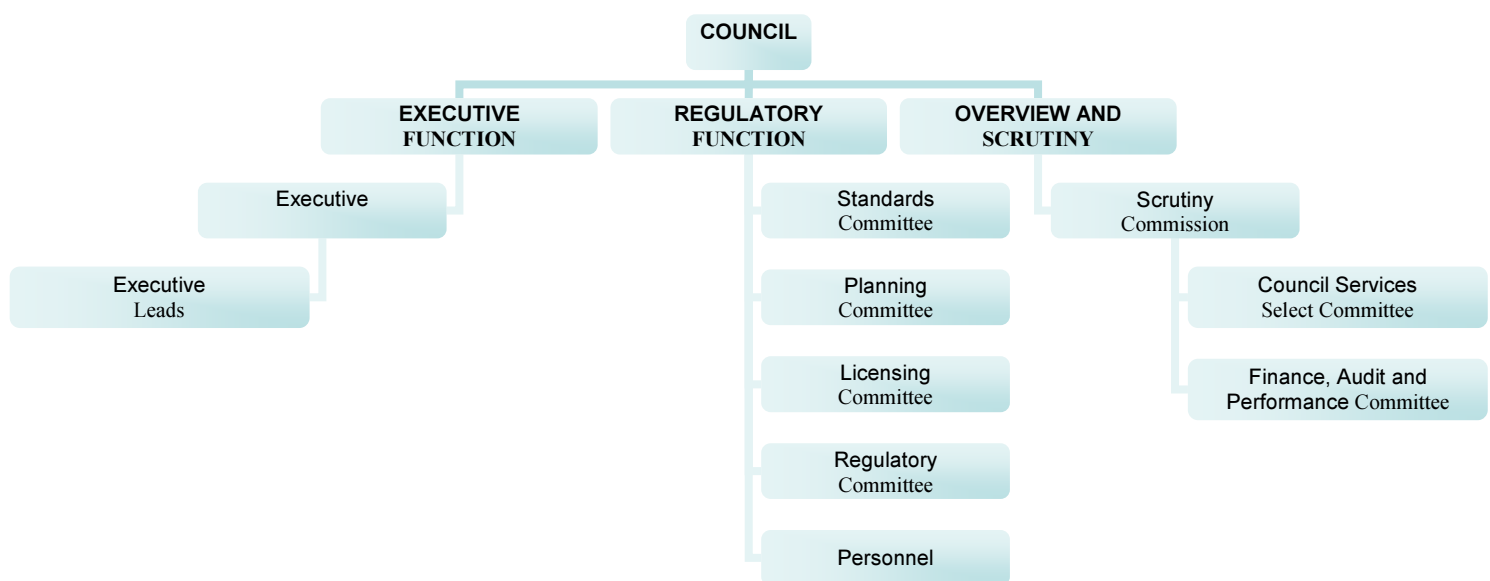
The Council's internal audit service has been outsourced to RSM Tenon, for 2011/12. Internal audit delivers its work in accordance with best practice and complies with the requirements of the Government Internal Audit Standard, CIPFA Code and other relevant CCAB standards. RSM Tenon report through the section 151 Officer who is the responsible financial officer for the Council. The section 151 then submits reports to the Finance, Audit and Performance Committee, which in turn derives its terms of reference from the Scrutiny Commission. Audit recommendations are followed up in a timely manner based upon the priority of the recommendation.

RSM Tenon acting as Chief Internal Auditor provide an annual assurance opinion which comments on the adequacy and effectiveness of the system of internal control. In their 2011/12 Annual Audit Report presented to Finance Audit and Performance Committee on 26 March 2012, RSM Tenon issued an "green" rating for the Council's governance and control systems and an "amber" rating for risk management."

The effectiveness of the internal financial controls are also reviewed annually by the external auditor whose Management Letter is considered formally by the Executive.

### Council Structure

The diagram below sets out the Council's democratic decision making arrangements



## Annual Governance Statement

The Constitution sets out the essential elements of the scrutiny processes that are administered by the Scrutiny Commission and the Select Committees. It describes the functions and membership of the Select Committees and refers to the Select Committee and Scrutiny Procedure Rules. Decisions of the Executive are subject to scrutiny by the Scrutiny Commission and two Select Committees, one responsible for Council Services and the other for Finance Audit and Performance. The Scrutiny Commission and Select Committees also have a role in policy development. In addition, task groups are established to oversee ad-hoc projects.

The Scrutiny Commission publishes an Annual Report and a work programme that available on the internet and from the Council on request. In addition, the Council publishes a rolling Forward Plan. This plan provides details of the key decisions that are planned to be taken over the following four month period.

Chapter 7 of the Localism Act 2011 outlined that there is no longer a statutory requirement to have a Standards Committee, however each Council will need to put in place arrangements dealing with complaints and standards issues. The Standards Committee met in January and April 2012 to consider their response to the proposals. The committee's preference is to adopt a common code in collaboration with other local authorities in Leicester, Leicestershire and Rutland.

### Officers

Each year all services are required to conduct a self-assessment of the adequacy of controls in place to manage principal business risks. This statement evaluates the effectiveness of procedures, systems and controls, highlights areas for improvement and actions intended to address these. Action plans are incorporated in the service planning process.

### **SIGNIFICANT INTERNAL CONTROL ISSUES**

The review of effectiveness has been considered in order to identify any significant control weaknesses that should be addressed by the Council.

### Prior year issues

The Annual Governance Statement produced in prior years identified a significant control weakness relating to over spends in the housing repairs service. The Council continued to closely monitor the spend of the external contractor in 2011/12 which resulted in an under spend against budget of £165k from April-September 2011. A decision was made to bring the housing repairs service back in house in October 2011. From this point to the end of the financial year, the Council run service secured an additional saving of approximately £300k.

Annual Governance Statement

2011/12 Significant Control Weaknesses

The Council's External Auditors (PricewaterhouseCoopers LLP) qualified the Council's Housing Revenue Account Base Data Subsidy Return for 2010/11 due to issues with the accuracy of stock information included in the return. The data recorded on the Council's Orchard system could not be verified to supporting documentation and as such, the auditors were unable to provide assurance on its accuracy. This qualification was reported to the DCLG.

In response to this issue, the Council has set up a dedicated project team to organise the collation of stock data. A full verification process was commissioned in June 2012 to obtain updated data on all Council assets. The Council developed a methodology for the collection of the data and shared this with PricewaterhouseCoopers LLP so that they could gain sufficient assurance for their audit of the accounts. The results of this data will be reported to the DCLG in order to ascertain any impact on the Council's Housing Revenue Account.

.....  
Steve Atkinson MA(Oxon) MBA FioD FRSA  
Chief Executive

Date.....

.....  
Stuart Bray  
Leader of the Council

Date .....



**COUNCIL – 18 SEPTEMBER 2012**

**REVIEW OF RESERVES**  
**REPORT OF THE DEPUTY CHIEF EXECUTIVE (CORPORATE**  
**DIRECTION)**

**WARDS AFFECTED: ALL WARDS**

**1. PURPOSE OF REPORT**

- 1.1 This report provides members with the outcomes of a review of the Council's earmarked reserves. The report includes a number of recommendations around further earmarking of these monies and potential transfers from balances to fund future spend.
- 1.2 It is important that earmarked reserves are appropriately and adequately earmarked for future spend and that the Council reviews its reserves on an annual basis to ensure the financial resilience of the Authority.

**2. RECOMMENDATIONS**

- 2.1 That Council considers approval of the recommended transfers to reserves from balances (section 3.4)
- 2.2 That Council considers approval of additional earmarked reserves to fund future spend (section 3.7)

**3. BACKGROUND**

Current Reserve Balances

- 3.1 The Council's earmarked reserves as at 31<sup>st</sup> March 2012 are summarised in the draft Statement of Accounts as follows:

	Balance at 1 April 2010	Transfers out 2010/11	Transfers in 2010/11	Balance at 31 March 2011	Transfers out 2011/2012	Transfers in 2011/12	Balance at 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
<b><u>General Fund:</u></b>							
Commutation and Feasibility	247	0	0	247	-10	50	287
Benefits Reserve	170	(58)	60	172	0	100	272
Local Plan	330	(75)	136	391	-17	68	442
Historic Buildings	14	0	0	14	0	0	14
Land Charges	51	0	0	51	0	0	51
Disaster Recovery	118	0	0	118	-118	0	0
Pensions Contributions	67	0	42	109	-75	15	49
Building Control	54	0	10	64	0	70	134
Waste Management Reserve	188	(109)	94	173	-12	82	243
ICT Reserve	241	0	0	241	0	12	253
Grounds Maintenance Health & Safety	14	(14)	0	0	0	0	0
Project Management/Masterplan	343	(10)	0	333	0	0	333
Shared Services Reserve	74	0	0	74	0	0	74
Housing & Planning Delivery Grant	373	(126)	0	247	-75	0	172
Flexible Working/Relocation	162	(147)	0	15	0	0	15

IFRS Capacity Support	15	(13)	0	2	(2)	0	0
Web Development	0	0	0	0	0	0	0
Freedom of Information Training	3	0	0	3	0	0	3
New Performance Improvement	10	0	0	10	0	0	10
Corporate Services	6	(6)	0	0	0	0	0
Housing Energy Certificate Training	11	0	0	11	0	0	11
Finance Capacity Fund	20	(10)	10	20	0	2	22
Priority Improvement Fund	70	0	0	70	0	0	70
Workforce Strategy	3	0	0	3	0	0	3
Elections	60	0	25	85	-68	45	62
Grounds Maintenance	25	0	25	50	0	25	75
Machinery Replacement							
Planning Legal Costs	20	(20)	0	0	0	0	0
Transformation	50	0	0	50	0	0	50
Unapplied Grants and Contributions	779	(15)	98	862	-141	221	942
Relocation Reserve	0	0	182	182	0	135	317
Future Capital Projects	0	0	486	486	0	125	611
Modern.Gov Reserve	0	0	20	20	-18	0	2
Greenfields Reserve	0	0	19	19	0	0	19
Special Expenses	0	0	0	0	-7	55	48
Atkins	0	0	0	0	-9	9	0
Carry Forwards	0	0	0	0	0	136	136
Hub Future Rental Management	0	0	0	0	0	250	250
<b>Total General Fund</b>	<b>3,518</b>	<b>(603)</b>	<b>1,207</b>	<b>4122</b>	<b>(550)</b>	<b>1,398</b>	<b>4,970</b>
<b><u>Housing Revenue Account:</u></b>							
HRA Piper Balance	107	0	10	117	0	9	126
HRA Communal Furniture	40	(36)	0	4	0	0	4
HRA Unapplied Grants and Contributions	0	0	6	6	0	0	6
HRA Housing Repairs Account	270	0	74	344	0	128	472
<b>Total Housing Revenue Account</b>	<b>417</b>	<b>(36)</b>	<b>90</b>	<b>471</b>	<b>0</b>	<b>137</b>	<b>608</b>
<b>TOTAL</b>	<b>3,935</b>	<b>(639)</b>	<b>1,297</b>	<b>4,593</b>	<b>(550)</b>	<b>1,535</b>	<b>5,578</b>

### Current Fund Balances

3.2 The Council's Medium Term Financial Strategy sets out a minimum requirement that 10% of the net budget requirement should be held in balances. Based on this principle, the following transfers can be considered from reserves to balances:

	<b>HBBC</b>	<b>Special Expenses</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net budget requirement	9,747	474	10,221
Minimum balances	975	47	1,022
General Fund Balance 31/03/2012 (subject to audit)	2,069	224	2,293
Maximum transfer	1,094	177	1,271

3.3 Under self financing, the Council will generate larger surpluses on the Housing Revenue Account. The HRA Business Plan proposes that an element of HRA

balances will be transferred into an additional “regeneration reserve” each year as follows:

Year	2012.13	2013.14	2014.15	2015.16	2016.17
	1	2	3	4	5
	£'000	£'000	£'000	£'000	£'000
Regeneration reserve balance	2,834	4,734	6,234	8,134	10,134
Transfer to reserve	2,834	1,900	1,500	1,900	2,000

- 3.4 Based on these calculations, it is recommended that **£1.094million** is transferred from General Fund Balances, **£0.177million** from Special Expenses Balances and **£2.834m** from the Housing Revenue Account in 2012/13 to earmarked reserves. The balance of available earmarked reserves would therefore be:

	General Fund	Special Expenses	Housing Revenue Account	Total
	£000	£000	£000	£000
Opening Balance (1st April 2012)	4,922	48	608	5,578
Transfer	1,094	177	2,834	4,105
<b>Available Balance</b>	<b>6,016</b>	<b>225</b>	<b>3,442</b>	<b>9,683</b>

#### Review of earmarking

- 3.5 The current level of reserves has been reviewed based on current service needs and the requirements outlined in the Medium Term Financial Strategy. In addition, the earmarking of reserves has been reviewed to ensure they are appropriately earmarked for specific purposes and are still required.
- 3.6 A number of reserves have not been utilised in since 1<sup>st</sup> April 2010 and have been reviewed below to ensure they are still required by the Council.

Reserve	Balance (£000)	Use	Review
Historic Buildings	14	This reserve is to allow owners of listed buildings the opportunity to borrow money to fund historic alterations and restorations. It will be used as and when applications for loans are submitted and contributions will be made as and when repayments are received.	Applications for loans may continue to be received and therefore it is proposed that this reserve will be retained.
Land Charges	51	During the first quarter of the 2005 calendar year there had been a noticeable reduction in income received from search fees. This was mainly due to the slowdown in the housing market at that time and also a shift from Standard Searches to more Personal Searches. Given the trend and the fact that the level of fees is driven by demand, this reserve was established to meet	Reserve to be re-earmarked for costs associated with planning enforcement and potential appeals. This will be increased from any additional savings made in 2012/13.

		any shortfall in income.	
Shared Services	74	This reserve has been created to deal with any one off costs associated with increased collaboration and shared working of the Council across Leicestershire	The Council continues to examine opportunities for shared working across the County and therefore it is proposed this reserve is retained to fund any cost associated with these ventures.
Freedom of Information Training	3	To provide resources to enable employees to be trained in the requirements of the Freedom of Information Act.	Reserve no longer required. To be released.
Performance Improvement	10	This reserve has been established to develop a base line for the new performance improvement set.	Reserve to be re-earmarked for future development of the TEN system.
Housing Energy Certificate Training	11	To provide resources for Housing Energy Certificate Training	This reserve is required to fund this training when the Council looks to provide energy advice for private sector housing.
Priority Improvement Fund	70	To provide resources to enable the Council to undertake projects in areas that have prioritised for improvement.	Reserve is no longer required.
Workforce Strategy	3	To provide resources to enable the workforce strategy to be developed	Additional work is required to continue to develop this strategy and therefore it is proposed that this reserve is retained.
Transformation	50	This reserve has been created to provide resources to support the Transformation agenda within the Council	The Council continues to have a transformation programme to identify efficiency savings within the MTFS. It is proposed that this reserve is retained.

3.7 The following additional requirements for reserves have been identified:

- Local Plan – An element of expenditure for 2012/13 from this reserve has not been incorporated into the Medium Term Financial Strategy and therefore a transfer from released reserves has been requested to fund this shortfall. The value of those released static reserves is recommended (£0.073million)
- Business Rates Pooling – The Council is considering options for pooling of business rates. The total exposure to the Council based on a safety net threshold of 7.5-10% is approximately £0.220million. A reserve for this level should be considered and set up over 2 years.
- Council Tax Benefit Changes – The Council may encounter additional costs of administration and recovery following the introduction of a local Council Tax Benefit scheme. It is proposed that approximately £0.138million of additional costs should be earmarked for funding within the existing “Benefits” reserve



- Community Safety – Costs of funding intranet development work for informing officers of potentially violent customers - £0.0024million
- Troubled families- The Council has agreed to make a cash investment of £0.090million towards the Leicestershire Troubled Families programme. This will be released over a 3 year period
- Relocation of offices – Additional funding is required for the cost of furniture in the Council's new office building. On this basis, half of the current "Future Capital Projects" reserve will be transferred to Relocation Reserve (£0.305million). This create a total reserve of £0.622million
- Leisure Centre – Costs associated with capital investment in the leisure centre in order to reduce future borrowing. Levels of over £1million of costs have been identified. A reserve for the balance of available funds within the General Fund has been proposed in addition to the remainder of the balance in the "Future Capital Projects Reserve".

3.8 Pending the approval of the above suggestions, the balance of the Council's earmarked reserves is outlined below:

	Balance at 31 March 2011	Transfers out 2011/2012	Transfers in 2011/2012	Balance at 31 March 2012	Proposed transfer to/(from) reserve	Balance for use
	£000	£000	£000	£000	£000	£000
<b>General Fund:</b>						
Comutation and Feasibility	247	-10	50	287	0	287
Benefits Reserve	172	0	100	272	138	410
Local Plan	391	-17	68	442	73	515
Historic Buildings	14	0	0	14	0	14
Planning Enforcement (ne "Land Charges")	51	0	0	51	0	51
Disaster Recovery	118	-118	0	0	0	0
Pensions Contributions	109	-75	15	49	0	49
Building Control	64	0	70	134	0	134
Waste Management Reserve	173	-12	82	243	0	243
ICT Reserve	241	0	12	253	0	253
Project Management/Masterplan	333	0	0	333	0	333
Shared Services Reserve	74	0	0	74	0	74
Housing & Planning Delivery Grant	247	-75	0	172	0	172
Flexible Working/Relocation	15	0	0	15	0	15
IFRS Capacity Support	2	-2	0	0	0	0
Freedom of Information Training	3	0	0	3	-3	0
Performance Improvement	10	0	0	10	0	10
Housing Energy Certificate Training	11	0	0	11	0	11
Finance Capacity Fund	20	0	2	22	0	22
Priority Improvement Fund	70	0	0	70	-70	0
Workforce Strategy	3	0	0	3	0	3
Elections	85	-68	45	62	0	62
Grounds Maintenance	50	0	25	75	0	75
Machinery Replacement						

Transformation	50	0	0	50	0	50
Unapplied Grants and Contributions	862	-141	221	287	0	287
Relocation Reserve	182	0	135	317	305	622
Future Capital Projects	486	0	125	611	-611	0
Modern.Gov Reserve	20	-18	0	2	0	2
Greenfields Reserve	19	0	0	19	0	19
Special Expenses	0	-7	55	48	177	225
Atkins	0	-9	9	0	0	0
Carry Forwards	0	0	136	136	0	136
Hub Future Rental Management	0	0	250	250	0	250
Business Rates Pooling	0	0	0	0	110	110
Community Safety	0	0	0	0	3	3
Leisure	0	0	0	0	1,059	1,059
Troubled Families	0	0	0	0	90	90
<b>Total General Fund</b>	<b>4,122</b>	<b>-550</b>	<b>1,398</b>	<b>4,970</b>	<b>1,271</b>	<b>6,241</b>
<b><u>Housing Revenue Account:</u></b>						
HRA Piper Balance	117	0	9	126	0	126
HRA Communal Furniture	4	0	0	4	0	4
HRA Unapplied Grants and Contributions	6	0	0	6	0	6
HRA Housing Repairs Account	344	0	128	472	0	472
HRA Regeneration Reserve	0	0	0	0	2,834	2,834
<b>Total Housing Revenue Account</b>	<b>471</b>	<b>0</b>	<b>137</b>	<b>608</b>	<b>2,834</b>	<b>3,442</b>
<b>TOTAL</b>	<b>4,593</b>	<b>-550</b>	<b>1,535</b>	<b>5,578</b>	<b>4,105</b>	<b>9,683</b>

### 3 **FINANCIAL IMPLICATIONS (KB)**

The Council's Medium Term Financial Strategy sets out a minimum requirement that 10% of the net budget requirement should be held in balances. In order to ensure the financial resilience of the Council, amounts may be set aside in earmarked reserves for future spending.

### 4 **LEGAL IMPLICATIONS (LH)**

There are no legal implications arising directly from this report.

### 5 **CORPORATE PLAN IMPLICATIONS**

This report contributes to the achievement of the following Corporate Plan Priorities:

- The Council sets a balanced budget that meets all requirements of the Council and is aligned to the priorities of the Council and its citizens
- The Council's major projects are completed to time and to budget
- The Council's financial standing is maintained and the finances remain healthy over the period of the plan

### 6 **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision/project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report/decision were identified from this assessment:

<b>Management of Significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating Actions</b>	<b>Owner</b>
None		

**8. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

There are none.

**9. CORPORATE IMPLICATIONS**

By submitting this report the author has taken the following into account:-

- Community Safety Implications
- Environmental Implications
- ICT Implications
- Asset Management Implications
- Human Resources Implications

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Background Papers:           Civica Authority Financials reports  
  Draft Statement of Accounts

Author:                            Katherine Bennett Accountancy Manager ext 5609

Executive Member:           Councillor KWP Lynch

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**COUNCIL – 18 SEPTEMBER 2012**

**CIVIC OFFICES SITE**

**REPORT OF THE DEPUTY CHIEF EXECUTIVE (COMMUNITY DIRECTION)**



Hinckley & Bosworth  
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**WARDS AFFECTED: CASTLE WARD**

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1. **PURPOSE OF REPORT**

The purpose of this report is to update Council on the outcome of the recent developer procurement process for the civic offices site on Argents Mead. The report also sets out recommendations for terminating this process, and for reviewing the feasibility of developing a new leisure centre on this site as part of the leisure centre options appraisal, following the termination of the recent marketing process.

2. **RECOMMENDATION**

That Council is recommended to:

- 2.1 Note the outcome of the recent developer procurement process for a residential/retirement village development for this site, and endorse the termination of this process, due to the current poor market conditions.
- 2.2 Agree to progress feasibility option work in respect of a possible option to develop a new Leisure Centre on the site.
- 2.3 Endorse the establishment of a new Project Board to lead this Leisure Centre option work.
- 2.4 Request that a report be brought back on the outcomes of the Leisure Centre feasibility option work in November 2012.

3. **BACKGROUND TO THE REPORT**

3.1 On the 12 October 2011 Executive approved the marketing of this site, to an agreed development brief. This was on the basis that the Council would seek a developer partner to purchase the site, and design, fund, build and sell/operate the resulting residential/retirement village development.

3.2 Since that time officers have been progressing a formal 'OJEU' European regulation compliant developer procurement process. The site has been marketed subject a brief that comprised the following key components:

3.3 **The Site:**

As defined on the attached Plan.

3.4 **Development Brief:**

- A new residential scheme, with developers encouraged to include Retirement Village elements within their proposals.
- To expand Argents Mead main park through to Mount Road to the south.
- That such a development could include community facilities (excluding any retail) for the scheme's residents, and (in part) for the general public.
- To promote high quality design
- to enhance Argents Mead and address existing issues relating to opening up views, and site connectivity with adjoining sites and areas (including the Castle

Street shopping area) , through the creation of a landmark development. To promote sustainable development by increasing accessibility for pedestrians and cyclists in the public park.

3.5 Programme:

The recent procurement programme to date is shown on Appendix 1.

4. PRESENT SITUATION:

4.1 A formal three-stage procurement process commenced in November last year. Only three parties initially submitted expressions of interests, and were invited through to the next stage to submit outline development scheme proposals, and indicative financial bids.

4.2 However, two of these parties subsequently withdrew from the process, leaving just one party. Officers were clear that given the circumstances the Council would not benefit fully from the procurement process by continuing to the next stage with a single developer. Also, that in order to limit the potential cost exposure to both itself and the remaining bidder the procurement process should be aborted. The remaining party was formally advised of the Council's position on 10 August, and that the Council, would now be reassessing its ambitions for a residential/retirement village scheme on this site.

4.3 The above process and outcome clearly illustrates the very weak current market conditions for a scheme of this type. Officers do not recommend remarketing the site for this use at present.

5 ALTERNATIVE OPTIONS FOR THE CIVIC OFFICES SITE:

5.1 Status of site:

Following the completion of the Hinckley Hub in 2013 the current Council offices will be vacated leaving a brown field development opportunity on part of Argents Mead. The site is included in the Hinckley Town Centre Area Action Plan for redevelopment purposes. The Council has also included this in the agreed Medium Term Financial Strategy for a capital receipt of £3m. Keeping the status quo of the site is not an option, as demolition of the present offices once vacated must take place to avoid attracting anti-social behaviour, and causing a detriment to the park's visual amenity. A park of the size that would be created after the demolition of the civic offices is not sustainable for a town of Hinckley's size. Consequently the options for some development now need to be considered further.

5.2 Other commercial uses (e.g. retail and offices):

These uses have previously been discounted by officers and members. This is on the basis that retail would be inappropriate for the Argents Mead site, and that the market for offices would be very weak.

5.3 Leisure Centre Option

In parallel with this marketing exercise work has progressed on reviewing potential options for the future of the Hinckley Leisure Centre. The preliminary findings of the consultant commissioned to advise the Council has included the potential of the Argents Mead site for a new build leisure facility. Given the lack of market interest in this site it is recommended this option is explored in more detail and that a report is brought back for the Council's consideration.

6. **FINANCIAL IMPLICATIONS [IB]**

6.1 The Council's Mid-Term Financial Statement ('MTFS') programmed a £3m capital receipt for this site. Clearly due to current market conditions and only one potential bidder it is difficult to assess whether the maximum capital receipt can be realised.

6.2 Other commercial uses for the site have previously been discounted. The "do nothing" option would still need a level of capital investment. The level of capital investment would depend on the final scheme.

6.3 Financial implications arising from the Leisure Centre Option will be reported in due course.

7. **LEGAL IMPLICATIONS [LH]**

7.1 The invitation to participate in the process clearly outlined that the Council would be able to terminate the process and as such there are no legal implications arising from the decision to terminate.

7.2 The legal implications of the new proposal will be considered in full during the feasibility stage including but not limited to consideration of the Land title.

8. **CORPORATE PLAN IMPLICATIONS**

9. **CONSULTATION**

Extensive consultations took place on the development brief for this site during November and December 2010, when the public expressed preferences for two of three broad masterplan layout and land use options for the site.

10. **RISK IMPLICATIONS**

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Losing public support and backing for any chosen new development option:	This risk will be mitigated by continuing to pro-actively consult the public and key stakeholders on these emerging ideas and designs, and later on the eventual proposals	Bill Cullen
Lack of staff resources to manage and deliver the recommended Leisure Centre feasibility option work project.	There are currently sufficient staff resources at present to manage and deliver this project. This will need to be kept under review.	Bill Cullen

11. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

The recommended feasibility option work for a possible Leisure Centre on the site will consider and report back on any equality and rural implications.

12. **CORPORATE IMPLICATIONS**

This project continues to work towards meeting the Corporate Plan's aim of 'achieving a thriving economy'. In addition it works towards meeting the target of 'regenerating Hinckley Town Centre'. The project also contributes towards the Corporate Plan's aim of 'strong and distinctive communities' through enhancing local pride and improving residents' satisfaction of Hinckley and Bosworth as a place to live.

By submitting this report, the report author has taken the following into account:

**Community Safety Implications:**

None as a direct consequence of this report.

**Environmental Implications:**

The current residential based Development Brief was based on the regeneration masterplan's design vision to enhance and improve the park setting via sympathetic development design and landscaping. The area (and its trees) has the added protection of being sited within the Town Centre Conservation Area. This approach will still apply to any Leisure Centre development options Officers will continue to work towards consulting key stakeholder groups to safeguard the present environment.

**ICT Implications:**

None as a direct consequence of this report.

**Asset Management Implications:**

The Asset Management Team have been consulted and involved throughout the procurement process to date, and will be included in the feasibility option work recommended in this report.

**The human resource implications:**

None as a direct consequence of this report.

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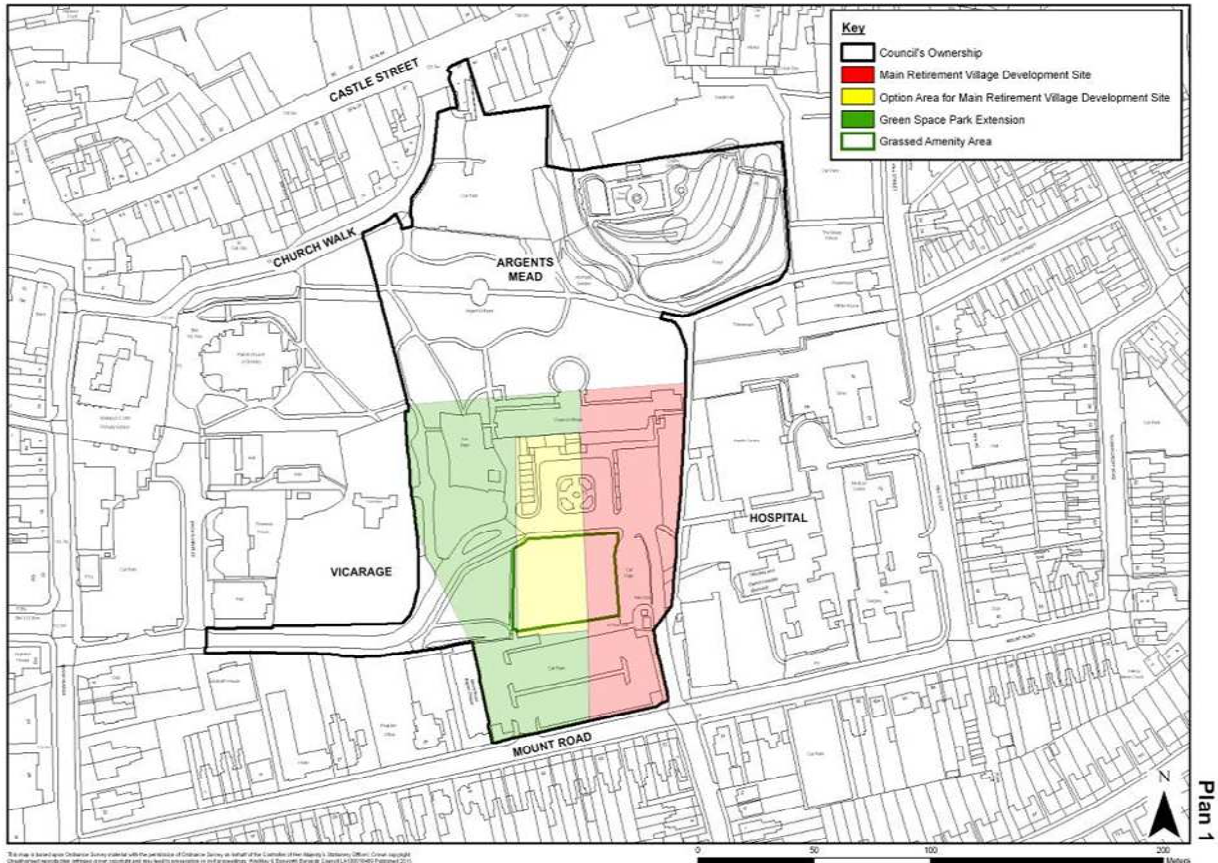
Background papers:	'Invitation to participate in Competitive Dialogue' document. Dated 6 June 2012.
Contact Officer:	Simon Wood (Head of Planning). Tel: 01455 255692
Executive Member:	Councillor Stuart Bray



## PROCUREMENT PROGRAMME TO DATE

Indicative Date	Stage
Nov. 2011	'OJEU' notice seeking initial expressions of interest.
31/1/12	Expressions of interest received by HBBC
06/06/12	Issue "Invitation to Participate in Competitive Dialogue" ("ITPD") to three shortlisted Candidates and opening of competitive dialogue.
w/c 18/06/12	Bidders Day at Council Offices
18/06/12 – 07/07/12	Opportunity for formal pre-application discussions with planning team and initial meetings with each Bidder to discuss draft outline solution approach and proposals.
w/c 23/07/12	Programmed presentation by bidders of draft outline solutions
w/c 30/07/12	Programmed further dialogue meetings with Bidders.
11/08/12 12 noon	Programmed return of <b>Final ITPD</b> Responses and evaluation.

# Development Site Plan



**Shaded Red:** Main development site.

**Shaded Yellow:** Option area for main development site.

**Edged Green:** Grassed amenity area to be retained/re-sited within overall scheme.

**Shaded Green:** Park extension area.

**COUNCIL – 18 SEPTEMBER 2012**

**CHANGES TO HRA BUDGETS 2012/13**  
**REPORT OF CHIEF OFFICER- BUSINESS, CONTRACT & STREET**  
**SCENE SERVICES**



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**WARDS AFFECTED: ALL WARDS**

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1. **PURPOSE OF REPORT**

To seek approval for the re-alignment of Housing Revenue Account (HRA) Budgets for various council house improvement schemes and funding of housing surveys from the Housing Revenue Account balances.

2. **RECOMMENDATION**

That Council approve:

1) The 2012/13 allocation of the 'earmarked' service improvement expenditure as follows:

- i. £75,000 for electrical testing and upgrades
- ii. £50,000 for Boiler Replacements
- iii. £25,000 for new Kitchens

2) The permanent transfer of £150,000 for service improvement expenditure from Housing Revenue Account General Fund budget to the HRA Capital Budget.

3) The future allocation (from 2013/14) of the £150,000 capital service improvement expenditure is delegated to the Chief Officer – Business, Contract and Street Scene Services and Executive Member for Housing in accordance with agreed Tenant Priorities.

4) The movement of £120,000 from the existing Major Voids Enhancements Housing Revenue Account Capital Budget to the Kitchen Upgrades Housing Revenue Account Capital Budget

5) The movement of £11,000 from the existing Windows: Single to Double Glazing Capital Budget to a newly created Sheltered Accommodation Improvements Capital Budget

6) The movement of £10,000 from the Environment Works Housing Revenue Account Revenue Budget to a newly created Neighbourhood Improvement Fund Housing Revenue Account Revenue Budget.

7) A supplementary estimate of £96,628 for the stock condition surveys and stock profile surveys from the Housing Revenue Account balances.

3. **BACKGROUND TO THE REPORT**

**Service Improvement Expenditure**

- 3.1 The Responsive Repairs Business Case agreed by Council on 7 December 2010 identified that an additional £150,000 could be spent on Council House repairs and improvements whilst still achieving substantial savings on the previous contract arrangement. For this year, whilst a consultation to determine our Tenants future

requirements is being finalised, the following improvement areas have been identified:

- A. Electrical testing and upgrades – An Electrical Periodic Inspection (PIR) was carried out at each Council property on a 15 year cycle, this inspection highlights any non compliance in accordance with current regulation. The regulation has recently been revised. One of the main changes is that, in most properties, a new consumer unit now has to be installed, thereby substantially increasing the cost of remedial works. It is also a new requirement that the cycle of testing be reduced from a 15 year to a 10 year cycle. This funding will assist in meeting the new requirements for this year whilst additional funding is identified for future years.
- B. Boiler Replacements – The boiler servicing the Castle Court Complex, which was installed in 1977 is due to be replaced. A new energy efficient 'green' heating system incorporating condensing boilers, solar thermal, improved controls and photovoltaic cells will be installed as a replacement.
- C. Additional kitchen refurbishment projects – Kitchens are replaced in order of priority from the Kitchen Refurbishment Waiting List. At present budget levels, any new requests to this Waiting List are schedule to be carried out in the financial year 2019/20. The additional funds will assist with reducing waiting time.

The above schemes will assist in improving the overall fabric of the housing stock and ensure compliance with our decent homes aspirations as a responsible Landlord. Future year allocations will be determined based on decent homes requirements and tenant views.

### Movement of Existing Budgets

3.2 Over the last three years, the Council has increased the number of new kitchens units that it has installed whilst a property is empty. This change has been introduced for several reasons:

- 1) Increase the overall standard for void properties;
- 2) Reduce the number of properties that require a new kitchen (see Paragraph 3.1 C above); and
- 3) Improve the new tenants overall experience of the property.

To reflect the change in standard within the Council's budgets, an amount of £120,000 will be moved from the Major Void Enhancements Budget to the Kitchen Upgrades Budget.

3.3 Every year, a number of requests are made by, and behalf of local communities to improve the overall quality of the neighbourhood. Examples of these requests include clearance of garage sites, landscaping of unkempt areas etc. To formalise and regulate the arrangement, whilst ensuring adequate funds are available to accommodate requests an amount of £10,000 will be re-allocated from Environment Works Revenue Budget to a newly created Neighbourhood Improvement Transfer Revenue Budget.

3.4 The entire allocated budget for installing double glazed windows is not required this year. As such some of the budget for 2012/13 is requested to be used for the replacement of timber main entrance doors at identified Warden Assisted Complexes with low maintenance automatic opening and closing doors, thereby facilitating greater security of these complexes, improved thermal comfort and ease of use for the residents. The remainder of the budget will be used to replace any identified existing defective double glazed uPVC windows will also be replaced using this budget

- 3.5 The movement of budgets described will increase the amount of expenditure and works carried out on the Council's housing stock.  
Request for supplementary to cover the costs associated with Externally commissioned stock condition survey and Costs of carrying out stock validation exercise as requested by Government
- 3.6 To assist with the further development of the Council's 30 Year HRA Business Plan, a stock condition survey was commissioned to provide up to date information on the condition of our Housing Stock and the repair and maintenance requirements for the next 30 years. The work commissioned was carried out by the External Consultant Savills. The commission carried out a stock condition survey for 20% of the Council's Housing Stock (686 properties).
- 3.7 External Auditors highlighted a need to review the profile of the current Council Housing Stock. To provide an independent and up to date profile of the various council housing archetypes a stock profile survey has been carried out to provide further detail to the Department for Communities and Local Government.
- 3.8 The finding of both surveys will be incorporated into the HRA Business Plan, 30 Year Financial Model and Asset Management Strategy.

#### 4. FINANCIAL IMPLICATIONS [KB]

In line with financial regulations, Council approval is required for virements of this level. All movements from Revenue to Capital will be reforecast within the capital programme to indicate fund sources. Following approval all relevant cost centres will be updated to reflect the revised budgets.

#### 5. LEGAL IMPLICATIONS (AB)

None raised specifically by this report

#### 6. CORPORATE PLAN IMPLICATIONS

The issues covered in this report relate to, and support the achievement of the Council's:

- Council's Strategic Aims: Decent, well managed and affordable homes; and
- Corporate Plan Strategic Outcome: Improve the quality of residents homes.

#### 7. CONSULTATION

A consultation to determine our Tenants future requirements is being finalised.

#### 8. RISK IMPLICATIONS

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

There are no significant risks associated with this report.

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

The report identifies schemes that will assist in improving the overall fabric of the housing stock and ensure compliance with our decent homes aspirations as a responsible Landlord. The ‘knock on’ effect from delivering the proposals will be an improved home and local area for our Tenants.

10. CORPORATE IMPLICATIONS

By submitting this report, the report author has taken the following into account:

- Community Safety implications – None
- Environmental implications – Contained in the report
- ICT implications – None
- Asset Management implications – Council House asset maintenance
- Human Resources implications – None
- Planning Implications – None
- Voluntary Sector – None

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Background papers: Responsive Repairs Business Case – December 2010

Contact Officer: Michael Brymer, 01455 255852

Executive Member: Councillor Mullaney

**COUNCIL – 18 SEPTEMBER 2012**

**RICHMOND PARK**  
**REPORT OF CHIEF OFFICER BUSINESS, STREET SCENE AND**  
**CONTRACT SERVICES**



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**WARDS AFFECTED: HINCKLEY TRINITY AND HINCKLEY DE**  
**MONTFORT**

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1. **PURPOSE OF REPORT**

In accordance with financial procedure rules, to seek member approval for additional expenditure which can be funded from additional grant funding and existing reserves.

2. **RECOMMENDATION**

That Council agree:

1. To the increase in the project budget for Richmond Park Project to £300,000.
2. The increase of £62,880 is funded from additional FA grant funding of £49,823 and Earmarked Reserves of £13,057.

3. **BACKGROUND TO THE REPORT**

- 3.1 Work to improve the drainage of Richmond Park was initially identified in the Green Space Strategy, as a result of problems with water lying on the football pitches after periods of heavy rainfall. The building of the Hinckley Club for Young People has encouraged a bid to be put forward to the FA Football Foundation to apply for match funding to allow for a higher specification drainage scheme to ensure the quality of the football pitches at the site compliment the new state of the art facility for young people.
- 3.2 There is now a need for further funding (as specified in the financial implications) to ensure the project can be carried out as per the specification agreed by the FA in the grant application and also in line with Environment Agency conditions.

4. **FINANCIAL IMPLICATIONS [PE]**

- 4.1 The current approved project budget is £237,120 of which £100,000 was to be funded from the Football Association and £137,120 from HBBC. Tendering costs have come in well above the budget therefore the estimated project cost is now £300,000. The Football Association funding has increased to £149,823. This therefore means an additional £13,057 is required from HBBC to take HBBC's funding element to £150,177. The additional £13,057 could be met from Special Expenses Reserves.

5. **LEGAL IMPLICATIONS (AB)**

A funding agreement with the Football Foundation has been agreed in respect of the increased grant funded part of the project. Otherwise no legal implications are raised by this report.

6. **CORPORATE PLAN IMPLICATIONS**

This document contributes to Strategic Objectives 1, Cleaner and greener neighbourhoods, and 3, Safer and healthier borough of the Corporate Plan.

7. **CONSULTATION**

None specific for this report.

8. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

<b>Management of significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating actions</b>	<b>Owner</b>
Non approval of budget.	Budget deficit to be found from other budgets.	Michael Brymer
Not fulfilling agreement with FA. Lack of available budget will mean agreed specification for works will be unachievable.	Budget deficit will have to be found from other budgets to ensure agreed specification can be achieved and FA funding secured.	Michael Brymer

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

The recommendations contained within the report present no implications with regard to equalities or rural areas. The development will be of benefit to all groups within the community and all areas of the Borough

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:



- Community Safety
  - Environmental implications
  - ICT implications
  - Asset Management implications
  - Human Resources implications
  - Planning Implications
  - Voluntary Sector
- 

Background papers: None

Contact Officer: Paul Scragg

Executive Member: Cllr B Crooks

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**COUNCIL – 18 SEPTEMBER 2012.**

**REPORT OF DEPUTY CHIEF EXECUTIVE  
(COMMUNITY DIRECTION)**

**RE: CARLTON RURAL EXCEPTION SITE**

**WARDS AFFECTED: CADEBY, CARLTON, MARKET BOSWORTH AND  
SHACKERSTONE**



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1. **PURPOSE OF REPORT**

To inform Members of the issues surrounding the development of the Carlton Rural Exception Site and to outline the funding shortfall to enable development to progress.

2. **RECOMMENDATION**

That Members :

- a) Support the provision of a Rural Exception site in Carlton;
- b) Approve the contribution of £55,000 to enable the development of the site to progress.

3. **BACKGROUND TO THE REPORT**

A Housing Needs Survey was carried out in 2007 for the parishes of Carlton and Shackerstone, which identified a need for 12 affordable homes for local people. A site was identified in Carlton for a Rural Exception Site to meet the needs of both parishes, and Nottingham Community Housing Association (NCHA) was agreed as the development and management partner for the scheme. A scheme was designed comprising 4 x two bedroomed bungalows for rent, 5 x two bedroomed houses for rent and 2 x two bedroomed houses for shared ownership, a total of 11 properties. The scheme is unusual in that it is a “cluster” site, meeting the needs of more than one Parish.

The scheme was put forward for Homes and Communities Agency (HCA) Grant funding in August 2010 and March 2011. It was unsuccessful in 2010 due to there not being sufficient HCA grant to fund all schemes submitted, and in 2011 NCHA were not successful in their partnership bid with the HCA, as a result of which they are unable to draw down HCA Grant.

The site was then put forward for inclusion in the programme to use the County Council’s New Homes Bonus to fund rural housing. However, the cost of the scheme put forward required at least £340,000, which would have required 50% of the funding to be found by Hinckley and Bosworth Borough Council. This sum related to a redesigned scheme which was less expensive than the original design, but which did not comply with the Homes and Communities Agency’s standards.

A further opportunity was presented in 2011 with the HCA announcing funding for Community Led Schemes. The clerk to Carlton Parish Council had been closely involved with the plans for the site and took forward the bid for Community Led Funding. This included carrying out a public consultation event to evidence community support for the Rural Exception Site, and to update the information from the Housing Needs Survey.

After some delay, the Homes and Communities Agency has now advised that the funding levels required are higher than they would wish to fund. Nottingham Community Housing Association, who will develop and manage the scheme, has already reduced the subsidy shortfall, by reviewing the construction costs and their return on the build, but there is still a shortfall between the level the HCA will fund and the required finance for the build.

#### 4. THE CURRENT POSITION

As previously noted, land purchase arrangements and the overall site layout have been agreed. A planning application could be submitted reasonably swiftly if funding was agreed and the development able to proceed.

Current affordable housing available to rent in the two parishes is as follows (Council and RSL properties combined):

Barton in the Beans	4 x 2 bed bungalows 1 x 3 bed house
Bilstone	0
Carlton	0
Congerstone	8 x 2 bed flats 7 x 2 bed houses 6 x 3 bed houses
Odstone	3 x 3 bed houses
Shackerstone	1 x 3 bed house.

There have been no vacancies in the rented stock for the year April 2011 to March 2012.

The Housing Needs Survey carried out in 2007 identified 7 people for 2 bedroomed houses and 2 people for 2 bedroomed bungalows for rent. In addition, there was 1 family for a 2 bedroomed house and 1 family for a 2 bedroomed bungalow for shared ownership. The consultation event which took place in February 2012 identified a further 14 households who would like to be rehoused on the Rural Exception Site. All of these people have a local connection to the parishes.

It is unlikely that any of these households will be rehoused in their local area in the near future, therefore, the need for the Rural Exception Site is important in meeting the needs of the local people.

Nottingham Community Housing Association applied to Leicestershire County Council for funding from the underspend of their New Homes Bonus funds. This was supported at the New Homes Bonus Steering Group on 3<sup>rd</sup> August 2012 and a report will be presented to Leicestershire County Council's Cabinet for approval on 14<sup>th</sup> September 2012. The outcome of the Cabinet meeting will be reported to Council as a late item. As previously stated, there is a requirement for the Borough Council to match fund any New Homes Bonus. This time, NCHA are asking for the shortfall between the difference between the acceptable level of Community Led Funding and the maximum borrowing/receipts it can bring to the scheme. They therefore are asking Hinckley and Bosworth Borough Council to fund £5,000 per dwelling, a total of £55,000.

Total Scheme Costs (land, works, on-costs, interest etc)	£1,403,542
Scheme Finance:	
NCHA borrowing	£927,592
Possible HCA grant	£297,000
Shared-ownership sales income (initial tranche)	£67,500
Payment from Carlton PC for Jubilee Orchard land	£2,000
Funding Shortfall (County Council & HBBC?)	£109,450
Total Scheme Finance	£1,403,542

A report was presented to the Corporate Operations Board on 6<sup>th</sup> August 2012 who have supported the recommendations set out in this report.

If the site is developed, it will attract New Homes Bonus to the Borough Council. As the site comprised 11 units of affordable housing, it will also attract the New Homes Bonus affordable housing rate of an extra £350 per property, 20% of which is top sliced for the County Council.

A report was presented to the Strategic Leadership Board on the 20 October 2011 which set out the allocation of the New Homes Bonus within the Borough. This established the principle of parishes who had new development in their boundaries would receive a share of New Homes Bonus.

The Parish Council strongly support the development of the Rural Exception Site, and have been instrumental in putting forward a bid for Community Led Funding from the Homes and Communities Agency. Carlton Parish Council will receive 25% of the New Homes Bonus (after the 20% top slice to the Council) attracted by the new development being within their parish. The parish council are investigating ways of providing financial support for the project to a multiple of their precept as they strongly support the scheme. This would include any monies received through their New Homes Bonus allocation.

## 5. FINANCIAL IMPLICATIONS (IB)

### Capital Approval

**Due to the level of funding requested the project will need Council approval.**

Due to the changes in the legislation applicable to Right to Buy sales, the previous 75% handed back to CLG could be earmarked for new affordable housing.

It should be noted, however, that only one flat has been sold this financial year for which the returnable element to CLG is £18,750. Additionally, this element could not be used because the policy will not be applicable for sales in the first quarter of 2012/13.

If the project was funded through borrowing the revenue cost at 4% over 30 years it would be £4,033.

Alternatively, as a one off, the scheme could be funded from savings resulting from self-financing changes. It is estimated these will be circa £2.7million in the year. It should, however, be noted reserve is earmarked for future Housing Regeneration.

If approved a contract with NCHA will be required to ensure the grant is used for its intended purpose.

#### New Homes Bonus Implications

**The New Homes Bonus is not ring fenced and new income will be allocated to support the General Fund. HBBC's current allocations have already been approved and committed to support the General Fund.**

Based on a Band B equivalent rate, if an assumption is made that 11 properties are built, it will attract £9,850 per annum for six years for HBBC. If 25% is paid over to parishes this would leave HBBC with £7,388 per annum for six years.

For affordable housing, HBBC will receive a further £280 per property from which £70 would be paid over to parishes.

#### 6. LEGAL IMPLICATIONS [MR]

Subject to there being no restriction or limitation within the New Homes Bonus or the Community Led Funding Schemes, it should be possible to use the power in the Local Government Act 2000 to promote economic and social well-being to authorise the expenditure

#### 7. CORPORATE PLAN IMPLICATIONS

Contributes to Decent, Well managed and Affordable Homes.

#### 8. CONSULTATION

The Housing Needs Survey in 2007 was supported by the Parish Council and the results formally accepted by them. The Parish Council conducted a public consultation event in February 2012 as a condition of applying for Community Led Funding and the support of the local community for this scheme was established through this event.

#### 10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

Support of this scheme will have a positive effect on the parishes of Carlton and Shackerstone as it will enable the needs of households who cannot afford to buy on the open market to be met. These needs would be unlikely to be met without a Rural Exception Site being delivered due to the low numbers of affordable housing in these parishes and the slow turnover of existing stock.

#### 11. CORPORATE IMPLICATIONS

By submitting this report, the report author has taken the following into account:

- Community Safety implications – None identified
- Environmental implications – None identified
- ICT implications – None identified
- Asset Management implications – None identified
- Human Resources implications – None identified

- Planning Implications – should sufficient funding be identified, a planning application will follow in due course. Pre application discussions have taken place with Planning Officers.
  - Voluntary Sector – None identified.
- 

Background papers: None

Contact Officer: Valerie Bunting.  
Executive Member: Michael Mullaney

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**COUNCIL – 18 SEPTEMBER 2012**

**PROPERTY ASSET- MANAGEMENT PLAN**

**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)]**



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

**WARDS AFFECTED: ALL WARDS**

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1. **PURPOSE OF REPORT**

To seek approval for adoption of a revised Property Asset-Management Plan.

2. **RECOMMENDATION**

That the Council approves the Property Asset-Management Plan with Acquisition Strategy and Disposal Strategy.

3. **BACKGROUND TO THE REPORT**

Councils are required to maintain an up-to-date strategic plan for the management of their property assets. The current plan was adopted in 2008. The proposal particularly incorporates the approved current capital strategy. The plan also includes Acquisition and Disposal Strategies.

4. **FINANCIAL IMPLICATIONS [IB]**

Capital Expenditure Proposals and funding are contained within the plan.

5. **LEGAL IMPLICATIONS [AB]**

S120 Local Government Act 1972 gives Principal Councils the power to acquire lands for the purposes of any of their functions or for the benefit, improvement or development of their area. It follows that all land owned by the local authority must also be used for these purposes. The Property Asset Management Plan and associated Acquisition and Disposal Strategies ensure that these requirements are met.

Further legal implications dealing with the power and approval process for acquisitions and disposals are contained in the body of the report and supporting documents

Any individual transaction will have its own legal implications which will be dealt with on a case by case basis in dialogue with the Legal Service

6. **CORPORATE PLAN IMPLICATIONS**

This supports the aim for a Thriving Economy by facilitating Value for Money Council Services.

7. **CONSULTATION**

No external groups have been consulted.

8. **RISK IMPLICATIONS**

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Failure to efficiently utilise resources in delivering services	Adopt the Property Asset Management Plan	SK
Criticism for an out of date AMP	Adopt the Property Asset Management Plan and subject to annual review	ME

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

This report has no direct implications but a sound Asset Strategy supports delivery of service proposals which ensures that Equalities duties are met.

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers: PROPERTY ASSET PLAN 2006

Contact Officer: Robert Vaughan, Principal Surveyor

Executive Member: Councillor Keith Lynch, Executive Member for Finance, ICT and Asset Management



Hinckley & Bosworth  
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**2012/13 PROPERTY ASSET MANAGEMENT PLAN**  
**& CAPITAL STRATEGY**

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## **Foreword**

The preparation of this plan has been based around:-

- ⇒ Hinckley and Bosworth Borough Council's Corporate Aims and aspirations for its future property portfolio.
- ⇒ RICS Public Sector Asset Management Guidelines "A guide to best practice"
- ⇒ Learning from Beacon Councils, Local Authority Benchmarking Partners, Idea and the IPF.
- ⇒ The College of Estate Management "Sustainability and the Built Environment"
- ⇒ East Midlands Centre of Excellence Strategic Asset Management Guidance – November 2007.

## **Introduction**

The purpose of a Property Asset Management Plan (AMP) is to review and report on Asset Management projects and initiatives and set out the strategy to encourage and support improved asset performance whilst providing a supporting link to the Councils Medium Term Financial Strategy.

As with previous Asset Management Plans the overall aim is to:-

Build on the significant past achievements in asset management and show a pro-active approach to put the Council at the heart of the community in the delivery of services.

Continue to develop and understand Asset Management processes to strengthen the Councils portfolio ensuring an environment to grow modern, flexible and deliverable services to the highest standards.

## Profile of the District

### Overview

Hinckley and Bosworth is a forward-looking dynamic borough located in southwest Leicestershire, at the geographical centre of England and in the East Midlands economic zone. The population is 105,100 people (2011 census) with approximately 65,000 concentrated at the southerly point with the rest spread across 30,000 hectares of some of the nicest rural areas and settlements in the Midlands and home to areas of natural beauty like Bosworth Park and Ashby Canal and a number of nationally renowned tourist attractions like Twycross Zoo, Bosworth Battlefield and Mallory Park making Hinckley and Bosworth an attractive place to live, work and visit.

The former textile and manufacturing economies, which built this borough and which give it so much of its character, are being replaced by new modern industries, which concentrate on product and process innovation in their pursuit of value added goods and services. However, the heritage is recognised and influences the approach to regeneration which ensures that the borough maintains its identity. Strategies to redevelop large parts of Hinckley town centre offer a modern contrast to ensure that Hinckley and its environs are at the forefront of urban renaissance and provide modern solutions for tomorrow's companies.

The thrust of the regeneration activity focuses on the town centre, which continues to move away from a traditional retail role to providing a vibrant economy, which can offer the visitor, resident and investor a range of retail, leisure and cultural opportunities. Whilst the town centre provides the dynamism for future economic growth, it does not stand alone and is supported by settlements like Market Bosworth, Desford and Markfield, each offering a distinctive character and attraction of their own.



## **PART 1**

### **Capital Strategy**

The Capital Strategy (approved by Council) is the instrument for ensuring that the Council's capital spending proposals are implemented in an effective way as set out within the rules of the constitution. The authority's capital programme is based on a rolling programme. Members and SLB review the programme annually in light of changes in strategic priorities and legislation. Once key priorities have been agreed capital projects are ranked to ensure funding is available to meet these key priorities

### **Councils Approach to Funding Capital Investments**

A very challenging programme has been set for 2012/13 and projects are being monitored through an Officers Capital Forum Group. If long-term strategic priorities change, future projects will be reviewed in line with these changes in priorities.

The Council wherever possible endeavours to use external funds to fund capital projects. If external funding is not available internal earmarked funds are used. Where no funding is available the Council has to borrow.

#### **Borrowing**

Each year the Prudential Indicator and Treasury Management report is presented to Council. This report sets out affordability criteria (the effect of external borrowing on the council tax payer). As capital resources become scarce the impact of borrowing for future years will need to be carefully considered in the short and long term financial planning process. Having a low Council tax brings additional pressures to the General Fund because any cost of borrowing has to be funded through Council Tax

#### **External Funding**

Over the four years the Council has been successful in attaining external funds for various projects including the Atkins/Goddard Development, Greenfields development, Town centre improvements in Earl Shilton, setting up of a shared Revenues and Benefits Service and Green Space projects. Additionally, although not a Council project the Council continues to help facilitate the Bus Station Town Centre development.

This demonstrates the Councils vision to meet County and National regeneration, development and public sector partnership working agendas.

Economic conditions and central government changes have resulted in a contraction of public sector funding. The Council will however continue to seek external funding from both public and private sectors.

#### **Capital Receipts**

The downturn in the development land and Right to Buy sales market has had a significant impact on available resources. Earmarked Receipts from surplus land disposals have been delayed. This has resulted in borrowing for schemes that should have been funded from capital receipts.

Funding proposals to fund projects using Capital Receipts and the ability to generate future receipts to fund projects remains a key element of the council's capital investment strategy. The Asset Management Strategy Group has been tasked with identifying surplus sites for disposal.

#### **Earmarked Resources**

Where applicable, earmarked reserves will be used to fund specific develops. Earmarked reserves are not viewed as a sustainable way to fund future projects.

## Council Housing Projects

The opportunities afforded by the Housing Revenue Account (HRA) having become self-financing provide a platform for future council house investment. Future capital housing projects will be informed by the Council Housing Investment Strategy, approved by council in June. This Strategy outlines the council's key aims for the council housing stock which include:

- Investment in the existing stock to maintain good quality homes.
- Investment in new build/acquisitions of affordable housing.
- Refurbishment and regeneration of stock which no longer meets needs.
- Environmental improvements to estates.

Decisions will be taken during 2012/13 on investment levels into these priorities and linked to this will be work on the use of HRA land, including how capital receipts from the sale of HRA land are used.

## **The Framework for Managing and Monitoring the Capital Programme**

Strategic Priorities and Member Involvement – The Strategic Leadership Board (SLB) reviewed the programme in September 2011. Between September and November 2011 members assessed bids from Officers and these were compared against previous citizen panel results. Based on this assessment budget holders submitted capital bids which were then reviewed by SLB, scrutinised by Finance, Audit and Performance Committee and approved by Council in February 2012.

Project Justification – Project officers complete a capital project sheet for each scheme which details the link to corporate objectives as well as cost and funding for the scheme.

Management of the Programme – Project officers receive monthly monitoring reports and also hold monthly meetings with their Service Accountants to discuss project performance. SLB members receive summary financial statements monthly. On a quarterly basis SLB at the Performance meetings discuss the financial monitoring reports and recommend corrective action where appropriate. These reports are then presented to Finance, Audit and Performance Committee and Council.

An Officer Capital Forum Group has been set up to monitor progress on projects, share best practice and ideas to ensure that over riding strategic priorities are being implemented. For large projects working groups are convened who provide feedback to the Capital Forum who then feed back to SLB. For large projects multi disciplinary project groups help to monitor and advise on projects.

Revenue Implications – Costs of borrowing, maintenance and depreciation of council owned assets is charged to the revenue account together with interest payments on borrowing.

## **Capital Spending Proposals.**

A summary of the approved current capital proposals for three years 2012 to 2015 and funding Statement can be found in Appendix A.



## **PART 2**

### **The Asset Management Plan**

Asset Management is now embedded into the Councils day to day activities having moved from a point where property issues were handled by non-property professionals and with little centralised data on the Councils property portfolio. The Council now has a dedicated service area operating under the Deputy Chief Executive (Corporate Direction) to deliver a “fit for purpose” portfolio which is regularly surveyed, assets are challenged and where detailed geographical and condition data is kept on file. Reporting structures include a cross party Member Asset Management Strategy Group who challenge assets utilisation and oversee the process for identifying under performing land and property holdings, recommending actions in line with the Councils Disposal Strategy and Acquisition Strategy and looking towards innovative solutions to increase the portfolios ability to deliver first class services and maximise its asset value.

This AMP is the High Level Corporate strategic approach, and continues to build upon previous Asset Management Plans and Capital Strategies providing a clear statement as to how this Authority manages and controls its property portfolio.

The Estates and Asset Management service has the responsibility for providing a strategic overview and the day to day operational service required to drive forward corporate priorities. This Asset Management Plan provides an update on the direction this Service is moving with the Councils property portfolio. Condition surveys for the entire non-housing portfolio are undertaken on a three year rolling programme. Reporting lines include five key groups to provide a structured approach to the Authorities Asset Management Strategy.

The structure is as follows;



### **Decision-Making**

Below are further details of the Council’s democratic decision making arrangements with an explanation of each.

The Forward Plan currently identifies key decisions that will be taken by Council or Executive. This can be explained in the context of the decision-making process:

#### **Decision-making Bodies**

The main decision-making bodies of the Authority are:

**Council** – Responsible for making decisions on items relating to the Council’s Budget and Policy framework

**Executive** – the main decision-making body responsible for making all decisions that are not related to the Council’s Budget and Policy framework or the responsibility of any other Regulatory Committee  
The Council also has the following regulatory decision-making bodies as laid out by statute:

**Licensing Committee** – Under the direction of the Council to undertake duties of the Council as Licensing Authority for duties under the Licensing Act 2003

**Licensing Regulatory Committee** – Under the direction of the Council to undertake duties of the Council as the regulatory authority for Environmental Health, Waste Collection and Finance Authority, in addition to the relevant duties in relation to taxi and private hire vehicles, entertainments, small lotteries and amusements, street collections, gaming, gaming machines, street trading consents, cinemas and theatres, under the relevant Acts.

**Ethical Governance and Personnel Committee** – To promote and maintain high standards of conduct by Councillors and co-opted Members including assisting the Councillors and co-opted Members to observe the Members' Code of Conduct. And to administer the Council's Personnel policies as they affect individual employees and to liaise with the Executive in Personnel Policy Development

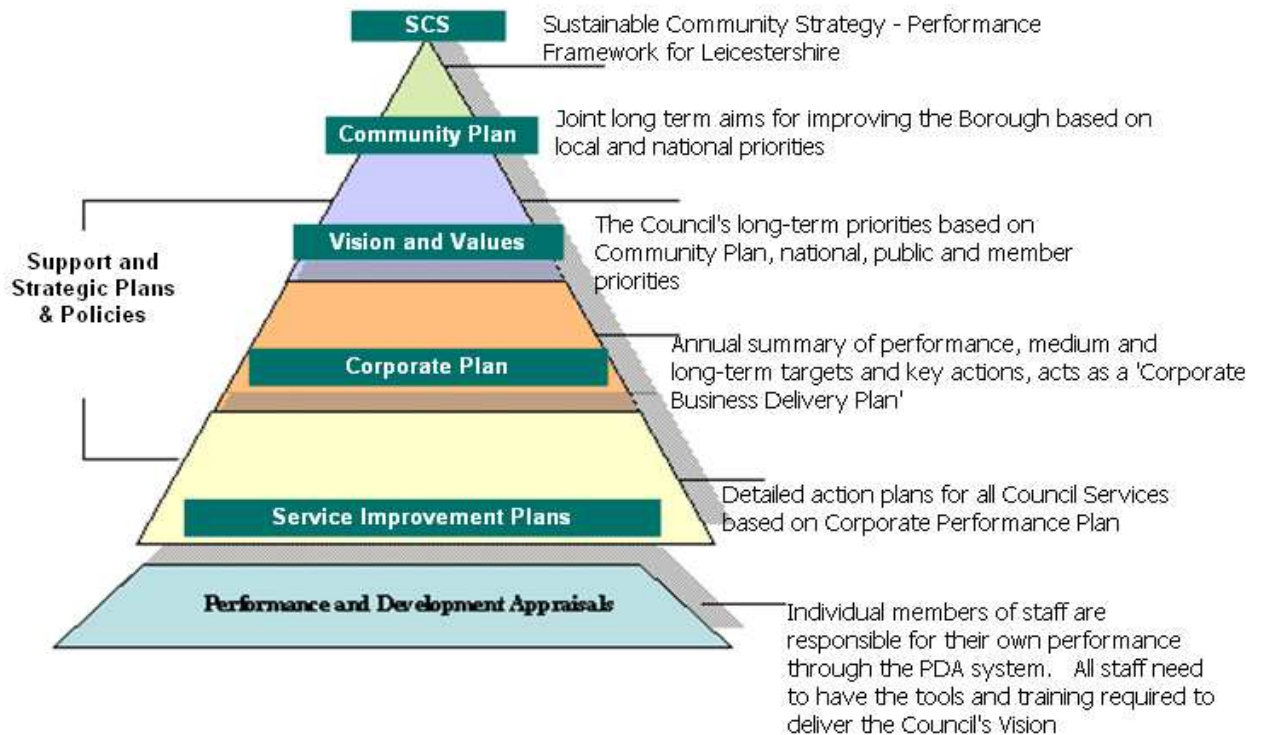
**Planning Committee** – To undertake regulatory and other related functions of the Council as Local Planning Authority and Building Control Authority

**Others**

Non Decision-making Bodies -Overview and Scrutiny Function – discharge the functions conferred by Local Government Act 2000 namely holding the executive to account, developing and reviewing policy, best value reviews and scrutiny of external bodies.

All Committees may commission Task and Finish Groups to undertake particular projects on their behalf.

## Corporate Planning Framework and How Asset Management Helps Deliver Our Corporate Aims



The Council's vision is to make Hinckley and Bosworth 'a borough to be proud of'. To achieve the Council's vision five long term Aims have been identified.

- ⇒ Cleaner greener neighbourhoods
- ⇒ Thriving economy
- ⇒ Safer & Healthier Borough
- ⇒ Strong and distinctive communities
- ⇒ Decent well managed & affordable housing

The Council uses its performance management framework to ensure that services improve and that plans, partnerships and strategies deliver the Council's Aims.

### Our Property Vision.

A considerable amount of work has been done by officers and elected members to identify savings and increases in income for future years. More work will be required to identify areas for income/revenue generation and invest to save projects in order to reduce the reliance on general fund balances and reserves 2012/13 onwards. More specifically the following actions will need to be taken:-

- i) The Asset Management Strategy Group undertook in 2008 a comprehensive review of the Council's land assets to identify under-utilised sites for disposal. Whilst some assets were sold the programme was suspended due to the recession. From 2012 onwards the Asset Management Strategy Group will re-examine the position to bring forward assets now suitable for disposal.
- ii) The Leisure Centre and depot relocation projects are being structured to maximise the capital receipts from the existing sites in order to assist funding those projects.

- (iii) Continue the review of current working arrangements for staff whereby we have already rolled out home/remote working in conjunction with the intention to move to smaller, more energy efficient offices in 2013.

These actions support the Corporate Plan 2010-2015

Opportunities and challenges outlined within the Corporate Plan will have property implications and the asset management strategy reflects these. The Council's current Capital Programme commits the Council to strengthen its approach to the management of land and property. Since 2008 there has been development of the cross party Asset Management Strategy Group whose Terms of Reference are as follows:-

- i) Review Council property for disposal as identified in the initial Acquisitions and Disposals Study
- ii) Consider all such Acquisitions and Disposals in light of the Councils financial objectives and the Corporate Plan
- iii) Review the existing Land & Property portfolio in terms of guidance laid out in the annual Asset Management Plan
- iv) Develop processes and procedures to ensure appropriate utilisation of all the Councils property and land holdings
- v) Challenge the use of all Assets to ensure they meet the Strategic Objectives as outlined by the Council

Key initiatives and objectives of the Asset Management Service to develop are as follows:

- ⇒ To be among the upper quartile of best performing authorities
- ⇒ Where appropriate, devolve the direct management of assets to the community.
- ⇒ Where appropriate create and develop existing user groups for major assets.
- ⇒ To provide extra services to meet the needs of a growing population and provide services equitably across the borough
- ⇒ To improve customer satisfaction with the repairs and maintenance service
- ⇒ To manage resources efficiently and effectively
- ⇒ Improve management capabilities through the centralisation and improvement of asset data i.e. development of GIS Systems, linking Asset and Accounting databases.
- ⇒ To maximise the efficient use of assets and ensure that they meet current and future needs.
- ⇒ To identify and efficiently dispose of any surplus assets, any receipts being used for regeneration purposes
- ⇒ Investigate opportunities to maximise use of all Councils operational buildings and provide "one-stop services" by locating, where possible, with other partners
- ⇒ Provide a safe and healthy working environment for all staff whilst improving "work / life balance".

### **Cleaner greener neighbourhoods**

Sustainability is now a clear driver in all new projects. The Asset Management Service can offer advice on green technologies and have experience in developing projects to meet the highest standards of BREAM. In all business cases it is essential to investigate green technologies and the environmental impact of the proposed development. It remains the Councils objective to reduce its Carbon Dioxide emissions and act responsibly towards its environmental stewardship.

- ⇒ To attract more high quality jobs to the area and manage new developments in sustainable ways.
- ⇒ To improve Hinckley town centres retail offer through the development of a high quality development on the bus station site
- ⇒ Work closely with the Chief Officer, Business Development and Street scene Services to support improvements in service delivery.
- ⇒

## **Thriving economy**

The Estates and Asset Management Service will carry out a Commercial Estates Property review, this is primarily to identify if our commercial portfolio is delivering towards our objectives and achieves best value. The review will look at:

- ⇒ Financial detail: Active management of the commercial estate will have positive implications for the Council in its delivery of corporate objectives.
- ⇒ Equalities: Ensure that Equalities Duty is met with respect to the Service.
- ⇒ Economic: Maximising potential from the commercial estate and effective management of the estate
- ⇒ Environment: Monitoring the impact of the commercial estate
- ⇒ Council Wide Impacts: The commercial estate is a major corporate asset and how a proactive approach to its management will have an impact on the ability of the Council to deliver its corporate objectives.

This review will aim to confirm where identifiable economic development objectives are being met and to continue to provide necessary premises for small businesses and wherever possible enhance the provision to maximise business success and revenue return.

## **Safer & Healthier Borough**

The way council services are delivered is under review with the intention of providing a flexible working approach for officers which will have the impact of a further reduction in our overall carbon footprint by the reduction of operational building's Gross Internal Floor Area (GIFA). This is in addition to existing schemes for home based working and "touchdown centres" around the borough which provide services from a number of locations rather than a central hub approach.

### Relocation of Leisure Facilities

The aspiration to create and maintain sport and leisure facilities to acceptable modern day standards within the Hinckley and Bosworth Borough. A strategic review will include options for new sites as alternatives to renewal within the existing Leisure Centre.

## **Managing land and Property Assets**

A summary of key assets (except Housing Assets) is set out in appendix C.

Housing Assets – A separate policy with regard to managing and maintaining housing related assets is held and updated within the Housing service. However sometimes requests or opportunities arise for the disposal of non-residential assets, particularly small pieces of land request by an adjacent householder. These instances will be managed in accordance with the Disposals Strategy by the Estates and Asset Management Service.

Green Spaces – A separate Green Spaces strategy and Play strategy is held which recognises the importance of such spaces but that the Borough potentially has excess in some areas but needs to expand and improve facilities in other areas. New Green Space and facilities may be adopted or acquired in accordance with the Acquisition Strategy. Existing space and facilities may be disposed of in accordance with the Disposals Strategy.

The formal Estates & Asset Management Maintenance Policy clearly sets out the key objectives of Building Maintenance, the Maintenance Management Process and goes on to define the scope of Building Maintenance itself. In line with the Asset Management Plan HBBC's buildings are managed as a corporate assets and this document will ensure a consistent approach to their maintenance for effective delivery of services.

Management of maintenance work is clearly set out detailing how repairs are assessed and given a 'priority rating' based on the property; its condition, the defect priority and reason for the work. This ensures uniformity of maintenance repairs on a corporate basis. In the development of the Asset Management Plan a three year rolling programme of Condition Surveys details the condition of all the Council's non housing assets. This will drive a five year Planned Maintenance Programme to be reviewed annually.

Maintenance of building assets is supported by GIS and an Asset Property Database. Planned Maintenance programmes outline what capital and revenue resources will need to be available and allocated to minimise the backlog of the highest priority maintenance work. An Estates Strategy is currently being developed to build on the five-year planned maintenance programmes and provide a more comprehensive and targeted analysis of the future maintenance needs of the Council's building assets.

### **Building Maintenance Policy**

The HBBC building maintenance policy states the objectives for the maintenance of the Councils' building assets and how these support service delivery. It reflects the Councils' approach to maintenance and how this approach complies with relevant legislation. The policy affirms the responsibilities assigned for the strategic and operational management of maintenance within the organisation and forms part of the organisations' Asset Management Plan.

The policy adopts the best approach to undertake maintenance activities, so that the stated maintenance objectives are achieved. The strategy reflects the organisations' approach to building maintenance.

The whole portfolio is now undergoing a new 3-year programme of condition surveys. Based on current information the maintenance backlog was identified as £95k. The ability to replace the Leisure Centre does depend on timescale for disposing of land to achieve funding.

### **Community Asset Transfers**

The Quirk Review was part of the Government's programme for empowering communities set out in the Local Government White Paper published in late 2006. The terms of reference of the review were to find ways to overcome barriers to more community asset management and ownership, taking account of the need to manage risks.

The report discussed the 'wider policy context' of the use of assets as part of the delivery of a shared 'Sustainable Community Strategy' and the delivery of agreed LAA targets. It argued that it makes sense for local authorities to develop a strategy for the use of assets which is 'corporate' across the Local Authority, and integrated with other public sector bodies locally.

The report reminded local authorities (and other statutory bodies covered by the same legislation) that under the Local Government Act 1972 and Circular 06/2003 ("the General Disposal Consent") the powers exist to transfer an asset to community management and ownership in any manner they wish, including at less than market value. However, the report acknowledged that: "The decision needs to be made by comparing the benefits to be gained from a market value disposal and the more and less tangible community benefits that would accrue from a transfer to community use".

There will be benefits in a broader community sense, which might flow from asset transfers that ignore market value provided they don't immediately find their way back into the highly constrained finances of local councils.

It is recognised that many voluntary and community groups are not actively seeking responsibility for assets and so all stakeholders must consider the long-term damage that can be done in neighbourhoods should asset transfer schemes go on to fail.

The Council is committed to identifying appropriate opportunities for asset transfer to the community and to working within The Localism Act 2011 which further extends rights and powers for communities and individuals.

### **Climate change and carbon footprint**

Climate change is the greatest environmental challenge facing the world today. Rising global temperatures will bring changes in weather patterns, rising sea levels and increased frequency and intensity of extreme weather events. This may cause severe problems for people in regions that are particularly vulnerable to change.

The publication of the Stern Report highlighted the issue of the long-term economic impacts of failing to adequately address climate change at a national level. Work has also been done at a more local level and it is an ambition of this Council that it will be more green and ethical in its operations.

The environmental impact of the Council's procurement of goods, works and services are deep and wide ranging. The early consideration of green issues with an emphasis on whole life costing may result in differing requirements providing better value for money.

The Council has installed an Automated Meter Reading system in its operational properties so that electricity and gas consumption can be efficiently monitored and reduced. The development completed in 2010 of the Greenfields business site provided 3700 sq metres of space being a mix rated as BREEAM Very Good and Excellent.

The relocation of the core Council Offices to a new development in 2013 is to accommodation with a BREEAM 'very good' standard

The Council will seek to use specific tools at each key stage of a procurement process to assess environmental and overarching sustainable impacts.

### **Major Projects Outline**

The Major Projects on which The Asset Management Team are undertaking or are significantly contributing to are outlined below:

#### **Asset Management Enhancement works programme -**

The Asset Management Plan identifies essential works, grading and prioritising them, required to maintain the Council's Assets to a satisfactory standard

#### **Business Incubator Units – Atkins Site -**

The Atkins site acquired in 2007 was developed as part of the 'Creative Hinckley' project to provide the Borough with high quality office space and workshop pods for the creative arts. This complements the part of the site developed as the North Warwickshire and Hinckley College to provide a hub of traditional skills alongside contemporary creative arts

#### **Flexible Working Initiative -**

The Asset Management Team is supporting the Flexible Working Initiative which is key to the continuing efficiency and service delivery of the authority.

#### **Relocation of Hinckley Leisure Centre -**

Asset Management are acting in an advisory capacity on the project to relocate the Hinckley Leisure Centre by providing up to date condition information on the existing centre and likely refurbishment costs / implications. They are advising on the new position for the Centre and will lead on the procurement of the land and will oversee the construction in an 'Intelligent Client' role

### **Middlefield Lane Depot Service Improvements -**

Asset Management is leading the project to enable continued Service Improvements for the Street-scenes Team at Middlefield Lane Depot by relocating to better premises so as to release the current site for more appropriate alternative use and generate a net capital receipt towards delivery of other priority objectives.

### **Development of Asset Management Plans -**

The role and direction of Asset Management is outlined in the Asset Management Plan. The plan recognises and embraces new challenges of the Authority and the way it delivers services to the community and stakeholders. Annually produced plans report on progress and provide up to date information on future challenges, legislation and government guidance.

### **Performance Management & Monitoring**

Benchmarking is undertaken against National indicators using figures from the IPF NaPPMI.

### **Risk Management**

Risk Management at Hinckley and Bosworth Borough Council is integrated and managed as part of the Corporate Planning Framework. The diagram below provides an overview of how risk management is incorporated into all business activities in the context of the Corporate Planning Framework to help inform and ensure delivery of the Council's strategies and processes.

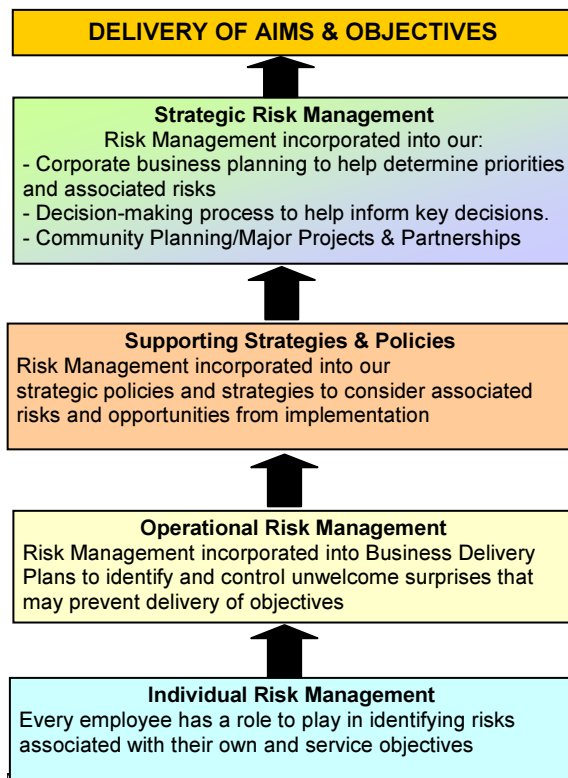
In line with the Council's Strategy for the Management of Risk, potential risks to the MTFS are identified alongside the probability of their occurrence, the impact they would have and ways to avoid them. Risk management is not a one off activity and is embedded at strategic and tactical levels with recognition that failure to implement and embed would disrupt operations and potentially have a financial impact on the Council as a whole. This is particularly true with respect to large and therefore high-risk projects currently being undertaken by the Council, for example the development of the Hub site for relocation of the Council's offices.

The primary risk of this strategy is that it is forecast based on assumptions and, as such, there is a risk that assumptions may prove to be unfounded or incorrect. There are also further risks that either cannot be fully predicted or lie outside the control of the Council. The Risk Management Strategy is reviewed annually to ensure it represents current best practice.

The Council considers financial planning and pressures within the Risk Management Framework. At a strategic level, the Medium Term Financial Strategy is managed in association with the Strategic Risk Register by the Strategic Leadership Board.



## HBBC Risk Management Framework



## Energy Performance and Display Energy Certificates

The European Union (EU) Energy Performance of Buildings Directive (EPBD) was introduced in the UK from January 2006, with a three-year implementation period ending January 2009. Its objective is to improve energy efficiency and reduce carbon emissions as part of the government's strategy to achieve a sustainable environment and meet climate change targets under the Kyoto Protocol.

Display Energy Certificates (DEC) are required for all public buildings over 1,000m<sup>2</sup> that are openly accessible to members of the public. The DEC records the energy usage and efficiency of the premises and demonstrates the results on a graph showing the rating. The certificate should be displayed in a prominent position at the entrance to each site requiring one.

The DEC process also requires the commissioning of an Advisory Report which assesses the premises elements and recommends measures to increase the efficiency of the property where practicable.

Energy Performance Certificates (EPC) are now required on properties constructed, leased or sold that are subject to internal environmental conditioning (heating or cooling). Similar to the DEC, the EPC provides the purchaser or prospective tenant with information on the efficiency of the property in a graphical certificate. The certificates are provided as part of the information packs for interested purchasers/tenants. Amongst the Authority's assets only the commercial and retail premises will require an EPC.

## Automated Metering and Targeting

As part of HBBC's efforts to maximise energy efficiency, reduce wastage and, ultimately, cost, HBBC has installed an Automated Metering and Targeting system in its operational properties. The system

provides accurate half-hourly data to enable the identification of usage trends, metering reconciliation and the potential for savings.

The data is now providing a base-line for usage of all utilities against which to monitor the effects of energy saving initiatives.

### **Water Performance Certificates**

It is reported that the EU are currently considering whether to introduce water performance certificates in the future, as part of the implementation of a Water Performance Directive for Buildings.

Although no new laws are proposed at the time of producing this plan, the Commission aims to open a debate on the ways the EU can address water scarcity and droughts in an environment dominated by climate change by listing a number of recommendations.

### **Area Reviews**

The Council is working on Area based reviews across Leicestershire and in particular to develop the new Hub (Council Offices) as a multi agency centre to deliver co-joined service.

A review of this type may offer the potential for greater service, community, and environmental, social and financial benefits to be identified. However, the review basis does become considerably more complex and project based. This initiative will need to be considered in more detail during the life of this AMP.

### **Asset Management Proposals**

To ensure that the Council's assets continue to be fully utilised and deliver both corporate priorities and service delivery needs, Asset Management will continue to consult with all relevant stakeholders to establish strategic goals.

During the Asset Management Plan period the Council will:-

Monitor and reduce our energy usage in accordance with the Carbon Management Plan

Properly inform our stakeholders with regard to our levels of backlog maintenance to ensure our resources are targeted to reducing our backlog especially with regard to high priority issues.

Support in all key Capital projects identified in the Estates and Asset Management Service Improvement Plan.

Continue to challenge utilisation of all assets and manage proposed Disposals and Acquisitions in accordance with the Disposal Strategy and Acquisition Strategy.

Re-develop our assets to reflect the requirements of the priorities emerging from the updated Corporate Plan together with the individual needs of service areas reflecting the Council's commitment to Systems Thinking, putting the customer first.

Look for further innovative ways to use our buildings in partnership with the local community.

## **Conclusion**

Asset Management has the wider focus required to establish a practical balance between Asset Management requirements and service / corporate planning and delivery across the Council.

The following benefits can now be enjoyed by following the principals laid down:-

- ⇒ Release capital funds for re-investment
- ⇒ Improve the range of services
- ⇒ Increase civic pride
- ⇒ Encourage better engagement with members and citizens
- ⇒ Increase cross service delivery through co-location of services
- ⇒ Improve the quality of the property portfolio
- ⇒ Reduce annual running costs
- ⇒ Align assets with local objectives
- ⇒ Reduce the require level of maintenance
- ⇒ Introduce improved working practices

Working collectively on how we manage our assets drives our own business improvement and delivers appreciable benefits to the local community and by working in partnership we will fully engage all stakeholders throughout all our asset management planning.

## **Review**

The contents of this AMP and areas identified for improvement will be subject to review. Any changes will be reflected in an amendment to the Plan and if necessary the Council's Disposal and Acquisition Strategy.

Changes to legislation, customer demands and service delivery issues, together with changes in the requirements set out by central government, will undoubtedly affect processes and procedures within the service area. Such changes and demands need to be reflected in the future Asset Management Service Improvement Plans.

The Asset Management Plan will be reviewed annually.

**APPENDIX A:****Capital Programme and Funding**

<b>General Fund Capital Schemes</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>
Parish & Community Initiatives Grants	122,297	100,000	100,000
Parks Major works	45,656	30,000	30,000
Richmond Park Play Area	237,120	0	0
Hollycroft Park	0	0	0
Burbage Common	153,821	0	0
Memorial Safety Programme	5,156	0	0
Waste Management Receptacles	62,944	50,000	50,000
Churchyard Repairs	2,370	0	0
Queens Park	0	0	0
Grounds Maintenance Machinery	2,580	0	0
City Barra Improvements	10,980	0	0
Strough Improvements	66,903	50,000	50,000
Car Park Resurfacing	0	13,250	4,000
Asset Management Enhancements	98,005	0	0
Debot Relocation	1,658,000	0	0
Council Office Relocation	496,010	0	0
Customer Services Project	0	0	0
Demolition of Argents Mead Offices	350,000	0	0
Financial System	13,386	0	0
Flexible Working Project	0	0	0
General Renewals	49,100	10,000	10,000
GIS Upgrade	0	0	0
Greenfields Development	0	0	0
HR/Payroll	2,086	0	0
Democratic Services IT	39,370	0	0
Revenues and Benefits Shared Services	0	0	0
Rolling Server Review	73,230	20,000	20,000
Transformation	5,000	0	0
Major Works Assistance	190,000	190,000	190,000
Minor Works Assistance	90,000	90,000	90,000
Care & Repair Improvement Agency	37,350	37,350	37,350
Disabled Facilities Grants	605,000	295,000	295,000

Blue Recycling project	28700	0	0
Brodick Road Woodland & Wildlife	7019	0	0
Electronic Meter reading	20000	0	0
Shop Front improvement Barwell	14500	0	0
Wall Improvement Barwell	675	0	0
	4,487,258	885,600	876,350

**Funding Summary**

	2012-2013	2013-2014	2014-2015
General Fund	4,487,258	885,600	876,350
Housing Revenue Account	0	0	0
Total Expenditure	4,487,258	885,600	876,350
Grants and Contributions	(299,607)	(165,000)	(165,000)
Major Repairs Reserve	(2,052,266)	(2,052,266)	(2,052,266)
Capital Receipts	(2,086,802)	(403,802)	
Earmarked Reserves	0	0	0
Borrowing	(2,437,631)	(387,580)	(782,132)
Total Funding	(6,876,306)	(3,008,648)	(2,999,398)

## APPENDIX B

### MAINTENANCE BACKLOG (key properties)

This is based on various surveys and feasibility studies

PROPERTY		BACKLOG	COMMENT
Hinckley Leisure Centre			Premises near 40 years old and in need of significant work on fabric, plant and services within a 5 years. Investment in the existing premises may not be the optimum solution so a strategic report has been commissioned to evaluate refurbishment against potential to relocate to a new site so the existing site can be redeveloped – likely for housing. Whilst maintenance spend focuses on health, safety and welfare items, opportunities sometimes have to be taken to upgrade some facilities so they continue to meet customer expectations
Investment portfolio		£95,000	Whilst there has been considerable investment in the new Greenfields and Atkins development, progress is slower in reducing the backlog for existing premises. But £95,000 is allocated in the current budget towards the backlog reduction.

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**APPENDIX C: ASSET SUMMARY (value on the balance sheet, not necessarily open market value)**

<b>PROPERTY PORTFOLIO SUMMARY</b>	
ATKINS BUILDING	£1,720,000
COUNCIL OFFICES ARGENTS MEAD	£735,000
HINCKLEY LEISURE CENTRE	£775,000
TRANSPORT & WASTE DEPOT	£750,000
INVESTMENT PROPERTY	£9,064,000
CAR PARKS	£5,151,000
PARKS & COMMUNITY PROPERTY	£3,880,000
OTHER LAND & BUILDINGS	£3,528,000

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## **DISPOSAL STRATEGY:**

- **Land & Property  
(operational and  
investment)**

## **CONTENTS**

- 1. Introduction**
- 2. Reasons for the Council Holding Property**
- 3. Identification of Surplus and Under-Utilised Property**
- 4. Property Disposal Responsibilities**
- 5. Disposal Methods**
- 6. Preparation for Disposal**
- 7. Disposal due to Compulsory Disposal Order**

### **Appendices**

- A. Former owners – Crichel down rules**

## **1. INTRODUCTION**

The purpose of this strategy is to provide a framework with transparency and fairness for the disposal of property assets in accordance with the Property Asset Management Plan.

Local Authorities are subject to constraints when they come to dispose of land or buildings in their ownership. Some of these constraints are enshrined in law; others arise because of a general expectation that Local Authorities should be seen to act fairly when disposing of land as in other aspects of their work. The Constitution of the Council also sets out various requirements and responsibilities.

Changing requirements for service delivery and the regular review of properties will at times lead to some land and/or property assets becoming surplus. In addition, there may be circumstances in which a disposal is considered the best way to achieve one or more of the strategic objectives of the Council.

### Legal Powers:

Under the Local Government Act 1972 local authorities have powers to dispose of property in any manner they wish, subject to certain constraints.

Under the Local Government Act 1972: General Disposal Consent (England) order 2003, Councils may dispose of land at less than the best consideration reasonably obtainable provided that any undervalue does not exceed £2 million and the transaction is considered by the local authority to help secure the promotion or improvement of the economic, social or environmental well-being of its area. Disposals at greater under-value require consent of the Secretary of State. A disposal for the purposes of the 1972 Act consists of -

- a) a freehold transfer; or
- b) a grant of a term exceeding seven years; or
- c) the assignment of a term which, at the date of the assignment, has more than seven years to run. (The Council currently has no such assets).

Since the 1972 Act, Government policy has introduced the concepts of Community Asset Transfer, community rights in respect of Assets of Community Value, and recognition of the Social Return on investment. The Localism Act 2011 further extends rights and powers for communities and individuals.

Councils may also be restrained from disposing of land for a purpose that was not the purpose for which it was acquired under legislative powers and this is particularly relevant for:

- Allotments
- Open Space and Burial Grounds
- Pleasure Grounds

This strategy applies to freehold or long leasehold disposal of commercial or operational land and buildings except for Council housing which is subject to alternative arrangements.

## **2. REASONS FOR THE COUNCIL HOLDING PROPERTY**

The reasons for the Council holding property are:

- To provide Council services
- For Economic Development purposes
- To facilitate Council policies
- As investment to make a financial return to support service delivery
- Strategic acquisition for redevelopment
- Social Housing

The aims for the Asset Management Service are to facilitate:

- Use of the Council's property holdings to meet current and future corporate/service requirements and allow flexibility of use;
- Use of property economically, efficiently and effectively;
- Provision of clean, compliant and safe accommodation/premises for staff/public;
- Support for economic, social and environmental well-being;
- Production of income/capital to support budgetary requirements.
- Use of appropriate assets for approved purposes by voluntary and Community groups
- Advice for the Medium Term Financial Strategy.

## **3. IDENTIFICATION OF SURPLUS AND UNDER UTILISED PROPERTY**

### **OPERATIONAL AND COMMERCIAL PROPERTY**

Property will be identified as surplus if it does not meet any of the reasons or objectives for the Council holding property assets as set out above or is identified as performing inadequately – functionally or financially.

It is the responsibility of each Service, in conjunction with the Estates and Asset Management Service, to identify any property or part thereof that is under utilised or surplus to individual service delivery requirements. Following the identification of surplus property it should be referred to the Estates and Asset Manager in his role as Corporate Property Officer (CPO) to consider any other potential uses for the property. This will include the identification of any other parties that may be interested in the property, e.g. another Service, County Council Departments, partners or external organisations.

Other referral may be required (in liaison with SLB) with:

- The Corporate Operations Board
- The Asset Management Strategy Group (AMSG)
- The Executive
- Council

### **HOUSING LAND (HRA)**

From time to time requests are received from members of the public to sell small pieces of land forming gardens of Council houses or adjacent landscaping (formally on the HRA).

Matters relating to HRA land shall be referred to the Chief Officer for Housing, Community Safety and Partnerships and as required the Portfolio Member for Housing for an in-principle decision about disposal. Any approved disposal shall then proceed in accordance with this strategy.

On larger pieces of HRA land, consideration should be given to the aims within the Council House Investment Strategy which include:

- Investment in the existing stock to maintain good quality homes.
- Investment in new build/acquisitions of affordable housing.
- Refurbishment and regeneration of stock which no longer meets needs.
- Environmental improvements to estates.

Decisions will be taken during 2012/13 on investment levels into these priorities and linked to this will be work on the use of HRA land, including how capital receipts from the sale of HRA land are used.

## **OPEN SPACE**

From time to time requests are received from members of the public to sell small pieces of land forming open space.

The Council will not normally dispose of any core recreational open spaces identified in its open space audit and open space strategy i.e. 'Town Parks', 'Country Parks', 'Neighbourhood Parks', 'Nature Reserves' and other local play areas. (exceptional circumstances might be for instance where this is seen as beneficial for recreational use of the site or will significantly benefit the wider community rather than the individual applicant).

The Council will contemplate disposal of 'incidental open space' and areas of landscaping or parts of these – particularly where it will improve the management of the land benefiting the wider public, will reduce an unacceptable and significant impact on a neighbouring property resulting from miss-use of open space and/or clears up anomalies of past land sales, acquisitions, transfers.

In contemplating these sales, the Council must comply with its legal requirement to advertise proposed sales of public open space and consider objections prior to deciding to dispose of the site. (Applicants / proposed purchaser will be required to meet the costs of advertising the proposed sale).

There is no legal requirement for the Council to provide a reason for not selling, however, the Council may refuse to sell on the following grounds:-

- it judges that the personal safety for users of the remainder of nearby open space will be detrimentally affected e.g. where a narrow alleyway is created; or
- it will result in the wholesale loss of, or detract from the visual quality/amenity of the surrounding area. Alternatively, in such cases it may apply covenants on sales to retain the open nature of landscaped areas and/or to require the provision of certain standards of new boundary fencing, walling or delineation; or

- it is considered that there will be detrimental impact of such sales on neighbouring properties not financially involved in, or not benefiting from the sale.

#### **4. PROPERTY DISPOSAL RESPONSIBILITIES**

Major disposals being significant regeneration sites are (normally) the responsibility of the Regeneration Service under the Head of Planning. The balance of disposals is the responsibility of the Estates and Asset Management Service under the Corporate Property Officer. The principles set out in this strategy should be followed in all disposal cases.

##### **Minor Disposals**

A minor disposal is where the sale price does not exceed £5,000 or as defined in the Financial Procedure Rules.

The disposal shall proceed in accordance with the Financial Procedure Rules. There may be circumstances where it is in the Council's interest to initiate a minor disposal e.g. land surplus to requirements or for reasons of good estate management.

However, departure from open marketing should only be considered in the circumstances as outlined in this section and on professional advice. In cases where there is more than one other contiguous land holding, consideration should be given to alternative disposal strategies to obtain the best price. In the case of minor disposals, the Estates and Asset Management Service is responsible for the disposal of its property assets in accordance with this strategy.

##### **Major Disposals**

A major disposal is any disposal not covered by the minor disposal definition above.

The disposal shall proceed in accordance with the Financial Procedure Rules

When a property has been identified as surplus to the requirements of the Council, the CPO should be notified. If the Asset is not identified as a key disposal under the Acquisition and Disposal Strategy it should be processed by the Asset Management Service to ascertain the value of sale. On successful completion of this process CPO may seek Executive approval to it being declared surplus and add the record to the acquisition and disposal strategy for an appropriate programmed sale.

##### **Disposal at less than best consideration**

In contemplating a disposal or in marketing the premises, opportunities might come forward to consider a Community Asset Transfer or a community request in respect of an Asset of Community Value. It is recognised that disposals through these mechanisms may likely produce a receipt less than best consideration.

Also there might be opportunities where the Council wishes to facilitate a policy objective by sale at lower value.

Disposals at less than best consideration shall have the formal support of the Service whose policy is being supported and for major disposals shall require approval by Council – unless already approved within the Property Asset Management Plan or other Council approved policy. In such cases the RICS Guidance Note should be consulted.

Whether or not Ministerial consent is required, the Valuer shall provide the following figures in all cases:

- (a) unrestricted value;
- (b) restricted value;
- (c) the value of voluntary conditions.

## **5. DISPOSAL METHODS**

As a general principle, disposal with open marketing is the appropriate way to attract interest and secure best consideration. However there are circumstances where alternatives should be considered.

These are the principal methods of disposal available:-

### **Private Treaty – sole party without marketing**

This is to be considered where there is unlikely to be more than one party interested in the property at an open-market price or there is clearly a special-interest purchaser likely prepared to pay above the market price.

This generally arises when an application is received from adjacent or neighbouring owner(s) to purchase the freehold or leasehold interest of a small or inconsequential area of land in the Council's ownership. If the land is surplus to requirements as identified in the Acquisition and Disposal Strategy, has no development value or open market opportunity and has a market value of less than £5000. It is permissible in these cases to open 'confined' negotiations with the adjacent or neighbouring owner in order to achieve the most advantageous financial or economic result e.g. if the land is 'landlocked' or is difficult or expensive to maintain.

It might also arise in special circumstances where an adjacent owner can gain advantage by combining land to give rise to:

- Ransom value
- Betterment value
- Overage

In such cases it is necessary to establish both the open-market value and the value advantage to the proposed purchaser.

### **Private Treaty – with open marketing**

After a reasonable period of exposure to the market, negotiations are carried out with interested parties and a clear highest bidder might emerge.

In the event that two or more interested buyers are identified at similar prices it is possible to consider moving on to the Informal Tender method below

Advantages:

- allows a flexible approach;
- time pressures are seldom imposed on either the seller or buyer; and
- it is widely understood and accepted by the general public.

Disadvantage:

- the proceedings cannot always overcome suspicions of unfair dealings, and it is therefore a method to be used with caution.

## Formal Tender

Requires a great deal of preparation, as the tender document forms the contract for sale. A full appraisal of the transaction needs to be carried out, including a valuation which may be used to provide a guide price, in order to have a baseline against which to assess the tenders when they are returned.

Advantages:

it can be concluded quickly where it is unconditional;  
it avoids tentative time-wasting enquiries;  
the Council does not need to accept any tender if the offer is not satisfactory provided this is made clear in the invitation to tender;  
the tender procedure should guarantee complete fairness; and  
as bids are not public, tenderers should put forward their best offer.

Disadvantages:

potential purchasers are often put off by the procedure whereby they commit themselves contractually upon making any financial offer;  
there is little room for discussion about the scheme itself, and this method is too robust and inflexible to take account of any conditional offers, e.g. subject to planning etc.

In view of the inflexibility and disadvantages of the formal tender procedure there should, in normal circumstance, be a presumption against this method for the disposal of property.

Current **Contract Standing Orders** do not state that they apply to the sale of property. They do however regulate formal tender procedures, therefore, in the event of a disposal by formal tender Contract Standing Orders should be followed.

## Auction

This method is to be considered when value is difficult to establish or where there could be numerous bidders, especially for small parcels of development land.

To achieve success with this method of disposal, external auctioneers will inevitably be used. The auctioneer should be briefed at an early stage, and fully involved in preparing conditions of sale and fixing the reserve price. The reserve should be approved by the appropriate delegated authority route and conveyed to the auctioneer before the auction. It should also be recorded in writing which the auctioneer will have available at the time of sale. Sale by auction requires preparation of all contractual details beforehand in order that a binding contract may



be effected immediately a bid is accepted. Development land should only be considered for auction with planning permission and after pre-marketing.

**Advantages:**

Certainty: contracts are exchanged on the fall of the hammer;

- open process of competitive bidding may lead to a price in excess of that by private treaty;
- Regional/national marketing by the auction house.

**Disadvantages:**

- the seller has no control over who buys;
- funds to meet the sale price must be available within a specified period, and this may put off purchasers who need to raise finance;
- potential purchasers have to consider the transaction during the marketing period, with no opportunity to discuss alternative ways to structure the deal;
- the winning bid need only be marginally more than the second highest bid, and need not represent the maximum the purchaser would have been willing to pay;
- Mortgageable houses should not be sold by auction.

**Informal Tender (sealed bids)**

The Local Government Ombudsman has issued the following guidance on informal tendering:

*“Informal tendering is a process by which offers are invited but perhaps without a firm closing date. Unlike a formal tendering process (when tenders are submitted in sealed envelopes all of which are opened together) offers in the informal process are opened as they are received. Offerers may be invited to increase their bids, possibly having been told that a higher bid has been received. Whilst the practice of informal tendering (which might also be described as extended auction) does frequently give rise to complaints, the Ombudsman accepts that such a procedure may sometimes be appropriate and may result in the Council obtaining a higher price for the land than if bidding was restricted to a single sealed tender. At the end of such an extended auction process all parties still expressing interest should be asked to submit a final bid by a specified date”.*

**Advantages:**

- the most advantageous terms for the Council can be formulated even in very complex cases;
- the Council does not need to accept any tender if the offer is not satisfactory;
- as bids are not public, tenderers should put forward their best offer. (Though not necessarily going to achieve best price because in an auction situation people are sometimes prepared to bid more than they had envisaged, particularly when they see others prepared to bid at that level)
- most useful as a tool for resolving competing interest following private treaty marketing.

Disadvantages:

lacks the certainty of the Formal Tender procedure, can be frustrating since post-tender negotiations can be protracted and may not be successful; and

- the requirement to negotiate raises some of the disadvantages of a sale by private treaty.

## **6. PREPARATION FOR DISPOSAL**

The stages of preparation for disposal should include the following:

- (i) Internal Circulation to COB members - To be carried out prior to declaring property surplus in order to give Services the opportunity to comment or express an interest within a time limit of 21 days.
- (ii) Legal Consultation - To report fully on the Council's title, any rights or obligations which may be bound to the site and any restraints on disposal which might be in place due to legislation. Where it is intended to include covenants or conditions, legal advice should be obtained prior to negotiations.
- (iii) Former Owner – Consider if there is an obligation under the Crichel Down Rules to offer the land back to a former owner. A summary of these rules and procedures is in *Appendix A*.
- (iv) Inspection - The purpose of which will be to identify development potential or any matter which is likely to aid or hinder the disposal.
- (v) Physical Constraints – Check the Council's own records, and also those of statutory undertakers, if appropriate.
- (vi) Define Development Potential - Appraisal of potential disposal property should always consider the means by which maximum sale proceeds can be generated. In straightforward cases, the equivalent of an "outline planning consent" for the most valuable use available should be secured.
- (vii) Where the Council wishes to consider ensuring a desired use of property to achieve its policy objectives, it will be necessary to introduce restrictive covenants, where appropriate.
- (viii) An overage provision may be contemplated, so that the Council can participate in the benefits of any future increase in value due to a more valuable planning consent or significant uncertainty in valuation.
- (ix) Consideration of Method of Disposal as set out above to consider the options available. Financial Regulations provide guidance aimed at minimising or addressing the difficulties presented by late or revised bids.

- (x) Special Purchaser - It may be prudent to deal with a “special purchaser” if it would result in capital receipts above that which would be paid in the general open market, or in the furtherance of achieving one or more of the Council’s Corporate objectives, subject to compliance with the Council’s legal requirements.

## **7. DISPOSAL DUE TO Compulsory Purchase Order**

The procedure for obtaining a Compulsory Purchase Order is already enshrined in legislation and therefore is not set out here. This strategy does not apply to Compulsory Purchase Order situations until a disposal stage has been reached e.g.:

- General vesting Declaration
- Notice of Entry and Notice to Treat
- Agreed transfer of title

At such stage the procedure generally as set out in section 4 onwards shall apply with further administrative steps being taken as appropriate once the Notice to Treat crystallises as an acquisition of title.

## **Appendix A**

### **FORMER OWNERS – CRICHEL DOWN RULES**

Successive Governments have accepted the basic principle that land, whether in agricultural or other use originally, should be offered back to former owners or their successors if it was acquired by or under threat of, compulsion or under statutory blight provisions, and if it had not been materially changed in the interim, and was found to be surplus to requirements or otherwise appropriate for disposal. Disposals to former owners under these arrangements will be at current market value.

This principle was established in the 1954 Crichel Down case and has been used as a guideline for policy ever since.

ODPM Circular 06/2004 sets out the revised arrangements under which the rules should apply. The Rules are non-statutory but it is recommended, by central government, that they be followed.

The general obligation to offer back will not apply to the following types of land:

- 1) agricultural land acquired before 1 January 1935;
- 2) agricultural land acquired on and after 30 October 1992 which becomes surplus, and available for disposal more than 25 years after the date of acquisition;
- 3) non-agricultural land which becomes surplus, and available for disposal more than 25 years after the date of acquisition.

The date of acquisition is the date of the conveyance, transfer or vesting declaration.

### **POLICY**

The Council shall follow the guidelines of the Crichel Down rules.



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## **Acquisition Strategy:**

- **LAND & PROPERTY**

## **CONTENTS**

- 1. Reasons for the Acquisition of Land or Property**
- 2. Property Search**
- 3. Financial Appraisal**
- 4. Due diligence**
- 5. Independent Valuation**
- 6. Negotiation**
- 7. Council's decision making and delegated authority**
- 8. Instructions**
- 9. Completion**
- 10. Adoption of Public Open Space**
- 11. Acquisition by Compulsory Purchase Order**
- 12. Acquisition by Gift or Possessory Title**
- 13. Acquisition by licences and leases**

## **INTRODUCTION**

The purpose of this strategy is to provide a framework with transparency and fairness for the acquisition of property assets in accordance with the Property Asset Management Plan.

### **1. REASONS FOR THE ACQUISITION OF LAND AND PROPERTY**

Unless there are exceptional circumstances, the Council will only acquire land or property for the following reasons:

- To provide Council services
- For Economic Development purposes
- To facilitate Council policies
- To provide affordable housing
- To improve performance of the investment portfolio
- Strategic acquisition for redevelopment

### **2. PROPERTY SEARCH**

Once a need has been identified, the Estates & Asset Management Service in association with key services will carry out a search to establish whether suitable land or property is available to fulfil the requirements of the Council. This includes utilisation of existing assets and opportunities with potential Partner organisations.

Where a number of potentially suitable properties exist in the marketplace, comparisons will be made to establish which is the most suitable for the Council's needs. Criteria against which such decisions will be made include:

- Price
- Condition of property
- Availability (in terms of timing)
- Nature of tenure being offered (freehold or leasehold)
- Location advantages (where a strategic acquisition is under consideration)
- Return on investment (where a revenue generating asset is being considered)
- Restrictive covenants / easements etc
- Costs in-use for premises for Operational purposes
- Cost to build, adapt or improve any premises and other costs relevant to the purpose

### **3. FINANCIAL APPRAISAL**

When a suitable property has been identified, a financial appraisal will be carried out to establish the financial/budgetary implications of acquiring the property. The advice of the Deputy Chief Executive (Corporate Direction) will be sought regarding interest

on capital invested, to enable the opportunity cost of the acquisition to be fully assessed. The financial appraisal will take into account the following matters:

- The capital cost of acquisition and relevant expenditure
- The opportunity cost of acquisition
- Any revenue, or potential revenue, generated from the property, both short and long term
- Availability of external funding sources
- Possibility of joint ventures
- The cost, in Asset Management terms, of owning the property, including:
  - Immediate maintenance/refurbishment requirements
  - Demolition costs, if appropriate
  - Adaptation requirements
- The overall effect of the acquisition on the Council's budgetary position.

#### **4. DUE DILIGENCE**

Appropriate investigations will be undertaken into matters relating to:

- The legal title of the property
- Planning and Building Regulation compliance for the existing use and proposed purpose
- Other relevant statutory consents
- Pollution
- Existing construction and M&E plant

#### **5. INDEPENDENT VALUATION**

A written formal report compliant with the RICS Red Book shall be obtained before any legal obligation or purchase is completed. Appropriate informal advice shall be obtained prior to that to assist with assessing options and recommendations.

#### **6. NEGOTIATION**

Once the Executive or Council or other appropriate decision maker has agreed to support a case to the Council for acquisition, negotiations will be commenced with the vendor – to include any appropriate caveats such as investigation of title, planning consent and full Council approval. Where the sale of the site is by auction or tender, a bidding strategy will need to be formulated as appropriate and approved by the appropriate person / body with delegated authority.

#### **7. COUNCIL DECISION MAKING AND DELEGATED AUTHORITY**

The Constitution sets out the powers and duties in respect of decision making relating to acquisition. In summary:

The Full Council has power to set policies and make decisions reserved for Council.

The Executive has delegated power to make decisions which are not reserved for another Committee or Council and implement decisions provided generally they are within existing authorised policies and budgets.



The Scrutiny Commission has the duty and power to review and scrutinise decisions and actions of both members and officers.

The constitution sets out delegated authority in respect of acquisitions to be made in accordance with the Asset Management Plan:

- In all cases to the Asset Management Strategy Group containing the executive member for Finance & ICT which can make recommendations
- Deputy Chief Executive (Corporate Direction) up to £5K
- Deputy Chief Executive (Corporate Direction) in conjunction with Executive Member up to £25K
- Executive up to £50,000
- Council over £50,001

The Constitution also sets out alternative procedures for Urgent Action.

All decisions shall be in accordance with the Council's Financial Procedure Rules.

## **8. INSTRUCTIONS**

Once appropriate approval has been received, and all investigations satisfactorily carried out (or earlier if appropriate), the Proper Officer will be instructed to complete the documentation associated with the acquisition.

## **9. COMPLETION**

Once the acquisition has been completed, Members will be informed as appropriate. The Estates and Asset Manager will ensure the Asset is added to the Asset Database and surveyed and maintained as identified in the Corporate Asset Management Strategy. The Legal Service will ensure that Land Registration information is provide to the I.C.T service so that GIS database system can be updated

Where appropriate or where requested as a requirement, the relevant officer to provide regular update reports to Council or the Asset Management Strategy Group or Executive providing detail on the progress of the project for which the asset was acquired.

## **10. ADOPTION OF PUBLIC OPEN SPACE**

The adoption of public open space should be considered by the three parties set out below prior to a report to Council for approval. The adoption of land will also be reported to the next available Asset Management Group Meeting in the form of an update report

The three parties will include Estate and Asset Manager in the role of The Corporate Property Officer, Green Space Development Officer and an appropriate Planning Officer. The maintenance liability of each parcel of land must be considered in full before any adoption agreement will be agreed.

The Council will not adopt areas of Public Open Space unless;

1. A commuted payment is available from the developer to cover at least 20 yrs of maintenance, calculations of how sums can be found within the Councils Play & Open Space Guide 2002.  
or
2. The Area is of interest to a charitable trust, which will maintain the land to which the Council can transfer the ownership of the land.  
or
3. The developer has ceased trading and there are no assets to fund future maintenance of the Public Open Space.  
  
or
4. It has proven impossible to negotiate an agreement between the developer and owners of houses on the estate and local parish councils to adopt the areas of Public Open Space.  
(Note, that prior to planning permission be granted to the developer, that the planning department sent a letter to the Parish Council requesting a formal agreement that the Parish Council will adopt the POS on completion, inline with the terms and conditions of the 106 agreement).

It is intended that the developer will liaise with the Council before and during the adoption process to ensure that any agreed works are being carried out to the correct standards and specifications. The supervising officer for this development will be the Green Space Development Officer.

Boundary, hedges, fences, ditches and trees should be conveyed where appropriate with the adjoining development to reduce future maintenance costs.

Any adopted land parcel will be registered by the Legal department with the Land registry and the GIS database system updated with the relevant information.

## **11. ACQUISITION BY CPO**

The procedure for obtaining a Compulsory Purchase Order is already enshrined in legislation and therefore not set out here. All decisions to enter into a Compulsory Purchase are reserved to Council regardless of value. This Policy does not apply to Compulsory Purchase situations until an acquisition stage has been reached e.g.:

- General vesting Declaration
- Notice of Entry and Notice to Treat
- Agreed acquisition of title

At such stage the procedure set out in section 9 above shall apply. Further administrative steps being taken as appropriate once the Notice to Treat crystallises as an acquisition of title.

## **12. ACQUISITION BY GIFT OR POSSESSORY TITLE**

If such an acquisition opportunity arises, it will be considered if meeting the criteria set out in section 1 above and subject to appropriate measures under sections 3, 4 and 7.

### **13. LEASES AND LICENCES**

Entering into a lease or licence agreement shall be considered in the same terms as any property acquisition the Council makes. Therefore Reasons for the purchase, property searches, financial appraisals, independent valuation, negotiations and Council approvals should all be identifiable stages. Clear ownership of responsibilities will require agreement prior to assignment of a lease in terms of H&S, maintenance requirements etc

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**COUNCIL – 18 SEPTEMBER 2012**

**DESFORD ST MARTINS DRIVE**

**REPORT OF THE DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)**



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

**WARDS AFFECTED: NEWBOLD VERDON WITH DESFORD AND PECKLETON**

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1. **PURPOSE OF REPORT**

To seek approval for disposal of land.

2. **RECOMMENDATION**

To approve disposal of the land identified in appendix 1 for the sum of £125,000

3. **BACKGROUND TO THE REPORT**

The land identified in appendix 1 is an asset of the Housing Revenue Account and is a residual holding after disposal of adjacent housing and former car park. It provides access to an electricity substation and pedestrian route to the rear of No 106 St Martins Rd. Otherwise it has no development value or other purpose.

Planning consent (ref 11/00029/OUT) was granted in 2012 on land to the north for a housing development with 135 houses which included the development providing a pedestrian connection route to St Martins Drive. To achieve that, the developer wishes to acquire land from the Council and a price of £125,000 has been negotiated by the Council's agent and affirmed as representing full value.

In addition, to preserve amenity value for the owner of No 106 the developer is to erect a fence with a gate to the rear passage.

4. **FINANCIAL IMPLICATIONS [IB]**

If the site was purchased, the £125,000 would be used to fund regeneration schemes within the capital programme.

5. **LEGAL IMPLICATIONS [AB]**

As land held under the HRA, S32 of the Housing Act 1985 requires the secretary of State to consent prior to its disposal. A general consent came into effect on 18 May 2012 which allowed for the disposal of land at its market value under paragraph A3.1.1 and for the disposal of vacant land under paragraph A3.2. This parcel of land fall within this consent

6. **CORPORATE PLAN IMPLICATIONS**

This proposal supports:  
- Cost effective efficient use of resources.  
- Strong and distinctive communities.

7. **CONSULTATION**

No external groups have been consulted separately to those within the Planning process. The owners of Nos 106 & 108 St Martins Drive are aware of this proposal.

8. **RISK IMPLICATIONS**

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Developer acquires alternative route and terminates this agreement with result of loss of receipt.	Proceed to immediate completion.	R VAUGHAN

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

Without this land the developer is potentially unable to provide the 135 new homes in the rural location. An alternative would be to acquire and demolish a house further along St Martins Drive which would cause delay and loss of housing.

10. **CORPORATE IMPLICATIONS**

This action facilitates achievement of a strategic provision within the Local Development Framework for the provision of housing. It also provides a capital receipt outwith the approved budget.

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Background papers: Estates & Asset Management file

Contact Officer: Robert Vaughan, Principal Surveyor, x 255867  
Executive Member: Cllr K Lynch

APPENDIX 1.



**COUNCIL 18TH SEPTEMBER 2012**

**RE: LEICESTER-SHIRE AND RUTLAND COUNTY SPORTS  
PARTNERSHIP – ANNUAL REVIEW 11/12  
REPORT OF THE DEPUTY CHIEF EXECUTIVE**



Hinckley & Bosworth  
Borough Council

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**WARDS AFFECTED: ALL**

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1. **PURPOSE OF REPORT**

To update Council on the Leicester-shire and Rutland County Sports Partnership (LRS) Annual Review 2011/12, in particular the significant success and value for money Hinckley & Bosworth gain from this relationship, for the residents of the borough.

2. **RECOMMENDATION**

That Council acknowledges and endorses the Leicester-shire and Rutland County Sports Partnership Annual Review which recognises the valuable contribution sport makes to the quality of life for residents in Hinckley & Bosworth.

The Council note and endorse this significant investment secured for sport and physical activity within the Borough during 2011/12.

3. **BACKGROUND TO THE REPORT**

Leicester-shire and Rutland Sport (County Sports Partnership) is the lead agency in coordinating sport and physical activity delivery across the sub region. The Council's Deputy Chief Executive (Community Direction) is currently the Vice Chairman of the LRS.

The Annual Review highlights at a district level the investment, success and impact of the partnership. Two case studies showcase Hinckley & Bosworth programmes focusing on reducing health inequalities and increasing equity opportunities.

As can be viewed on pages 12 and 13 of the Annual Review, Hinckley & Bosworth have secured the highest financial investment, £478,856 into sport and physical activity compared to all the other districts, including Leicester City Council and Rutland County Council during 2011/12. The Council makes an annual contribution of £7,113 to the County Sports Partnership.

For 2011/12 for every £1 invested by Hinckley and Bosworth Borough Council we have received a return of £33 into Sport and Physical Activity across the Borough.

Over the last eight years the work of the Cultural Services team has helped secure financial investment totalling £1,849,284 for sport and physical activity.

The Cultural Services Team have played a lead role in facilitating the Hinckley and Bosworth Local Sport and Health Alliance, a committed group of volunteers and professionals from across the local sports sector who are increasing participation in sport and health within the borough. The significant role of partnership working to help lever in this amount of investment should be recognised by Council.

Key Hinckley and Bosworth achievements from the Annual Review include:

- The Active Together scheme, targeted at increase adult levels of physical activity, created 10,522 opportunities to participate in physical activity in Hinckley and Bosworth in 2011/12.
- 8 talented local young athletes were supported through the County Go Gold scheme, accessing £4,075 funding.
- 7 local sports clubs have attained Clubmark – a high quality accreditation process that demonstrates Clubs are safe, friendly and equitable.
- Two local clubs secured £50,000 each through the 2012 Olympic Inspire Facilities fund.

A full list of achievements can be viewed on page 12 of the report.

In summary, Leicester-Shire and Rutland Sport is a reliable and valued partner, fulfilling its guiding principles of being well led, safe and equitable.

4. **FINANCIAL IMPLICATIONS (PE)**

None relating directly to the report. The Council makes an annual contribution of £7,113 to the County Sports Partnership.

5. **LEGAL IMPLICATIONS (AB)**

None relating directly to this report.

6. **CORPORATE PLAN IMPLICATIONS**

The partnership is assisting the Council in achieving its key aims, notably 'Safer and Healthier Borough' and 'Strong and Distinctive Communities'.

7. **CONSULTATION**

None relating directly to this report.

8. **RISK IMPLICATIONS**

None relating directly to this report.

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

The Annual Report highlights achievements from all parts of the borough. Enhancing disability participation is detailed within page 13 of the report. The 3 guiding principals of LRS are captured on page 26; Safe, Fair and Well Led Sport.

10. **CORPORATE IMPLICATIONS**

None relating directly to this report.

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Background Papers: Leicestershire and Rutland Sport Annual Report,  
Hinckley and Bosworth Pages 12 & 13.

Contact Officer: Graeme Chilvers, Health and Recreation Manager

Executive Member: Councillor David Cope, Executive Member for Culture, Leisure,  
Parks and Open Spaces.



**COUNCIL – 18 SEPTEMBER 2012**

**ANNUAL REVIEW OF THE CONSTITUTION**  
**REPORT OF THE MONITORING OFFICER**

**WARDS AFFECTED: ALL WARDS**



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

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1. **PURPOSE OF REPORT**

To highlight proposed changes to the Hinckley & Bosworth Borough Council Constitution in line with changes in legislation and to bring the document up to date as part of the regular review of the Constitution.

A copy of the Constitution with the proposed changes highlighted is available in the Members' room, on the Council's website as part of the agenda documentation or is available on paper on request. If Members wish to receive clarification on any point, please contact the report author.

2. **RECOMMENDATION**

That Council approves the changes to the Constitution outlined in paragraphs 3.3 to 3.6.

3. **BACKGROUND TO THE REPORT**

3.1 The amendments to the Constitution highlighted in this report include those changes already agreed by Council – which are included in paragraph 3.2 for information only, and proposed changes which are recommended for approval as contained in paragraphs 3.3 to 3.6.

3.2 Council, at its meeting on 17 May 2011, agreed changes to the Constitution to reflect the agreed changes to the Committee structure. At the meeting on 25 October 2011, Council agreed changes regarding delegation of some planning functions and with regard to changes in polling places. Council on 19 June 2012 agreed changes in line with the new Standards regime, including a new Code of Conduct and the creation of an Ethical Governance and Personnel Committee (with removal of the Standards Committee and Personnel Committee). These changes have now been included in this update of the Constitution.

3.3 Changes proposed to parts of the Constitution within the service area of Environmental Health:

- Health Protection: due to changes in Health Protection legislation and the employing of Consultants in Communicable Diseases Control and appointment of these as Proper Officer in order to act in the control of infectious diseases.
- Health and Safety: Changes to enable to officers to act under the Sunbeds (Regulations) Act 2010 to prevent people under 18 using sunbeds.
- Water Quality: Changes to enable officers to serve a notice under the Private Water Supply Regulations 2009.
- Food safety powers: power to act with regard to illegally imported foods following consolidated legislation.

- Pollution: update in officer titles required in line with current Corporate structure.
- Applying for warrants: textual changes to delegation.
- The Environmental Permitting (England & Wales) Regulations 2007 to be replaced with updated (2010) regulations.
- Transfer of entry currently under the 'Housing portfolio' section of the Constitution to the 'Environmental Health' section regarding section 29 of the Local Government (Miscellaneous Provisions) Act 1982.
- Food Safety Powers: Removal of reference to "Products of Animal Origin (Third Country Imports) (England) Regulations 2006" and the "Products of Animal Origin (Import & Export) Regulations 2006 (as amended)", and correction of Home Office Circular number, to 30/2005.
- Re-ordering some sections and inserting new headings for purposes of clarity.

#### 3.4 Changes proposed to parts of the Constitution within the service area of Planning:

- Delegate powers to make, confirm, withdraw & revoke TPOs (rather than just confirm)
- Exceptions to delegations clarified.

#### 3.5 Changes proposed to Part 4 – Procedure Rules:

- Sentence inserted to state that only members of the Licensing Committee may sit on a panel for a Licensing hearing (in accordance with legislation)
- Paragraph 20 – record of attendance – has been changed to require recording of leaving the meeting only when a Member is absent for a decision, arrives late or leaves early.
- Public speaking at Planning Committee: Due to an increasing number of complaints from the public, it is proposed that we allow more than one objector with a maximum time for objectors on each application limited to a total of 5 minutes, and that we allow people to speak in support of an application even if they're not the applicant or an agent.

It is proposed that a County Councillor be given the opportunity to speak, in addition to a Borough Councillor, but where a member is a Borough and County Councillor, they may only speak once, for two minutes. A Ward Councillor will have the opportunity to speak for one period of two minutes only.

Where a member of the public speaks on an application which is subsequently deferred, when the application goes back to the Planning Committee there will be a further opportunity to speak on that application, on a first-come first-served basis as previously.

Members of the public will not be able to register to speak until the agenda has been published (ie a week before the meeting). There will no longer be the opportunity for Members to ask questions of a speaker, however if there

are any points Members wish to clarify, they can do so of officers who may then refer the question to the speaker.

- The Forward Plan: further to the making of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, which came into force on 10 September 2012, the Forward Plan is no longer relevant in the current format. There is now a requirement for key decisions of the Executive and any Executive decisions to be taken in closed session to be published in a document 28 days prior to the decision being taken. It is therefore proposed that a rolling document of Executive key and private decisions is maintained in place of the Forward Plan. Where this is not possible, the Regulations state that the Chairman of Scrutiny must be informed of the proposed decision. This section of the Constitution has therefore been re-written.
- Changes to Executive arrangements: relevant changes have been made in line with the new Regulations regarding publication of background papers and the procedure for dealing with key and private decisions that cannot be published in the required notice 28 days before the decision and cases of special urgency.
- Updated role profiles, including a new role profile for Members of the Appeals Panel.
- Voting: 18.3 – prevent members who have not heard the full debate from voting.

3.6 Administrative only changes have also been made in relation to post titles and formatting.

#### 4. FINANCIAL IMPLICATIONS (AB)

None arising directly from this report.

#### 5. LEGAL IMPLICATIONS (LH)

A two-thirds majority is required to make changes to the Constitution.

#### 6. CORPORATE PLAN IMPLICATIONS

This report supports all Corporate aims by ensuring open and transparent decision making.

#### 7. CONSULTATION

Many recommended changes arise following issues raised by Councillors and members of the public or legislative changes.

#### 8. RISK IMPLICATIONS

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
1. Failure to approve updated Constitution leading to breaches of legislation and regulations.	Ensure members read and understand the changes prior to the meeting in order to discuss, accept or amend where necessary and on the advice of the Monitoring Officer	Louisa Horton
2. lack of awareness of decision making processes	Ensure the Constitution covers all areas of governance and that Members receive unified advice on the provisions.	

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

The recommendations in this report do not affect any group or community more than another. The spirit of the Constitution is to outline the management and processes within the council to ensure openness and transparency which in turn benefits all who live, work, visit or are educated within the Borough.

10. **CORPORATE IMPLICATIONS**

There are implications for those services who will be affected by changes to the Constitution. However these services have recommended the changes and/or been consulted, or the amendments are as a result of legislative changes and therefore have been imposed on the authority.

Background papers: None

Contact Officer: Rebecca Owen, Democratic Services Officer, ext 5879

Executive Member: Councillor Bron Witherford