

## 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.

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### The 2011/12 Budget

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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

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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
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	8,011	6,862
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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:

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
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>

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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.

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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



### 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 Earmarked reserve	Housing Revenue Account	Earmarked HRA Reserves	Capital receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable 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	6663
<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:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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)
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>						
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>

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 roll 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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	2011/12	2010/11
	£'000	£'000
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>	1,861	1,515

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>

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>



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.

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.

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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>

## 14. Intangible Assets

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)
	702	604

## 15. Inventories

	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

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.



## 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	<u>(34,397)</u>	<u>(106,963)</u>

### 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	<b>(800)</b>	
(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
<b>(800)</b>	Balance at 31st March		<b>(3,039)</b>

### 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)		(3,913)	
(2,350)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	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

26. Cash Flow Statement – Investing Activities

The cash flow for investing activities includes the following items:

2010/11 £'000		2011/12 £'000
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

27. Cash Flow Statement – Financing Activities

2010/11 £'000		2011/12 £'000
(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)

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 £'000</b>	<b>2010/11 £'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

	2011/12 £'000	2010/11 £'000
<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
	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>

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

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.



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>

36. Leases (continued)

**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

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

No borrowing costs have been capitalised in the year.

39. Termination Benefits

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).

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#### 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.

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

	<b>31<sup>st</sup> March 2012 £'000</b>	<b>31<sup>st</sup> March 2011 £'000</b>	<b>31<sup>st</sup> March 2010 £'000</b>	<b>31<sup>st</sup> March 2009 £'000</b>	<b>31<sup>st</sup> March 2008 £'000</b>
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:

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

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).

#### 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 2010/11	Restated 2009/10
	£'000	£'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><u>HRA INCOME &amp; EXPENDITURE STATEMENT</u></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><u>STATEMENT OF MOVEMENT ON THE HRA BALANCE</u></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>	Central support costs	<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*	8	0
	<u>(6)</u>	<u>(5)</u>

## ADDITIONAL *financial* STATEMENTS

### 3. Property Types in Dwelling Stock

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

TYPE	2012 NUMBER OWNED	2011 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

	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

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>

<b>Term</b>	<b>Definition</b>
<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>