



STATEMENT OF ACCOUNTS

2011/12

Statement of Accounts 2011/12

Contents

	Page
Explanatory Forward	2
Statement of Responsibilities	6
 Financial Statements	
Comprehensive Income and Expenditure Statement.....	7
Balance Sheet.....	8
Movement in Reserves Statement.....	9
Cash Flow Statement.....	12
Accounting Policies	13
Notes to Financial Statements	21
 Supplementary Statements and Notes	
HRA Income and Expenditure Statement.....	58
Movement on the Housing Revenue Account Statement.....	59
Reconciling Items for the Statement of Movement on the HRA Balance.....	59
Notes to the Housing Revenue Account.....	60
Collection Fund Statement.....	64
Notes to the Collection Fund Statement.....	65
Group Consolidated Accounts	69
Glossary of Terms	80
Auditors' Report to Charnwood Borough Council	81
Annual Governance Statement	83

Explanatory Forward

1. The Accounts for 2011/12, set out on pages 7 to 81, have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, the 'Code', based on International Financial Reporting Standards ('IFRS'). The purpose of the published statement of accounts is to give electors, local taxpayers, members of the Council and other interested parties clear information about the Council's finances. The statements should inform readers of:

- The cost of services provided by the Council in the year 2011/12
- How services were paid for; and
- The Council's assets and liabilities at the year-end.

The following Core Financial statements are included: -

- Comprehensive Income and Expenditure Statement which shows income and expenditure of all main services.
- Balance Sheet - sets out the overall financial position of the Council at 31st March 2012 showing its assets, liabilities and reserves.
- Movement in Reserves Statement, this statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (ie those that cannot be used to fund expenditure).
- Cash Flow Statement summarises the movements of cash and cash equivalents into and out of the Council arising from transactions with third parties.
- Notes to the Core Financial Statements – explanation of key figures within the statements.

The following Supplementary Financial Statements and supporting notes are included:-

- Housing Revenue Account (HRA) - shows income and expenditure in respect of Council housing.
- Collection Fund Statement - shows the transactions in relation to the collection and distribution of Council Tax and National Non-domestic Rates ('NNDR').
- Group Accounts which consolidate the accounts of the Council with its wholly owned subsidiary, Charnwood Neighbourhood Housing Limited ('CNH'), which manages the Council's housing stock on its behalf. After due consideration no other third party organisations' accounts need to be consolidated.

2. Pension Fund Liability

Charnwood Borough Council participates in the Local Council Pension Scheme through which pension provision is made for those of its employees who wish to join the scheme. Under the Code, the Council must include its share of the net Pension Fund Liability as at 31st March 2012 and this amounted to £39,836k deficit. This is an increase of £11,368k on the position at 31st March 2011. Although this liability appears in the Council's balance sheet it is offset by the Pensions Reserve and is not funded from Council Tax or Government Grants. Actual employer's contributions to the pension scheme during the year are paid out of the Council's expenditure as funded by Government Grants and Council Tax.

3. General Fund Revenue Outturn Summary 2011/12

	Outturn £000	Original Budget £000	Variance £000
Net Service Expenditure	16,020	17,091	1,071
Revenue Contributions to Capital	718	116	(602)
Heritable Bank Gain on Investment	(39)	0	39
Item 8 Debit	(7)	0	7
Interest Paid	234	235	1
Less: Interest on Balances	(319)	(200)	119
Total Borough Expenditure	16,607	17,242	635
Contribution (from) Reinvestment Reserve	(81)	0	81
Contribution (from)/ to Working Balance	1,238	184	(1,054)
Contribution (from) LABGI Reserve	(136)	0	136
Contribution (from) Other General Reserves	(97)	0	97
Council Tax Freeze Grant	(171)	(171)	0
Precept Requirement	17,360	17,255	(105)
Revenue Support Grant	2,299	2,299	0
Redistributed NNDR	7,437	7,437	0
Council Tax Receipts	5,618	5,618	0
Loughborough Special Levy	1,237	1,237	0
Collection Fund	20	20	0
New Homes Bonus	644	644	0
General Government Grants	105	0	105
Precept Income	17,360	17,255	105
<u>Working Revenue Balance at 1 April</u>	3,274	3,326	(52)
Transfer (to)/ from General Fund	1,238	184	1,054
Transfer (to) Reinvestment Reserve	(400)	(500)	100
Balance at 31 March	4,112	3,010	1,102
<u>Reinvestment Reserve Balance at 1 April</u>	635	183	452
Transfers (to) General Fund	(81)	0	(81)
Transfers From General Fund	400	500	(100)
Balance at 31 March	954	683	271
<u>LABGI Reserve Balance at 1 April</u>	252	84	168
Transferred (to) General Fund	(136)	0	(136)
Balance at 31 March	116	84	32
<u>Other Revenue Reserve Balances at 1 April</u>	507	314	193
Transferred (to) General Fund	(97)	0	(97)
Balance at 31 March	410	314	96
TOTAL BALANCES	5,592	4,091	1,501

The main purpose of the General Fund Revenue Outturn Summary is to compare the General Fund outturn figures to the budget set for 2011/12. This provides an easier indication as to how the Council spent its money during the year. Please note that the table is for information only and does not form part of the formal Statement of Accounts.

The Council's General Fund, which relates to all its activities except Housing Revenue Account, spent £635k less than the Total Borough Expenditure budget of £17,242k. After adjusting for the use of reserves, the underspend increases to £804k which was primarily due to Net Service Expenditure being £1,071k (6.3%) lower than budget at £16,020k. Adjusting by the net use of £169k of reserves produces a net underspend of £1,240k, being 7.3% of the budgeted figure of £17,091k. This occurred due to a large number of relatively small savings plus more major savings/additional income on:

- Additional income on recycling activities - £141k,
- Net savings on the main Environmental Services contract - £144k,
- Council wide savings on salaries and extra savings from the Senior Management Review - £165k,
- Salary and other savings in Information & Communication Services - £118k,
- Higher net provisional settlement with central government on housing and other benefits - £144k.

Revenue Contribution to Capital ('RCCO') - £602k higher at £718k. This was primarily due to £522k of additional funding for the Loughborough Eastern Gateway project plus £131k of LABGI which was also used for this project. Three smaller projects totalling £32k were also funded through RCCO whilst this was offset by capital spending on the Property Improvement Budget being £83k lower than budget.

Interest on Balances - £119k (60%) higher than budget at £319k mainly due to a higher level of funds being available for investment and better returns achieved by both the investment manager and the in-house team.

4. Capital Expenditure

For the financial year 2011/12 the Council's capital spending, on an accruals basis, totalled £13,202k compared with a final Capital Plan budget of £13,583k. The net underspend of £381k represented 3% of the programme. Budgets on committed schemes worth £786k will be carried forward to 2012/13 in order to complete the schemes in that year.

The 2011/12 Capital Expenditure was financed, on an Accruals Basis, as follows:	£'000	%
Capital Expenditure	13,202	100
Financed by:		
Major Repairs Allowance - HRA	3,326	25
Revenue Contributions - General Fund	718	5
Borrowing - HRA	2,620	20
Revenue Contributions - HRA	9	0
Capital Receipts	1,817	14
Capital Grants and Contributions	4,712	36
	13,202	100

5. Major Items in the 2011/12 Accounts

There are no major changes to the way the accounts have been compiled in 2011/12, but there are some major differences between the figures for 2010/11 and 2011/12, these being:

- The annual 'desk top' property valuation has once again thrown up changes to property values which reflect the current difficult market conditions as well as some adjustments resulting from a change of valuer this year. The HRA's housing stock was reduced in value by a net £16.74m, 8.8% of its value at 31st March 2011, whilst there was a net increase in General Fund values of £6.05m, being 16.7% of the value at 31st March 2011. However, property

write downs have to be put through the Income & Expenditure (I&E) statement at service level if there is no equivalent revaluation amount in the Revaluation Reserve. This is the main reason for the higher costs of Cultural & Related Services, Housing Services HRA and the Corporate & Democratic Core in 2011/12. None of these valuations have any cash impact on the Council.

- The valuation also identified some duplication of information in respect of property assets. This has now been corrected but the corrections have to be treated as 'disposals' under IFRS and that gives rise to Loss on Disposal of Fixed assets of £1,998k in the I&E. This is less than 1% of the net book value of the assets as at 31st March 2011.
- The Housing subsidy system under which the HRA operated for many years was changed in late March 2012 and the Council had to effectively buy its way out of the system which entailed paying the government £79.19m. This amount is shown in the I&E and also the Balance Sheet, together with an earlier borrowing of £2m. It was funded by borrowing from the government and the amounts borrowed are at fixed rates and mature over a range of 12 to 50 years. The interest payments will be funded from the rental income from tenants as this can now all be retained by the Council. As and when the loans fall due they will either be paid off or refinanced from new borrowings.
- The Balance Sheet shows a major change to the Capital Adjustment Account, down by £104.6m to £128.1m. This is mainly due to the Housing borrowings of £79.19m being charged to this account, with the rest being in respect of the asset revaluations. The increase in the Revaluation Reserve is also in respect of the assets valuation as all uplifts in values have to go through this account, and all write downs through the I&E statement.
- A new provision of £391k has also been established and is shown in the Balance Sheet. This is in respect of the Benefits claim submitted to the government. Whilst no problems have been identified, the claim amounts to over £39m so even a small percentage being disallowed, on what is a very complex process, could prove costly. In previous years the actual claim was not prepared until later in the year and a prudent estimate was always included in the accounts.

6. Anticipated Changes in 2012/13

On 7th June 2012 Cabinet approved recommendations whereby the activities of CNH be transferred back to the council during 2012/13. All staff will be transferred back and contracts etc will be terminated, novated or transferred back to the Council as appropriate. This change should lead to savings in the future and there are sufficient reserves in both the General Fund and HRA to cover expected one-off costs and any shortfall in the reserves of CNH.

7. Statement of Authorisation

The Statement of Accounts were authorised for presentation on 15th June 2012 by Simon Jackson, Director of Corporate Services and S.151 Officer. All financial events up to and including 18th September 2012 have been considered in these accounts.

8. Preparation of Accounts

I would like to thank all staff who has been involved in the preparation of these accounts.

9. Further Information

Further information regarding the accounts may be obtained from:
The Head of Finance & Property Services,
Charnwood Borough Council,
Southfield Road,
Loughborough,
LE11 2TU.

Members of the public have a statutory right to inspect the accounts on deposit for audit purposes and the availability of the accounts for inspection is advertised in the local press, and on the Council's web site at www.charnwood.gov.uk

John Casey
Head of Finance & Property Services

Statement of Responsibilities for the Statements of Accounts

The Council's Responsibilities

The Council is required to:

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

Chief Financial Officer's Responsibilities

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

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

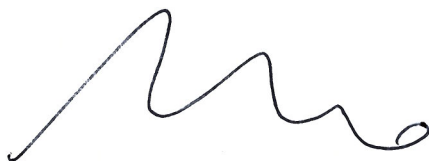
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local Council code.

The Chief Financial Officer has:

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

The Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2012.

Certified by the S151 Officer:



Simon Jackson
Director of Corporate Services

18th September 2012

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



Signed by the Chairman of the Audit Committee

18th September 2012

Comprehensive Income and Expenditure Statement

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

Gross Expenditure 2010/11 £'000	Gross Income 2010/11 £'000	Net Expenditure 2010/11 £'000		Gross Expenditure 2011/12 £'000	Gross Income 2011/12 £'000	Net Expenditure 2011/12 £'000
0	0	0	Central Services to the Public			
			Emergency Planning	104	0	104
209	(199)	10	Local Land Charges	163	(233)	(70)
10,867	(10,004)	863	Local Tax Collection	10,666	(10,100)	566
551	0	551	General Grants, Bequests and Donations	510	(12)	498
228	(25)	203	Elections	333	(26)	307
			Cultural, Environmental, Regulatory & Planning Services			
6,631	(2,858)	3,773	Cultural & Related Services	10,725	(2,333)	8,392
11,270	(3,462)	7,808	Environmental Services	10,200	(3,650)	6,550
6,337	(3,716)	2,621	Planning & Development Services	7,805	(4,844)	2,961
2,498	(867)	1,631	Highways/Transportation	743	(891)	(148)
18,317	(18,727)	(410)	Housing Services – HRA	35,219	(19,717)	15,502
83,178	0	83,178	Exceptional Item – HRA (Note 4)	79,190	0	79,190
31,328	(28,751)	2,577	Housing Services - General Fund	33,792	(30,608)	3,184
582	(129)	453	Corporate & Democratic Core	3,820	(175)	3,645
221	0	221	Non-Distributed Costs	378	0	378
(10,182)	0	(10,182)	Exceptional Item (Note 4)	0	0	0
1,567	(1,567)	0	Rechargeable Service Units (Note 7)	1,580	(1,580)	0
163,602	(70,305)	93,297	Cost of Service	195,228	(74,169)	121,059
928	(437)	491	Trading Operations (Note 25)	437	(466)	(29)
2,591	0	2,591	Parish Precepts	2,641	0	2,641
426	0	426	Contribution to Housing Pooled Capital Receipts	227	0	227
0	(364)	(364)	(Gains)/Loss on Disposal Fixed Assets	1,998	0	1,998
0	(25)	(25)	Capital Receipt not related to Asset Disposal	0	(26)	(26)
0	(23)	(23)	Adjustment to Impairment on Investments	0	(39)	(39)
3,945	(849)	3,096	Other Operating Expenditure	5,303	(531)	4,772
241	0	241	Interest Payable and similar charges	284	0	284
1,176	0	1,176	Net Pensions Interest Costs and Expected Returns on Assets	630	0	630
0	(319)	(319)	Interest and Investment Income	0	(363)	(363)
0	(6)	(6)	Item 8 Debit	0	(7)	(7)
915	0	915	Investment Properties Change in Fair Values	(811)	0	(811)
2,332	(325)	2,007	Financing & Investment Income & Expenditure	103	(370)	(267)
0	(2,410)	(2,410)	General Government Grant (Note 29)	0	(3,220)	(3,220)
0	(1,499)	(1,499)	Capital Grants and Contributions (Note 29)	0	(582)	(582)
0	(10,927)	(10,927)	Non Domestic Rates Distribution (Note 29)	0	(7,437)	(7,437)
0	(9,393)	(9,393)	Collection Fund (Note 29)	0	(9,490)	(9,490)
0	(24,229)	(24,229)	Taxation and non-specific Grant Income	0	(20,729)	(20,729)
		74,171	Deficit on provision of services			104,835
1,546	0	1,546	Deficit/(Surplus) on revaluation of Fixed Assets	0	(12,922)	(12,922)
0	(12,366)	(12,366)	Actuarial (gains)/losses on pension assets/liabilities	10,591	0	10,591
1,546	(12,366)	(10,820)	Other Comprehensive Income & Expenditure	10,591	(12,922)	(2,331)
171,425	(108,074)	63,351	Total Comprehensive Income & Expenditure	211,225	(108,721)	102,504

Balance Sheet as at 31st March 2012

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

31st March 2011 £'000		Note	31st March 2012 £'000	31st March 2012 £'000
188,282	Council Dwellings	8	174,065	
31,767	Other Land & Buildings	8	38,881	
2,135	Vehicles, Plant & Equipment	8	1,644	
540	Infrastructure Assets	8	480	
3,824	Community Assets	8	3,541	
909	Assets Under Construction	8	16	
36	Surplus Assets Not Held for Sale	8	79	
227,493	Property, Plant and Equipment Total			218,706
0	Heritage Assets	11		229
4,666	Investment Property	9		3,522
1,011	Intangible Assets	10		589
132	Long-Term Investments	12		807
22	Long-Term Debtors	12		15
233,324	Long-Term Assets (Sub-total)			223,868
16,706	Short-Term Investments	12		15,097
42	Surplus Assets held for Sale	16		6
23	Inventories	13		33
9,371	Short-Term Debtors	14		6,993
(1,652)	Provision for Bad/Doubtful Debts	14		(2,014)
1,524	Cash and Cash Equivalents	15		4,246
26,014	Current Assets (Sub-Total)			24,361
(2,214)	Cash and Cash Equivalents	15		(1,871)
0	Provisions	18		(391)
(7,564)	Short-Term Creditors	17		(8,218)
(9,778)	Current Liabilities (Sub-Total)			(10,480)
(163)	Long term Creditors – Deferred Pension Capital Costs			(183)
(2,000)	Long-Term Borrowing, over 12 Months Defined Benefit Pension Scheme	12		(81,220)
(28,468)	Asset/(Liability)	34		(39,836)
(754)	Capital Grants Receipts in Advance	29		(839)
(31,385)	Long-Term Liabilities Total			(122,078)
218,175	Net Assets Total			115,671

Balance Sheet as at 31st March 2012

31st March 2011 £'000		Note	31st March 2012 £'000	31st March 2012 £'000
(4,772)	Capital Receipts Reserve	19		(3,066)
(105)	Major Repairs Reserve	6		(561)
(759)	Revenue Reserves	6		(526)
(635)	Reinvestment Reserve	6		(954)
(1,399)	Capital Grants Unapplied	19		(972)
(3,274)	General Fund Balance			(4,112)
(599)	HRA Fund Balance			(1,758)
(11,543)	Usable Reserves Total			(11,949)
(49)	Collection Fund Adjustment Account	20		(23)
(22)	Deferred Credits (Deferred Capital Receipts)	20		(15)
(232,798)	Capital Adjustment Account	20		(128,132)
1,067	Financial Instruments Adjustment Account	20		647
28,468	Pension Reserve Deficit	20		39,836
(3,584)	Revaluation Reserve	20		(16,279)
286	Accumulated Absences Account	20		244
(206,632)	Unusable Reserves Total			(103,722)
(218,175)	Total Reserves			(115,671)

Movement in Reserves Statement

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

Movement in Reserves Statement 2011-12	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at the beginning of the period	(3,274)	(1,394)	(599)	(105)	(4,772)	(1,399)	(11,543)	(206,632)	(218,175)
(Surplus)/Deficit on provision of Services (accounting basis)	9,767	0	95,068	0	0	0	104,835	0	104,835
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(2,331)	(2,331)
Total Comprehensive Income and Expenditure	9,767	0	95,068	0	0	0	104,835	(2,331)	102,504
Adjustments Primarily involving the Capital Receipts Reserve:									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	1,817	0	1,817		
Cash Proceeds	0	0	0	0	(111)	0	(111)		
Adjustments Primarily involving the Capital grants Unapplied Account:									
Application of Grants to Capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	788	788		
Capital grants unapplied adjustment and Contributions Applied	0	0	0	0	0	(361)	(361)		
Adjustments Primarily involving the Major Repairs Reserve:									
Reversal of Major Repairs allowance credited to the HRA	0	0	0	(407)	0	0	(407)		
Use of the Major Repair Reserve to finance new capital Expenditure	0	0	0	(49)	0	0	(49)		
Sub Total	0	0	0	(456)	1,706	427	1,677	(1,677)	0
Adjustment between Accounting basis and Funding basis under Regulations									
Pension Fund Reserve	(781)	0	4	0	0	0	(777)		
Collection Fund Account	(26)	0	0	0	0	0	(26)		
Accumulated Absences Account	40	0	2	0	0	0	42		
Financial Instruments Account	0	0	420	0	0	0	420		
Capital Adjustment Account									
-Upward Revaluation	3,063	0	0	0	0	0	3,063		
- Downward Revaluation	(8,560)	0	0	0	0	0	(8,560)		
-(Loss) on Disposal of Fixed Assets	(1,064)	0	(934)	0	0	0	(1,998)		
-Revenue Expenditure Funded from capital	(5,934)	0	0	0	0	0	(5,934)		
- HRA Self Financing	0	0	(79,190)	0	0	0	(79,190)		
- Depreciation	(1,620)	0	(17,141)	0	0	0	(18,761)		
Capital Expenditure charged against General Fund and HRA balances	718	0	9	0	0	0	727		
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	100	0	261	0	0	0	361		
Application of Grants to Capital Adjustment Account	3,581	0	342	0	0	0	3,923		
Capital Receipts Reserve	(201)	0	0	0	0	0	(201)		
Revenue Reserves	79	0	0	0	0	0	79		
Sub Total Adjustments between accounting basis and funding basis under regulations	(10,605)	0	(96,227)	0	0	0	(106,832)	106,832	0
Net Increase/(Decrease) before transfers to earmarked reserves	(838)	0	(1,159)	(456)	1,706	427	(320)	102,824	102,504
Transfers to/(from) earmarked reserves	0	(86)	0	0	0	0	(86)	86	0
Sub Total Increase/(decrease) in the year	(838)	(86)	(1,159)	(456)	1,706	427	(406)	102,910	102,504
Balance at the end of the period	(4,112)	(1,480)	(1,758)	(561)	(3,066)	(972)	(11,949)	(103,722)	(115,671)

Movement in Reserves Statement 2010-11	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at the beginning of the period	(3,830)	(1,782)	(226)	(265)	(5,640)	(1,765)	(13,508)	(268,018)	(281,526)
(Surplus)/Deficit on provision of Services (accounting basis)	(7,525)	0	81,696	0	0	0	74,171	0	74,171
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(10,820)	(10,820)
Total Comprehensive Income and Expenditure	(7,525)	0	81,696	0	0	0	74,171	(10,820)	63,351
Adjustments Primarily involving the Capital Receipts Reserve:									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	1,811	0	1,811		
Cash Proceeds	0	0	0	0	(943)	0	(943)		
Adjustments Primarily involving the Capital grants Unapplied Account:									
Application of Grants to Capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	1,167	1,167		
Capital grants unapplied adjustment and Contributions Applied	9	0	0	0	0	(801)	(792)		
Adjustments Primarily involving the Major Repairs Reserve:									
Reversal of Major Repairs allowance credited to the HRA	0	0	0	(395)	0	0	(395)		
Use of the Major Repair Reserve to finance new capital Expenditure	0	0	0	556	0	0	556		
Sub Total	9	0	0	161	868	366	1,404	(1,404)	0
Adjustment between Accounting basis and Funding basis under Regulations									
Pension Fund Reserve	8,791	0	(8)	0	0	0	8,783		
Collection Fund Account	69	0	0	0	0	0	69		
Accumulated Absences Account	(14)	0	(1)	0	0	0	(15)		
Financial Instruments Account	0	0	427	0	0	0	427		
Capital Adjustment Account	(4,482)	0	(83,574)	0	0	0	(88,056)		
Capital Expenditure charged against General Fund and HRA balances	645	0	2	0	0	0	647		
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	807	0	0	0	0	0	807		
Application of Grants to Capital Adjustment Account	2,869	0	1,085	0	0	0	3,954		
Capital Receipts Reserve	(203)	0	0	0	0	0	(203)		
Revenue Reserves	(28)	0	0	0	0	0	(28)		
Sub Total Adjustments between accounting basis and funding basis under regulations	8,454	0	(82,069)	0	0	0	(73,615)	73,615	0
Net Increase/(Decrease) before transfers to earmarked reserves	938	0	(373)	160	868	366	1,960	61,391	63,351
Transfers to/(from) earmarked and unusable reserves	(382)	388	0	0	0	0	6	(6)	0
Sub Total Increase/(decrease) in the year	556	388	(373)	160	868	366	1,966	61,385	63,351
Balance at the end of the period	(3,274)	(1,394)	(599)	(105)	(4,772)	(1,399)	(11,543)	(206,632)	(218,175)

Cash Flow Statement

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

2010/11 £'000		2011/12 £'000
74,171	Net deficit on the provision of services	104,835
	Adjustments to net deficit for non-cash movements	
(84,321)	Depreciation, Impairment of Fixed Assets	(24,260)
250	Increase/(Decrease) Provision for Bad Debt	(754)
8,783	Net Charges made for retirement benefit	(777)
(1)	Increase/(Decrease) in Inventory	10
2,574	Increase/(Decrease) in Debtors	(2,527)
1,191	(Increase)/Decrease in Creditors	(1,383)
23	Profit on Investments	39
48	Collection Fund Adjustment Account	(7)
(15)	Holiday Accrual	42
772	Deferred Capital Grant and Contributions	582
(70,696)	Adjustments to net deficit for non-cash movements	(29,035)
	Adjustments for items that are investing or financing Activities	
389	Other Capital Receipts and (Gains)/Loss on Sale Fixed Assets	(1,972)
3,864	Net Cash outflows/(inflows) from Operating Activities(Note 21)	73,828
603	Net Capital Activities	3,225
43	Net Change in Investments	1,742
646	Net Cash outflows/(inflows) from Investing Activities (Note 22)	4,967
(746)	Net Cash outflows/(inflows) from Financing Activities (Note 23)	(81,860)
3,764	Net (Increase)/ Decrease in Cash and Cash Equivalents	(3,065)
3,074	Cash and cash equivalents at the beginning of the period	(690)
(690)	Cash and cash equivalents at the end of the period (Note 15)	2,375
3,764	(Increase)/ Decrease in cash and cash Equivalents	(3,065)

Accounting Policies

1. General Principles

This Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at 31st March 2012 year end. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audits Regulations 2011. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) and the Service Reporting Code of Practice 2011/12, issued by the Chartered Institute of Public Finance and accountancy (CIPFA). The Accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Debtors and Creditors

The Council's revenue accounts are maintained on an accruals basis (in accordance with the Code). That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to repayments of NNDR which are made on a cash basis in the year that the Council is notified of the necessity to refund and, as the amount is outside of the Council's control, is fully recouped from the amounts paid over to Central Government. This policy has no material effect on any one year's accounts.

Interest on balances

General Fund Interest for the year is accrued and accounted for in the accounts in the relevant period to which it relates. Interest is credited to the Housing Revenue Account based on an average rate of interest earned on the Council's investments during the year.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash Equivalents are investments that mature in no more than 3 months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4. Provisions and Contingent Liabilities

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by transfer of economic benefits and where a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

5. Employee Benefits

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

6. Retirement Benefits

Most employees of the Council are members of the Local Government Pensions Scheme (the 'Scheme'), administered by Leicestershire County Council, which provides defined benefits to members, earned as employees work for the Council.

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, staff turnover etc and projections of projected earnings for current staff. Liabilities are discounted to their value at current prices, using a discount rate of 4.8% based on the indicative rate of return on high quality corporate bonds as measured by the yield on iBoxx Sterling Corporate Index, AA over 15 years, at the IAS 19 valuation date. (The corresponding figure for 2010/11 was 5.5 %.)

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

- Current service cost, which is the increase in liabilities as a result of years of service earned this year and is allocated in the Income and Expenditure Statement to the revenue accounts of services for the relevant employees.
- Past service cost, which is the increase in liabilities arising from decisions in 2011/12 which affect years of service earned in earlier years and this is debited to the Net Cost of Services in the Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost, which is the expected increase in the present value of liabilities during the year and is debited to Net Operating Expenditure in the Income and Expenditure Statement.

- Expected return on assets is the annual investment return on the Scheme's fund based on the average of the expected long-term return and is credited to the Net Operating Expenditure in the Income and Expenditure Statement.
- Gains/losses on settlements and curtailments which result from actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited, as appropriate, to the Net Cost of Services as part of Non Distributed Costs.
- Actuarial gains and losses change the net pension liability and arise because events have not coincided with assumptions made at the last actuarial valuation, or because those assumptions have been updated, and these are debited to the Statement of Total Recognised Gains and Losses.
- Contributions paid to the Scheme as the employer's contributions.

Statutory provisions limit the Council to raising council tax to cover the amounts payable to the Scheme in the year. This results in appropriations to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and credits and replace them with debits for cash paid and payable to the Scheme in the year.

The FRS17/IAS19 valuation does make allowance for the removal of the 'Rule of 85' for new entrants from 1st October 2006 but no allowance is made for the effect of the abolition of the 'Rule of 85' for new entrants since 31st March 2007. The principal reason for this is that insufficient information is available to allow for any such adjustments and these would be immaterial in actuarial terms.

7. Events after the Balance Sheet Date

The unaudited Statement of Accounts were approved for presentation on 15th June 2012 and this was the date initially used for consideration of whether there were any post balance sheet events that should be disclosed and that the accounts presented a true and fair view.

The audited accounts will be authorised for issue on 18th September 2012. Events after the balance sheet date will have been considered up to that time and there are no such events to report at the present time.

8. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, unless stated otherwise, by adjusting opening balances and comparative amounts for the prior period as if the new policy has always been applied. Should any material errors be discovered in prior period figures they are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

9. Financial Instruments

Financial Liabilities

Financial Liabilities are initially measured at fair value and are carried in the Balance Sheet at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Income & Expenditure Statement for interest payable are based on the carrying value of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Income and Expenditure Statement is the amount payable for the loan in the agreement.

Gain or losses arising on the repurchase or early settlement of borrowings are debited to Net Operating Expenditure in the Income & Expenditure Statement in the year of repurchase/settlement. Where, however, the repurchase of borrowing has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial Assets

Financial assets are classified into three types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for Sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.
- Assets held for Trading - financial assets held at fair value in the balance sheet with any adjustments made through the Income and Expenditure Statement, these are normally funds actively managed by banks or institutions.

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

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

Any gains and losses on de-recognition of an asset are credited or debited directly to the Income and Expenditure Statement.

Available for sale assets are recognised when the Council becomes a party to the contractual provisions of a financial instrument and are initially valued at fair value in the Balance Sheet. Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the surplus or deficit on Revaluation of Available for Sale Financial Assets. Any gains/losses on de-recognition is taken directly to the Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available For Sale Reserve.

Assets held for Trading are measured and carried on the Balance Sheet at fair value. Any gains/losses in fair value are taken directly to the Income and Expenditure Statement.

The Council also holds a very small amount of Government stock. This is treated as an Available for Sale asset under the Code. However, these are held at cost in the Balance Sheet as the difference between this and their market value is immaterial to the Council as a whole.

The notes to the financial statements, on pages 21 to 57 show this information, where relevant, relating to the appropriate class of assets and liabilities.

10. Government Grants and Contributions

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

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

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

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

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

11. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

12. Heritage Assets

The authority owns heritage assets such as civic regalia, statues, paintings and sculptures. Those valued at £10k or more are now included on the Balance Sheet as Heritage Assets. The actual assets are situated in Council premises, parks and squares in Loughborough. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets in that Heritage items are reported in the Balance Sheet at insurance valuation.

13. Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Any Long term contracts are accounted for on the basis of charging the surplus or deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated. Gains and losses on revaluation and disposal are posted to the Comprehensive Income and Expenditure Statement.

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

15. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidentally to ownership of the property, plant or equipment from the lessor to the lessee. No finance leases have been identified. All the other leases are classified as operating leases.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased property, plant or equipment.

16. Charges to Revenue for Non-Current Assets

Service revenue accounts, including support services and trading accounts, are debited with the following amounts to record the real cost of holding non current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses, if relevant, on non current assets used by the service, if there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment or amortisation and therefore these are reversed in the Movement in Reserves Statement on the General Fund Balance.

17. Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

18. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure on routine repairs and maintenance of non current assets that does not enhance the asset or extend its useful economic life is charged directly to service revenue accounts. The de minimis level for accounting for property, plant and equipment is £10,000.

Measurement

Assets are initially measured at cost, comprising of the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

- Infrastructure assets, community assets and assets under construction are included in the balance sheet at depreciated historical cost.

- Council dwellings have been valued using the 'Beacon valuation' method, whereby a sample of each category of dwelling is valued and then these valuations are applied to all similar dwellings to arrive at a gross valuation; They are valued at fair value, determined using the basis of existing use value for social housing (EUV-SH).
- Land, operational properties and other operational assets are included in the balance sheet at existing use value, market value or depreciated replacement cost.

Non-specialised operational properties are valued at either existing use or market value. Depreciated replacement cost is used for specialised operational properties and market value for investment properties and surplus assets.

Revaluations of fixed assets take place at five yearly intervals, although material changes to valuations will continue to be adjusted for in the interim period, as they occur. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, unless the increase is reversing a previous revaluation decrease charged to Surplus or Deficit on the Provision of Services on the same asset.

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

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

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

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets under construction.

Depreciation is provided using the straight-line method over either the remaining life of the asset or the following periods:

Buildings (where appropriate)	5 - 92	years
Infrastructure	20	years
Plant, vehicles and equipment (excluding computers)	7	years
Computers and software licences	5	years

The Housing Revenue Account is charged with the depreciation of its assets. For dwellings this represents the same amount as is granted for the Major Repairs Allowance. Garages are depreciated over 10 years and shops are depreciated over 35 years using the straight-line method.

No item of Property, Plant and Equipment has been identified as having major components whose cost is significant in relation to the total cost of the item; therefore no separate depreciation calculations are required.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is devalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged to Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Receipts from disposals are part of the gain or loss on disposal line in the Comprehensive Income and Expenditure Statement (i.e. netted off against the carrying value of the assets at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as a capital receipt. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deduction allowances) is payable to the Government. The balance of receipts is credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

19. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. Expenditure to be funded from a reserve is charged to the appropriate service revenue account and reflected in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The relevant amount is then transferred back into the General Fund Balance so that there is no net charge to council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instrument, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained elsewhere in these Accounting Policies.

20. Revenue Expenditure Funded from Capital under Statute

This is expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non current asset for the Council. This is charged as expenditure to the relevant service revenue account in the year. The cost of this expenditure is met from existing capital resources and a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

21. Value Added Tax

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

22. Interests in Companies and Other Entities

The Council has a material interest in Charnwood Neighbourhood Housing Limited that has the nature of a subsidiary and accordingly group accounts have been prepared. In the Council's own single entity accounts, the interests in that company are not held for sale and are accounted for at cost.

Notes to the Financial Statements

Note 1. Accounting Standards Issued, Not Adopted

All relevant accounting standards have been used in this year's accounts and there are no relevant ones issued that have not been adopted.

Note 2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in pages 13 to 20, 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 the high degree of uncertainty about future levels of funding for local government, changes to National Non-Domestic Rates, changes to the Council Tax Benefit scheme and the absorption of CNH Ltd. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be materially impaired as a result of a need to close facilities and/or reduce levels of service provision.

Note 3. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, we do not consider that the actual results will be materially different from the assumptions and estimates. Major estimates are pensions and depreciation which are identified in notes 6 and 18 to the Accounting Policies.

Note 4. Exceptional Items of Income & Expenditure

Exceptional Item 2011/12 represents a charge of £79.19m in respect of the Council's payment to the government to 'buy out' its participation in the old Housing Subsidy system. As this amount was not to pay for goods or services or to settle an actual debt it has been charged direct to the I&E statement. A debit of the same amount has then been made in the Capital Adjustment Account on the Balance Sheet. As such there is no actual charge to Council Tax payers or Council Tenants.

Exceptional Item for 2010/11 includes a credit amount of £10.182m which relates to IAS19 Past gains on the Pension fund. This is principally due to the fact that financial assumptions at the 31st March 2011 valuation are more favourable than they were at 31st March 2010, as changes to pension increases are being linked to CPI rather than RPI. Also included is the Impairment of Fixed Assets in Housing Stock is £83.179m and this is due to a change in the discount rate used to calculate the value of the asset from 50% in 2009/10 to 34% in 2010/11. The "beacon method" used to calculate the value of the housing stock has not changed between the years.

Note 5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for presentation by the S151 Officer on 15th June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 7th June 2012 Cabinet approved recommendations whereby the activities of CNH be transferred back to the council during 2012/13. All staff will be transferred back and contracts etc will be terminated, novated or transferred back to the Council as appropriate. This change should lead to savings in the future and there are sufficient reserves in both the General Fund and HRA to cover expected one-off costs and any shortfall in the reserves of CNH.

Note 6. 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 31st March 2011 £'000	Transfers Out £'000	Transfers in £'000	Balance at 31st March 2012 £'000
General Fund				
Reinvestment Reserve	(635)	81	(400)	(954)
Economic Regeneration – LABGI Reserve	(252)	136	0	(116)
Planning Delivery Grant Reserve	(331)	18	0	(313)
Other	(176)	82	(3)	(97)
Total General Fund	(1,394)	317	(403)	(1,480)
Total HRA Major Repair Reserves	(105)	0	(456)	(561)

Reinvestment Reserve

Purpose of this reserve is to fund items that produce a payback to the Council, to fund costs that lead to appreciable service improvements, and to fund one off costs. The following transfers to/from the reinvestment reserve are detailed below:

2010/11 £'000 £'000		2011/12 £'000 £'000	
	(632)	Balance at 1st April	(635)
172		Added Years Costs	15
666		Redundancy Payments	(33)
5		Shared Services	0
24		Leisure Centres Procurement	12
53		Public Conveniences Service Review Costs	69
1		Other Costs	4
0		Capital Allocation – Implementation of Credit Card Surcharge	14
95		Capital Allocation – Old Magistrates Court Refurbishment	0
81		Capital Allocation – Public Conveniences Service Review	0
	1,097	Total Expenditure in the Year	81
	(1,100)	Transfer from Working Balances	(400)
	(635)	Balance at 31st March	(954)

Note 7. Other Income & Expenditure

Other income and expenditure included within the Comprehensive Income & Expenditure cost of services are Loughborough Special Expenditure, Building Control Accounts and Rechargeable Service Units are detailed as follows:-

Loughborough Special Expenditure

Loughborough Special Expenditure is the town precept comparable to parish precepts. These costs are included within specific service lines in the Comprehensive Income and Expenditure Statement.

There was a debit balance of £28,674 in 2010/11. However, £42,536 was adjusted in the setting of the special expenses levy for 2012/13, leaving a credit balance of £13,862 to use in future years. The 2011/12 debit balance of £22,756 will be adjusted in the setting of the special expenses levy for 2013/14.

Loughborough Special Expenses 2010/11 Budget	Loughborough Special Expenses 2010/11 Actuals	Debit Balance		Loughborough Special Expenses 2011/12 Budget	Loughborough Special Expenses 2011/12 Actuals	Debit Balance
£	£	£		£	£	£
1,223,300	1,251,974	28,674	Total Levy	1,307,300	1,330,056	22,756
(4,315)	(4,315)	0	Adjustments from Year 2008/09			
		0	Adjustments from Year 2009/10	(39,190)	(39,190)	0
		0	Council Tax Freeze Grant	(30,784)	(30,784)	0
1,218,985	1,247,659	28,674	Amended Total Levy	1,237,326	1,260,082	22,756

Building Control Account

The Building (Local Council Charges) Regulations 2010 (SI 2010/ 404) requires the disclosure of information regarding the setting of charges for the administration of the building control function. However the Building Control Unit cannot charge for building work solely required for disabled persons. The overriding objective is to ensure the chargeable account recovers costs for chargeable functions.

2010/11 £'000		2011/12 £'000
440	Chargeable Work	347
(428)	Expenditure	(388)
	Income	
12	(Surplus)/Deficit	(41)
	Non-Chargeable Work	
275	Expenditure	278
(6)	Income	(6)
269	(Surplus)/Deficit	272

Rechargeable Service Units

This Service heading includes £1,580,053 (2010/11 £1,566,803) of internal income generated from Rechargeable Service Units.

Note 8. Property, Plant and Equipment

Movements in 2011/12	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant , Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Plant, Property and Equipment £'000
Cost or Valuation								
At 1st April 2011	188,305	31,926	8,653	2,026	3,871	36	909	235,726
Additions	6,693	362	153	40	0	0	0	7,248
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(191)	12,068	0	0	252	37	0	12,166
Revaluation increases/(decreases) recognised in the Provision of Services	(20,533)	(4,739)	0	0	(328)	6	0	(25,594)
Derecognition – disposals	(1,086)	(708)	(64)	0	(224)	0	0	(2,082)
Derecognition – other	0	(3)	14	0	0	0	0	11
Other movements in cost or valuation	893	0	0	0	(30)	0	(893)	(30)
At 31st March 2012	174,081	38,906	8,756	2,066	3,541	79	16	227,445
Accumulated Depreciation and impairment								
At 1st April 2011	(23)	(159)	(6,518)	(1,486)	(47)	0	0	(8,233)
Depreciation charge	(3,912)	(661)	(644)	(100)	(47)	(3)	0	(5,367)
Depreciation written out to the Revaluation Reserve	121	364	0	0	71	1	0	557
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,791	386	0	0	23	2	0	4,202
Derecognition – other	7	45	50	0	0	0	0	102
At 31st March 2012	(16)	(25)	(7,112)	(1,586)	0	0	0	(8,739)
Net Book Value at 31st March 2012	174,065	38,881	1,644	480	3,541	79	16	218,706
Net Book Value at 31st March 2011	188,282	31,767	2,135	540	3,824	36	909	227,493

Comparative Movements in 2010/11	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant , Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Plant, Property and Equipment £'000
Cost or Valuation								
At 1st April 2010	273,371	31,167	8,499	2,026	2,759	0	44	317,866
Additions	4,654	1,564	393	0	0	0	865	7,476
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(6,077)	486	0	0	16	17	0	(5,558)
Revaluation increases/(decreases) recognised in the Provision of Services	(83,179)	(339)	0	0	0	0	0	(83,518)
Derecognition – disposals	(464)	(425)	0	0	0	(15)	0	(904)
Derecognition – other		0	(239)	0	0	0	0	(239)
Other movements in cost or valuation	0	(527)	0	0	1,096	34	0	603
At 31st March 2011	188,305	31,926	8,653	2,026	3,871	36	909	235,726
Accumulated Depreciation and impairment								
At 1st April 2010	(6)	(89)	(6,036)	(1,386)	0	0	0	(7,517)
Depreciation charge	(3,850)	(700)	(720)	(100)	(47)	0	0	(5,417)
Depreciation written out to the Revaluation Reserve	3,833	174	0	0	0	0	0	4,007
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	456	0	0	0	0	0	456
Derecognition – other	0	0	238	0	0	0	0	238
At 31st March 2011	(23)	(159)	(6,518)	(1,486)	(47)	0	0	(8,233)
Net Book Value at 31st March 2011	188,282	31,767	2,135	540	3,824	36	909	227,493
Net Book Value at 31st March 2010	273,365	31,078	2,463	640	2,759	0	44	310,349

The Impairment of Fixed Assets in Housing Stock was £83,178,624 in 2010/11 and this was due to a change in the discount rate used to calculate the value of the assets from 50% in 2009/10 to 34% in 2010/11. The 'beacon method' used to calculate the value of the housing stock did not change between the years.

Impairment Losses

The code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the surplus or deficit on the provision of services and to other Comprehensive Income & Expenditure.

These disclosures are consolidated in Notes 8 and 11 reconciling movement over the year in the Property, Plant and Equipment and Intangible Asset Balances.

Capital Commitments

At 31st March 2012, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £17,701k. Similar commitments at 31st March 2011 were £14,574. The major commitments are:

	31st March 2012 £'000
Youth & Adult Recreation & Pitch Projects	142
Bradgate Road, Anstey – Play Area Scheme	110
Office Accommodation Strategy	100
Car Park Improvements & Refurbishments	250
Private Sector Housing and Disabled Facilities Grants	645
Regional Housing Pot Grant	172
Decent Homes and Neighbourhoods	15,473
	16,892

Revaluations

There was a full revaluation of the Council's Operational and Non-Operational non housing stock (Land and Buildings), comprising 127 Land Parcels and 73 Buildings, on 1st April 2009. The valuation was carried out by the Council's in-house valuer, Mr J. Leney MSC MRICS. The valuations have been made in accordance with RICS Valuation Standards, sixth edition. Each land parcel and building has been assessed for the most appropriate method of valuation. The valuation categories used are – open market value, existing use value and depreciated replacement cost. Where the parcel includes a building or an infrastructure asset this has been valued separately. The value of the site is the sum of the land value and the value of the building or infrastructure asset. Life expired buildings or infrastructure are given a notional value of one pound. The valuation included:

- an inspection of all buildings
- an inspection of land in excess of one acre area
- a review of the development potential of likely disposal items
- a full review of the market for commercial property in Charnwood

The operational Housing Revenue stock comprising dwellings, shops, garages and stores were valued as at 1st April 2009. The valuation was carried out by the Council's in-house valuer, Mr J. Leney MSC MRICS. The valuations were made in accordance with RICS Valuation Standards, sixth edition. The dwellings were valued using the Beacon approach outlined in the Communities Department document titled "Guidance on stock valuation for resource accounting July 2005". This valuation included:

- an external viewing of all Council estates
- an inspection of Beacon properties
- a full review of the market for residential property in the Borough.
- a full review of the age of the housing stock and classification into MRE Archetypes was included.

The dwellings, stores, shops and garages are valued on an Existing use value.

Council HRA dwellings, shops, garages and stores along with the Council's Operational and Non-Operational non- housing stock (land and buildings) were revalued at the end of March 2012 on a 'desk top' basis, externally, by Stephen R Holland BSc (Hons) MRICS MCI Arb of Chesterton Humberts to reflect their fair value as at that time.

Note 9. Investment Properties

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

2010/11 £'000		2011/12 £'000
(172)	Rental Income from Investment Property	(175)
7	Direct Operating expenses arising from investment property	5
(165)	Net Gain	(170)

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

2010/11 £'000		2011/12 £'000
4,318	Balance at the start of the year	4,666
	Additions	
31	Construction	1
0	Disposals	(334)
4,349	Net gains/losses from fair value adjustments	4,333
	Transfers	
(603)	To/from Property, Plant and Equipment	0
920	Other changes	(811)
4,666	Balance at the end of the year	3,522

Note 10. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. There is no internally generated software.

All software is given a finite useful life of 5 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £440,954 was charged to revenue in 2011/12 and is analysed in the following table:

2010/11 £'000	Amortisation charged to the Comprehensive Income & Expenditure Statement	2011/12 £'000
1	Cultural and Related Services	1
9	Elections	9
2	Environmental Services	2
14	Housing Services - General Fund	11
272	Housing Services – Housing Services	272
5	Local Tax Collection	0
3	Planning & Development Services	0
181	Absorbed over service headings	146
487		441

Movement on Intangible Asset balances during the year is as follows:

2010/11 £'000		2011/12 £'000
	Balance at start of year:	
2,570	Gross carrying amounts	2,632
(1,134)	Accumulated amortisation	(1,621)
1,436	Net carrying amount at start of year	1,011
62	Additions: Purchases	19
(487)	Amortisation for the period	(441)
1,011	Net carrying amount at end of year	589
	Comprising:	
2,632	Gross carrying amounts	2,651
(1,621)	Accumulated amortisation	(2,062)
1,011		589

Note 11. Heritage Assets

	Total Heritage Assets £'000
1st April 2011	0
Assets reclassified from Community Assets	30
Revaluations	199
Disposals	0
Impairments	0
Depreciation	0
31st March 2012	229

The asset reclassification is required to comply with new regulations regarding Heritage assets. The revaluations are assets previously not included on the balance sheet including civic regalia, a painting and a statue. The opening balance is nil and the prior year has not been restated as the figure is not material.

Note 12. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-Term		Short-Term	
	31st March 2012 £'000	31st March 2011 £'000	31st March 2012 £'000	31st March 2011 £'000
Investments				
Loans and Receivables	57	132	5,207	6,215
Unquoted Equity investment at amortised cost	0	0	0	0
Financial Assets at fair value through Profit and Loss	750	0	9,890	10,491
Total Investments	807	132	15,097	16,706
Debtors				
Loans and Receivables	15	22	3,202	5,391
Total Debtors	15	22	3,202	5,391
Borrowings				
Financial liabilities at amortised cost	81,220	2,000	0	0
Total Borrowings	81,220	2,000	0	0
Creditors				
Financial liabilities	0	0	3,760	5,222
Total Creditors	0	0	3,760	5,222

The long-term Loans and Receivables relates to the Council's investment with Heritable Bank Plc as well as the item below:

Investment held on behalf of Newtown Linford Parish Council	Cost Price £	Nominal Value £	Market Value £
Common Investment Fund - High Yield Units	152	180	1,145

In addition to the above, the Council holds 10.2% of the Ordinary Shares of the Great Central Railway (1986) plc. These cost £261k and the shares are fully paid-up and there is no further liability to pay any more to the company. The company is operated to re-create the best years of steam locomotives and experience mainline railway operation. The company made a loss after taxation of £145,667 in the year ended 31st January 2012 and had net assets of £2.056m at 31st January 2012. The audit opinion had no qualification for the year ended 31st January 2012. However, the company has a non-profit distribution status and its Memorandum & Articles of Association prohibits any distribution to shareholders. As such the shares have no current value and are shown at Nil as an Unquoted Equity Investment at amortised cost.

Financial Assets at fair value through Profit and Loss amount to £10,640k at 31st March 2012, with £750k being Long Term and the remaining £9,890k short term. These funds are all invested through Investec Asset Management Ltd and are classed as financial instruments at 'fair value through profit and loss'. The Fund Manager values the investments at fair value at the Balance Sheet date in accordance with the Code.

The investment fund comprises Fixed Interest securities and Certificates of Deposits with prime counterparties in the Money Market held to varying dates of maturity and at varying rates. These are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short term profit taking and accordingly meet the requirement of

Section 7 of the Code to be accounted for as being 'financial instruments at fair value though profit and loss'.

The £15k of Long Term Loans and Receivables classified as debtors is in respect of mortgages granted on Council House sales. Short-term Loans and Receivables relate to various classes of debtors, including sundry debtors plus tenants' rental accounts. This debtors figure is reduced by the Bad Debt impairment and except for this all debtors are shown at book value..

The Borrowing of £81.220m outstanding is classified as a 'Financial liability at amortised cost' under the Code and requires a fair value to be disclosed where this is different to the carrying amount stated in the Balance Sheet. £2m of these loans has been attributed a fair value of £3,734k at the date of the Balance Sheet. The reason for the value difference is that this loan is running at a high coupon, set at the original loan date in 1984, and although it carries a LOBO (Lender's Option, Borrower's Option) it is unlikely to be called in by the counterparty before the maturity date in 2024. This would only occur if the prevailing interest rate became consistently above 11.625%. Therefore the risk of replacement is slight. In this event the Council has access to the Public Works Loan Board funds, or could disinvest surplus cash.

The fair value of the remaining £79.220m is £68,168m and these loans were taken out to fund a repayment to the government in order to 'buy out' the Council's participation in the old Housing Subsidy system. All the loans are at fixed rates of interest maturing between 12 and 50 years' time and the loan interest will be serviced from housing rental income. The council does not currently intend to pay off any on these loans early and they are therefore held at their face value. The initial costs of obtaining the loans were immaterial in relation to their overall value and have been charged to the I&E statement for 2011/12.

The fair value of all the loans is determined by calculating the Net Present Value (NPV) of future cash flows which provides an estimate of the value of payments in the future. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender or the new loan rate in respect of the £79.220m of PWLB loans. The discount/new loan rates were evaluated at between 3.05% and 4.42% by Sector Treasury Services Ltd, the Council's treasury adviser.

These will be the rates applicable in the market on the date of valuation for an instrument of the same duration, i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such a case, the prevailing rate of a similar instrument with a published market rate would be used as the discount factor.

Total Interest of £2,929k a year will be payable in two instalments on the loans each year and will be charged directly to the Income and Expenditure Statement. The amount for 2011/12 is £262k as the main HRA loans were only taken out on 28th March 2012. The amount of the loans shown in the balance sheet include any relevant accrual of interest. However, it should be noted that it is the principal amount of £81.19m that will be repaid to the lenders on the maturity dates of the loan, not the fair value.

Financial Liabilities in Creditors are in respect of various trade creditors and accruals which are classified as financial instruments and are shown at cost.

Heritable Bank investment

With the exception of the Council's investment with Heritable Bank Plc ('Heritable'), at the Balance Sheet date it is not considered that any of the above assets are impaired in any way and there has been no history of failure to repay on the due dates by any counterparty with whom the Council has transacted business.

In October 2008, the Icelandic bank Landsbanki ceased trading and its UK subsidiary, Heritable, went into administration. The Council had deposited £1m with Heritable on 30th January 2008, with a maturity date of 28th January 2009 and interest rate of 5.52%. The carrying amount of this investment is £1,055k less an impairment of £149k. The net amount has been split between the amount expected to be received in 2012/13 of £145k and a further £57k which is included as a Long Term investment and is not expected to be received until after 1st April 2013. The difference of £704k between the net value of the debt and the amounts included in the accounts represents the cash received to 31st March 2012.

The money with Heritable is subject to the administration process and the amounts and timings of payments to the Council are determined by the administrators. Based on the latest information available the Council has made an impairment adjustment for the deposit as explained below. As the available information is not definitive as to amounts and timings of payments to be made by the administrators, it is likely that further adjustments will be made to the accounts in future years.

Heritable is a UK registered bank under UK law. The company was placed in administration on 7th October 2008. The creditor progress report issued by the administrators Ernst & Young, dated 28th July 2011, outlined that the return to creditors was projected to be between 86p and 90p in the £. The Council has therefore decided to recognise impairment based on it recovering 88p in the £. It is anticipated that the return will be towards the top end of the estimate as the strategy of winding up the bank by 2012 should produce better returns than an earlier winding up. The Council has received £704k in interim dividends from the administrator since 7th October 2008 and has made the following assumptions regarding the timing of future recoveries:

April 2012	3.79%	January 2013	3.50%
July 2012	3.50%	April 2013	5.81%
October 2012	3.50%		

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6th October 2008.

The reduction in the impairment loss recognised in the Income and Expenditure Statement in 2011/12 of £39k, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available.

Other Short-Term Investments

Short-term lending is carried in the Balance Sheet at amortised cost at the Balance Sheet date. Therefore the material accrued interest at 31st March 2012 is included in the above value for Balance Sheet purposes. Interest received during the year is credited to the Income and Expenditure Statement. There are no costs associated with these transactions.

Income, Expense, Gains and Losses on Financial Instruments

	2011/12			
	Financial Assets: Loans and Receivables	Financial Assets at Fair Value through Profit and Loss	Financial Liabilities at Amortised Costs	Total
	£'000	£'000	£'000	£'000
Interest Expense	0	0	262	262
Impairment Losses	0	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	0	0	262	262
Interest Income	(107)	(170)	0	(277)
Total income in Surplus or Deficit on the Provision of Services	(107)	(170)	0	(277)
Gain on Revaluation	(39)	0	0	(39)
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	(39)	0	0	(39)
Net (Gain)/Loss for the Year	(146)	(170)	262	(54)

	2010/11			
	Financial Assets: Loans and Receivables	Financial Assets at Fair Value through Profit and Loss	Financial Liabilities at Amortised Costs	Total
	£'000	£'000	£'000	£'000
	0	0	233	233
	0	0	0	0
	0	0	233	233
	(62)	(154)	0	(216)
	(62)	(154)	0	(216)
	(23)	0	0	(23)
	(23)	0	0	(23)
	(85)	(154)	233	(6)

Note 13. Inventories

31st March 2011 £'000		31st March 2012 £'000
	<u>Inventories</u>	
2	South Charnwood Swimming Pool	0
17	Franking Machines	24
4	Other	9
23		33

Note 14. Short-Term Debtors

31st March 2011 £'000		31st March 2012 £'000
	<u>Amounts falling due in one year:</u>	
593	Government Departments	395
768	HM Revenue & Customs	397
831	Housing Rents	760
2,378	Reserved Debtors	676
3,087	Sundry Debtors	3,614
268	Net Share of Council Tax Debtors	282
518	Other Preceptors Share of Collection Fund	667
747	Charnwood Neighbourhood Housing Ltd	166
123	NNDR Central Government	0
58	Other	36
9,371		6,993

Most Debtors are considered to be financial instruments and are classified as Loans and Receivables. Statutory debts such as Council Tax and National Non-Domestic Rates are not financial instruments. Those that are Financial Instruments are measured at amortised cost at Balance Sheet date. In effect that is the initial amount less any repayments or accrued interest. The Council does not routinely charge interest on the debtor accounts and impairment is dealt with as set out below. The impairment of these assets is considered in depth when calculating the provision for doubtful debts and appropriate provision is made which is charged to the Income and Expenditure Account. There is a general provision for doubtful debts of £2,013,790 (2010/11 £1,651,464)

Bad Debt Provision

The Bad Debt provision is analysed as follows:-

2010/11 £'000		2011/12 £'000
0	Bed & Breakfast	(5)
(957)	Housing Benefits	(1,347)
(126)	General Fund	(140)
(569)	HRA Rents	(522)
(1,652)		(2,014)

Note 15. Cash and Cash Equivalents

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

31st March 2011 £'000		31st March 2012 £'000
228	Cash held by the Council	110
(2,178)	Bank current accounts	(1,710)
1,260	Short-term deposits with approved institutions	3,975
(690)	Total Cash and Cash Equivalents	2,375

Note 16. Surplus Assets Held for Sale

2010/11 Current Assets £'000		2011/12 Current Assets £'000
117	Balance outstanding at start of year	42
0	Revaluation losses	(36)
(75)	Assets sold	0
42	Balance outstanding at year-end	6

Note 17. Short-Term Creditors

31st March 2011		31st March 2012
£'000		£'000
455	HM Revenue & Customs	413
384	Government Departments	667
294	Leicestershire County Council	234
378	Housing Rents	399
1,897	Other Sundry Creditors	1,673
2,919	Reserved Creditors	1,588
585	Health Authority	691
149	CBC Share of Overpaid Council Tax	168
28	Charnwood Neighbourhood Housing Ltd	100
0	NNDR- Central Government	1,838
286	Provision for Accumulated Absences	244
189	Section 106 Monies	203
7,564		8,218

Creditors are regarded as financial instruments for accounting purposes except those in respect of items such as NNDR and payments due to certain government departments. All such items regarded as financial instruments are valued at fair value as at 31st March 2012.

Note 18. Provisions

The Code requires that the accounts clearly differentiate the provisions from the reserves of the Council. Provisions are required for any liabilities of uncertain timing or amounts that have been incurred.

	Provisions £'000
Balance as at 1st April 2011	0
Housing Benefit Claim Provision	(391)
Amounts used in 2011/12	0
Balance as at 31st March 2012	(391)

Note 19. Usable Reserves

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement on page 9 and below as follows:-

General Fund Balance

Purpose of Reserve: Resources available to meet future running costs for non-housing services. The guideline used by the Council requires a balance to be maintained of at least £1m.

Housing Revenue Account

Purpose of Reserve: Resources available to meet future running costs for council houses. See page 9 Statement of Movement on the Housing Revenue Account Balance.

Usable Capital Receipts Reserve

Purpose of Reserve: proceeds of fixed asset sales available to meet future capital investment.

2010/11 £'000		2011/12 £'000
(5,640)	Balance at 1st April	(4,772)
(943)	General Fund amounts receivable	(111)
1,811	Amounts applied to finance new capital investments	1,817
(4,772)	Balance at 31st March	(3,066)

Usable Capital Grants and Contributions Reserve

Purpose of Reserve: proceeds of grants and contributions to meet future capital investment and specific revenue expenditure.

2010/11 £'000		2011/12 £'000
(1,765)	Balance at 1st April	(1,399)
1,166	Amounts applied to finance new capital investments	788
(800)	Amounts transferred (from) revenue	(361)
(1,399)	Balance at 31st March	(972)

Note 20. Unusable Reserves

31st March 2011 £'000		31st March 2012 £'000
(3,584)	Revaluation Reserve	(16,279)
(232,798)	Capital Adjustment Account	(128,132)
1,067	Financial Instruments Adjustment Account	647
(22)	Deferred Capital Receipts Reserve	(15)
28,468	Pension Reserve	39,836
(49)	Collection Fund Adjustment Account	(23)
286	Accumulated Absences Account	244
(206,632)		(103,722)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property. The balance is reduced when assets with accumulated gains are:

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

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

2010/11 £'000		2011/12 £'000	2011/12 £'000
(5,215)	Balance at 1st April		(3,584)
(894)	Upward revaluation of Assets	(14,584)	
2,441	Downward revaluation of Assets & Impairment	1,662	
(3,668)	Surplus or Deficit on Revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(16,506)
69	Difference between fair value depreciation and historical cost depreciation	96	
15	Accumulated gains on assets sold or scrapped	131	
84	Amount written off to the Capital Adjustment Account		227
(3,584)	Balance at 31st March		(16,279)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

31st March 2011 £'000		31st March 2012	
		£'000	£'000
(314,176)	Balance at 1st April		(232,798)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
4,388	Charges for depreciation and impairment on non-current assets	3,638	
0	Local authority housing – settlement payment to Government for HRA self financing	79,190	
84,237	Revaluation losses on Property, Plant and Equipment	23,055	
272	Amortisation of intangible assets	441	
3,902	Revenue expenditure funded from capital under statute	5,934	
964	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	2,310	114,568
93,763			
0	Adjusting amounts written out of the Revaluation Reserve		(131)
93,763	Net written out amount of the cost of non-current assets consumed in the year		114,437
	Capital financing applied in the year:		
(1,812)	Use of Capital Receipts to finance new capital expenditure	(1,817)	
(3,891)	Use of Major Repairs Reserve to finance new capital expenditure	(3,326)	
(3,954)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,923)	
(1,166)	Application of grants to capital financing from the Capital Grants Unapplied Account	(789)	
	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances		
(647)	Capital expenditure charged against the General Fund and HRA balances	(727)	(10,582)
(11,470)			
(915)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		811
(232,798)	Balance at 31st March		(128,132)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account includes the early redemption costs of paying back long-term money borrowed by the Council. These costs reflect the interest rate differential of the loans compared with current rates and are charged to the Housing Revenue Account over a ten-year period and recouped through Housing Subsidy.

31st March 2011 £'000		31st March 2012 £'000
1,493	Balance at 1st April	1,067
	Proportion of premiums incurred in previous financial years to be charged against the Housing Revenue Account Balance in accordance with Statutory requirements	
(426)		(420)
1,067	Balance at 31st March	647

Pensions Reserve

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

2010/11 £'000		2011/12 £'000
49,617	Balance at 1st April	28,468
(12,366)	Actuarial (gains) or losses on pension assets and liabilities	10,591
(6,986)	Reversal of items relating to retirement benefits to the Comprehensive Income and Expenditure Statement	2,512
(1,797)	Employers Pension Contributions in the year	(1,735)
28,468	Balance at 31st March	39,836

Deferred Capital Receipts Reserve

The 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.

31st March 2011 £'000		31st March 2012 £'000
(28)	Balance at 1st April Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(22)
6		7
(22)	Balance at 31st March	(15)

Collection Fund Adjustment Account

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

Purpose of Reserve: separate fund maintained by billing authorities for the collection and distribution of amounts due in respect of Council Tax and NNDR of which, in-year surpluses and deficits are due to/from precepting authorities in future years. This shows the amount owed by the council towards the current Collection Fund deficit. See page 64 and Notes to the Collection Fund Statement.

31st March 2011 £'000		31st March 2012 £'000
20	Balance at 1st April Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(49)
(69)		26
(49)	Balance at 31st March	(23)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg 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.

31st March 2011			31st March 2012	
£'000	£'000		£'000	£'000
	271	Balance at 1st April		286
15		Amounts accrued at the end of the current year	(42)	
	15	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(42)
	286	Balance at 31st March		244

Note 21. Cash Flow Statement - Operating Activities include the following:-

2010/11 £'000		2011/12 £'000
(381)	Interest Received	(303)
241	Interest Paid	234
(140)	Cash (Inflow)/Outflow	(69)

Note 22. Cash Flow Statement - Investing Activities

2010/11 £'000		2011/12 £'000
7,043	Purchase of Property, Plant, Equipment, Investment property and intangible assets	8,087
61	Other payments for investing activities	19
(1,365)	Proceeds from the Sale of Property, Plant, Equipment, investment property and intangible assets	(333)
43	Proceeds of short-term and long-term investments	1,742
(5,136)	Other Receipts for investing activities	(4,548)
646	Cash (Inflow)/Outflow	4,967

Note 23. Cash Flow Statement - Financing Activities

2010/11 £'000		2011/12 £'000
(4,000)	Cash Receipts of short and long term borrowing	(79,190)
4,000	Repayment of short and long term borrowing	0
142	Net NNDR Cash (Inflow)/Outflow	(2,019)
(888)	Net Council Tax Cash (Inflow)/Outflow	(651)
(746)	Cash (Inflow)/Outflow	(81,860)

Note 24. Amounts Reported for Resource Allocation Decisions

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

Directorate Analysis For the year ended 31st March 2012

	General Fund Directorates			General Fund Total	Housing Revenue Account	Grand Total
	Housing, Planning, Regeneration & Regulatory	Neighbourhoods & Community Wellbeing	Corporate Services			
	£'000	£'000	£'000	£'000	£'000	£'000
Employee Related Costs	3,634	3,858	4,689	12,181	459	12,640
All Other Controllable Costs	1,420	9,528	44,588	55,536	9,380	64,916
Controllable Income	(2,714)	(6,271)	(42,230)	(51,215)	(19,717)	(70,932)
Total	2,340	7,115	7,047	16,502	(9,878)	6,624

Directorate Analysis For the year ended 31st March 2011

	General Fund Directorates			General Fund Total	Housing Revenue Account	Grand Total
	Housing, Planning, Regeneration & Regulatory	Neighbourhoods & Community Wellbeing	Corporate Services			
	£'000	£'000	£'000	£'000	£'000	£'000
Employee Related Costs	4,187	4,171	5,588	13,946	513	14,459
All Other Controllable Costs	3,552	10,030	42,174	55,756	9,638	65,394
Controllable Income	(2,650)	(6,470)	(39,636)	(48,756)	(18,727)	(67,483)
Total	5,089	7,731	8,126	20,946	(8,576)	12,370

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

	2010/11 £'000	2011/12 £'000
Net Expenditure within Directorate Analysis	12,370	6,624
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	82,333	113,595
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(491)	29
Cost of Services in Comprehensive Income and Expenditure Statement	94,212	120,248

Reconciliation to Subjective Analysis 2011/12	Service Analysis £'000	Services Not in Analysis £'000	Not Reported to Management £'000	Not Included in I&E £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service Income	(30,831)			466	(30,365)		(30,365)
Recharge Income			(14,274)		(14,274)		(14,274)
Interest and Investment Income						(363)	(363)
Income from Council Tax						(9,490)	(9,490)
Government Grants and Contributions	(40,101)				(40,101)	(10,657)	(50,758)
Other Income			(90)		(90)	(608)	(698)
Total Income	(70,932)	0	(14,364)	466	(84,830)	(21,118)	(105,948)
Employee Expenses	12,639			(107)	12,532		12,532
Other Service Expenses	64,917		4,085	(329)	68,673		68,673
REFCUS			2,231		2,231		2,231
Holiday Accrual							
Support Service Recharges			14,221		14,221		14,221
Depreciation, Amortisation and Impairment			28,076		28,076		28,076
(Surplus)/Deficit on Trading Accounts						(29)	(29)
HRA Self Financing Loan			79,190		79,190		79,190
Interest Payments						284	284
Precepts & Levies						2,641	2,641
Payments to Housing Capital Receipts Pool						227	227
Net Pension Interest			155		155	630	785
Profit/loss on Investments						(39)	(39)
Item 8 Debit						(7)	(7)
Gain or Loss on Disposal of Fixed Assets						1,998	1,998
Total Operating Expenses	77,556	0	127,958	(436)	205,078	5,705	210,783
Surplus or Deficit on the Provision of Services	6,624	0	113,594	30	120,248	(15,413)	104,835

Reconciliation to Subjective Analysis 2010/11	Service Analysis £'000	Services Not in Analysis £'000	Not Reported to Management £'000	Not Included in I&E £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service Income	(29,607)		0	437	(29,170)		(29,170)
Recharge Income			(16,594)		(16,594)		(16,594)
Interest and Investment Income					0	(319)	(319)
Income from Council Tax					0	(9,393)	(9,393)
Government Grants and Contributions	(37,876)				(37,876)	(14,837)	(52,713)
Other Income			0		0	(26)	(26)
Contribution from Collection Fund					0	0	0
Total Income	(67,483)	0	(16,594)	437	(83,639)	(24,574)	(108,213)
Employee Expenses	14,459			(126)	14,333		14,333
Other Service Expenses	65,394		3,704	(802)	68,296	491	68,787
REFCUS			638		638		638
Support Service Recharges			6,527		6,527		6,527
Depreciation, Amortisation and Impairment			88,057		88,057		88,057
Interest Payments					0	241	241
Precepts & Levies					0	2,591	2,591
Payments to Housing Capital Receipts Pool					0	426	426
Net Pension Interest					0	1,176	1,176
Profit/loss on Investments					0	(23)	(23)
Item 8 Debit					0	(6)	(6)
Gain or Loss on Disposal of Fixed Assets					0	(364)	(364)
Total Operating Expenses	79,853	0	98,927	(928)	177,852	4,532	182,384
Surplus or Deficit on the Provision of Services	12,370	0	82,333	(491)	94,212	(20,042)	74,171

Note 25. Trading Operations

The Council's trading operations include Loughborough Market, Shepshed Market and Woodgate Chambers.

The main variance is primarily due to impairment of fixed asset and capital charges in 2010/11 relating to Woodgate Chambers.

Trading Operations 2010/11 £'000		Trading Operations 2011/12 £'000
(437)	Income	(466)
928	Expenditure	437
491	(Surplus)/Deficit	(29)

Note 26. Agency Services

As from 1st June 2010 Charnwood Borough Council no longer have Agency Services to report.

Note 27. Members' Allowances

Charnwood Borough Council paid the following amounts to members of the Council during the Year. Members Allowances exclude employer's NI and include employer's superannuation, as this is an accrued benefit earned by the member.

2010/11 £'000		2011/12 £'000
353	Salaries/Allowances	357
20	Expenses	19
373	Total	376

Note 28. Officers' Remuneration

Details of the numbers of Council staff, whose remuneration is greater or equal to £50,000 per annum, grouped in rising bands of £5,000. Remuneration for these purposes includes all sums paid to or receivable by an employee, including expenses allowances, loss of office payments and the money value of any other benefits, but excluding both employer's normal pension contributions and any special pension contributions payable due to loss of office.

The comparative figures for 2010/11 have been restated to take into account one officer whose remuneration included loss of office costs, however following additional service reviews in 2011/12 subsequently remained on the Council's establishment.

*In 2010/11 one employee worked part time and is included here as their full time annualised salary would be £53,000. There are no employees that fall into this category in 2011/12

Restated Total Number of Employees 2010/11	Remuneration Band	Total Number of Employees 2011/12
1	£45,000 - £49,999*	0
3	£50,000 - £54,999	2
3	£55,000 - £59,999	3
0	£60,000 - £64,999	1
1	£65,000 - £69,999	1
3	£70,000 - £74,999	3
1	£75,000 - £79,999	0
0	£80,000 - £84,999	0
0	£85,000 - £89,999	0
0	£90,000 - £94,999	0
1	£95,000 - £99,999	0
1	£100,000 - £104,999	0
2	£105,000 - £109,999	0
1	£110,000 - £114,999	0
1	£115,000 - £119,999	1
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
0	£135,000 - £139,999	0
0	£140,000 - £144,999	0
1	£145,000 - £149,999	0
1	£150,000 - £154,999	0

Details of Remuneration

Chief Executive and Directors are shown below and their remuneration is also included in the previous table for completeness. During 2010/11 an Organisational Review was approved that deleted eight senior officer posts and created three strategic director posts. There are no exit packages relating to senior officers in 2011/12.

Total Remuneration including Pension Contribution 2010/11 £	Post Holder Information (Post Title)	Salary, Fees & Allowances £	Expense Allowances £	Compensation for Loss of Office £	Total Remuneration excluding Pension Contribution 2011/12 £	Employers Pension Contribution £	Total Remuneration including Pension Contribution 2011/12 £
138,663	Chief Executive	115,588	388	0	115,976	25,058	141,034
89,895	Director of Community Wellbeing & Customer Services	74,491	263	0	74,754	13,706	88,460
87,624	Director of Housing, Planning & Regeneration & Regulatory Services	74,426	0	0	74,426	13,706	88,132
85,709	Director of Corporate Services	74,436	0	0	74,436	13,706	88,142
115,392	Director of Loughborough Regeneration (left 09/08/10)	0	0	0	0	0	0
165,078	Director of Partnerships & Customer Services – (left 11/04/11)	0	0	0	0	0	0
161,796	Director of Development (left 11/04/11)	0	0	0	0	0	0
80,286	Acting Director of Programmes & Resources	0	0	0	0	0	0
924,443	Total	338,941	651	0	339,592	66,176	405,768

Note 29. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11 and in 2011/12.

2010/11 £'000	Credited to Taxation and Non specific Grant Income	2011/12 £'000
(9,393)	Council Tax Income	(9,490)
(10,927)	Non Domestic Rates	(7,437)
(1,590)	Revenue Support Grant	(2,299)
(560)	Concessionary Travel Grant	0
(21)	Area Based Grant - Climate Change	0
(119)	Prevent Funding	0
(119)	Other Resources	0
(1,500)	Capital Grants & Contributions	(582)
0	Council Tax Freeze Grant	(171)
0	New Homes Bonus	(644)
0	Local Services Support Grant	(105)
(24,229)	Total Credited to Taxation and Non specific Grant Income	(20,728)
	Benefit Grants Credited to Services	
(16,180)	Rent Allowance Subsidy	(17,604)
(10,509)	Rent Rebate Subsidy	(11,465)
(9,331)	Council Tax Rebate Subsidy	(9,439)
(10)	Business Rate & Council Tax Deferral Scheme	(5)
(1,007)	Housing Benefit Administration Subsidy	(931)
	Other Grants Credited to Services	
(585)	Supporting People	(546)
(195)	Crime and Disorder Partnership	(109)
(744)	Local Partnership	(749)
(57)	Free Swims	0
(258)	Leicestershire County Council Sports, Active and Young Persons	(233)
(47)	Leisure Centres Management Fee	(4)
0	Staying Healthy Grant	(12)
(3,731)	Major Repair Allowance	(3,781)
(3,264)	Capital Grants & Contributions - (REFCUS)	(3,703)
(91)	Other Government Grants	(76)
(46,009)	Total Revenue Grants Credited to Services	(48,657)

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

31st March 2011 £'000	Capital Grants and Contributions - Receipts in Advance	31st March 2012 £'000
0	Carbon Emissions Reduction Target (CERT) Funding	(67)
(754)	Developer's Contributions	(772)
(754)	Total	(839)

The Council has received a number of revenue grants and contributions that have not yet been recognised as they have conditions attached to them that will require the monies to be returned to the giver. The Balances at the year end are as follows:-

31st March 2011 £'000	Revenue Grants and Contributions - Receipts in Advance	31st March 2012 £'000
(189)	Developer's Contributions	(203)
(138)	Other Revenue Grants & Contributions	(102)
(327)	Total	(305)

Note 30. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2010/11 £'000		2011/12 £'000
118	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	111
1	Fees payable to the Audit Commission in respect of Statutory Inspections	1
70	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	28
189		140

The fees payable for grant claims of £70k in 2010/11 covers fees paid for 2009/10 and 2010/11. The 2011/12 figure of £28K includes a £33K accrual for the certification of the 2011/12 grants which will take place in 2012/13 and a credit adjustment of £5K for 2010/11.

Note 31. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the analysis in Note 29. Grant receipts outstanding at 31st March 2012 are shown separately as part of Note 29.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 27. No members of the council or senior officers undertook any material related party transactions requiring disclosure during 2011/12.

Other Public Bodies

Dealings with the Local Government Pension Scheme are set out in Note 34 (page 51).

Precepts collected on behalf of other local authorities and bodies are shown in the Collection Fund Statement (page 64).

Amounts due to and from the Council's subsidiary, Charnwood Neighbourhood Housing Ltd, are shown in Notes 14 and 17 on pages 33 and 35.

Note 32. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2010/11 £'000		2011/12 £'000
(3,171)	Opening Capital Financing Requirement	(3,171)
	Capital Investment	
7,476	Property, Plant and Equipment	7,248
31	Investment Properties	1
61	Intangible Assets	19
3,902	Revenue Expenditure Funded from Capital under Statute	5,934
0	HRA self financing Determination	79,190
	Sources of Finance	
(1,812)	Capital receipts	(1,817)
(9,011)	Government grants and other contributions	(8,038)
	Sums set aside from revenue:	
(647)	Direct revenue contributions	(727)
(3,171)	Closing Capital Financing Requirement	78,639
	Explanation of movements in year	
0	Increase in underlying need to borrowing (unsupported by government financial assistance)	81,810
0	Increase in Capital Financing Requirement	81,810

Note 33. Termination Benefits

The Council agreed to terminate the contracts of a number of employees in 2011/12, incurring liabilities totalling £46,444, none of these are Directors (£837,228 in 2010/11). This amount was payable to 6 officers from various Council services, 4 officers were made redundant, 1 took early retirement on ill health grounds and 1 received early release of pension on compassionate grounds. However, a £60,854 adjustment has been made in the 2011/12 accounts, primarily for 2 officers who were included in the 2010/11 figure but were subsequently retained on the Council's establishment following service reviews in 2011/12.

Note 34. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

Charnwood Borough Council participates in a defined benefit scheme administered by Leicestershire County Council in accordance with the Local Government Pension Scheme Regulations 1997, as amended. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits in the reported 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 post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2010/11 £'000	Local Government Pension Scheme 2011/12 £'000
Cost of Services		
Current Service cost	1,789	1,527
Past Service cost / (Gain)	(10,182)	0
Settlements and Curtailments	231	355
Financing and Investment Income and Expenditure		
Interest costs	5,718	4,798
Expected return on scheme assets	(4,542)	(4,168)
Total Post Employment Benefit charge to the Surplus or Deficit on the Provision of Services	(6,986)	2,512
Movement in Reserve Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	8,783	(776)
Actual amount charged against the General fund balance for pension in the year	1,797	1,736
Actuarial Gains and (Losses) in the year	12,106	(10,605)

Reconciliation of the Present value of the defined benefit obligation and the fair value of the plan assets recognised in the Balance Sheet

	2010/11 £'000	2011/12 £'000
Fair Value of Employer Assets	59,411	58,296
Present Value of Funded Liabilities	(86,415)	(96,619)
Net (Under)/Over funding in Funded Plans	(27,004)	(38,323)
Present Value of Unfunded Liabilities	(1,464)	(1,513)
Net Asset/(Liability) in Balance Sheet	(28,468)	(39,836)

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 experienced in the respective markets. The actual return on schemes assets in the year was a gain of £318K (2010/11 Gain £5,447k).

Principal Assumptions

Expected Return on Assets % Per Annum 31st March 2012 %	Assets as a percentage of total plan Assets 31st March 2012 %	Fair Value of Assets 31st March 2012 £'000		Fair Value of Assets 31st March 2011 £'000	Assets as a percentage of total plan Assets 31st March 2011 %	Expected Return on Assets % Per Annum 31st March 2011 %
6.2%	65%	37,892	Equities	48,479	82.0%	7.5%
3.9%	16%	9,327	Bonds	4,159	7.0%	4.9%
4.4%	11%	6,413	Property	6,535	11.0%	5.5%
3.5%	8%	4,664	Cash	238	0.4%	4.6%
		58,296	Total	59,411		

Basis for Estimating Assets and Liabilities

The basis for estimating assets and liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. County Council's Fund Liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

Charnwood Borough Council participates in the Local Council Pension Scheme through which pension provision is made for those of its employees who wish to join the scheme. Under the Code, the Council must include its share of the net Pension Fund Liability as at 31st March 2012 and this amounted to £39,836k. This is an increase of £11,368k on the position at 31st March 2011. Although this liability appears in the Council's balance sheet it is offset by the Pensions Reserve and is not funded from Council Tax or Government Grants. Actual employer's contributions to the pension scheme during the year are paid out of the Council's expenditure as funded by Government Grants and Council Tax.

Financial Assumptions 31st March 2011 % Per Annum		Financial Assumptions 31st March 2012 % Per Annum
2.8%	Rate of inflation/Pension Increase Rate	2.5%
5.1%	Salary Increase Rate	4.8%
7.1%	Expected Return on Assets	5.4%
5.5%	Discount Rate	4.8%

Mortality Assumptions:	Males	Females
Longevity at 65 for pensioners		
Current Pensioners	20.9 years	23.3 years
Future Pensioners	23.3 years	25.6 years

Reconciliation of Present Value of the Scheme Liabilities – Defined Benefit Obligation	31st March 2011 £'000	31st March 2012 £'000
Opening Balance at 1st April	114,550	87,879
Current Service Costs	1,789	1,527
Interest Cost	5,718	4,798
Contributions by Scheme Participants	618	563
Actuarial Losses/(Gains)	(16,755)	6,745
Past Service Costs/(Gains)	(10,182)	0
Settlements/Curtailments	231	355
Estimated Unfunded Benefits Paid	(116)	(117)
Estimated Benefits Paid	(7,974)	(3,618)
Closing Balance at 31st March	87,879	98,132

Reconciliation of Fair Value of the Scheme Plan - Employer Assets	31st March 2011 £'000	31st March 2012 £'000
Opening Balance at 1st April	64,933	59,411
Expected Return of Assets	4,542	4,168
Contributions by Scheme Participants	618	563
Contributions by the Employer	1,941	1,632
Contributions in respect of Unfunded Benefits	116	117
Actuarial Gains/(Losses)	(4,649)	(3,860)
Unfunded Benefits Paid	(116)	(117)
Benefits Paid	(7,974)	(3,618)
Closing Balance at 31st March	59,411	58,296

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.

Scheme History	2011/12	2010/11	2009/10	2008/09	2007/08
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	58,296	59,411	64,933	51,451	68,849
Present Value of Defined Benefit Obligation	(98,132)	(87,879)	(114,550)	(75,441)	(77,449)
Surplus/(Deficit)	(39,836)	(28,468)	(49,617)	(23,990)	(8,600)
Experience Gains/(Losses) on Assets	(3,860)	(4,649)	15,268	(21,957)	(17,287)
Experience Gains/(Losses) on Liabilities	(2,579)	3,067	(79)	144	6,754

The liabilities show the underlying commitments that the Council has, in the long run, to pay retirement benefits. The total liability of £39,836k has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit of the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total employers contributions expected for 2013 will be approximately £1,734,000 (2011/12 were approximately £1,745,000)

The actuarial Gains/ (Losses) identified below are directly from the Leicestershire County Council Pension valuation report. However there is £13K reconciling item being Charnwood Borough Council's lower pension contributions in year compared to Leicestershire County Councils Valuation Statement.

Gains and Losses recognised in the Comprehensive Income & Expenditure Statement					
	2011/12	2010/11	2009/10	2008/09	2007/08
	£'000	£'000	£'000	£'000	£'000
Actuarial Gains/(Losses) recognised in year	(10,605)	12,106	(23,292)	(15,049)	2,855
Cumulative Actuarial Gains and Losses	(37,522)	(26,917)	(39,023)	(15,731)	(682)

Note 35. Trust Funds

The Council administers one trust fund which is excluded from Cash and Cash Equivalents in the Balance Sheet.

This trust fund is used for the maintenance of the Carillon Tower flood lights and commemorative plaque, situated in Queens Park Loughborough

31st March 2011 £'000		31st March 2012 £'000
(15)	Van Nievelt Legacy – for Carillon Tower	(13)
(15)		(13)

Note 36. Contingent Liabilities & Contingent Assets

As at 31st March 2012 the Council had the following material contingent liabilities:

- The Council's former insurers, Municipal Mutual, ceased trading in 1993 and there remain certain claims against previous policies. There is no evidence that the Zurich Insurance Company, who took over the insurance business, will not pay on these existing claims. It is therefore not felt necessary to provide for any contingent claims.
- Certain companies which carry out commercial land searches are claiming that some of the information supplied by, and charged for, by Councils should be provided free as it would be free under the Freedom of Information legislation. These claims are being contested by many Councils on a joint basis but, should the claims be successful, then it is estimated that the cost to the Council could be around £50k.
- The Council is aware of potential anomalies in the employment terms and conditions of some staff and this may lead to claims against the Council. It is not possible to quantify these potential claims at present.
- There are current proceedings against the Council regarding a judicial review in respect of a noise bund in Wymeswold. The Council has robustly refuted the claim but there is a potential cost of up to £50k should the claim be successful.

Note 37. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a number of risks the main ones being:

- Credit Risk – the possibility that other parties may fail to pay the amounts due
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the central Finance team, under policies approved by the Council in the annual Treasury Management Strategy Statement. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as borrowing strategy, investment policy, creditworthiness policy and investment strategy.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria. The Council has a contract with Sector Treasury Consultants Ltd ('Sector') who advise on investment policy and supply credit ratings for use on the day to day management of investments. These criteria are based on such factors as:

- Credit ratings of counter parties, plus
- Credit watches and credit outlooks from credit rating agencies, plus
- Group support, where relevant, plus
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings, and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

These ratings will alter throughout the year and various limits are set on the type of investments which can be made. These are based on Specified and Non-Specified investments for local authorities and further inner limits are set and periodically reviewed as between investments of the same type, such as banks with a similar credit rating. Short term investments are to be rated F1 and amounts with each institution, or group, was limited to a maximum of £6m.

Our investment managers have a robust and automated credit framework, including a Risk Committee to vet potential new counterparties, plus their experience, manpower and knowledge to provide capital preservation. Appropriate checks are made on customers for goods and services based on the size and/or length of contract with them. The Council's maximum exposure in relation to its investments in banks and other financial institutions can rise to £20m during the year and it cannot be assessed generally as the risk of any institution failing to make interest payments and repay the principal sum will be specific to each individual institution. There is always a potential risk of not recovering investments and this applies to all of the Council's deposits, but there was no evidence at 31st March 2012 that this was likely to crystallise.

The Council does not generally allow credit for customers and amounts that are due, but not impaired, in relation to sundry debtors are as follows:

31st March 2011 £'000		31st March 2012 £'000
1,096	Less than three months	1,324
310	Three to six months	23
31	Six months to one year	24
40	More than one year	24
1,477		1,395

Liquidity Risk

The Council needs to manage cash flow to have sufficient funds to pay debts when due. This it does by investing surplus cash when available and by arranging investments to cover the expected liability dates. The Council works to a balanced budget in accordance with legislation with a reserve of revenue balances to manage the cash flow. This is continually changing during the year as creditors and debtors accounts mature. The Council always has access to borrowing through the Public Works Loan Board. Council borrowing, if required, is secured on the revenues of the Council. The Council, through its counterparty policy, also seeks to ensure that each counterparty is of sufficient size to be able to repay the amounts loaned on the due date.

All trade and other payables are due to be paid within less than one year.

Market Risk

The Council is exposed to changes in the interest rate on one of its borrowings. This £2m borrowing is at a high interest rate and it is not anticipated that interest rates will reach this level in the short to medium term, so effectively rendering this rate as fixed. The remainder of the Council's borrowings are at fixed interest rates and do not contain a market risk.

The Council has a proportion of its surplus funds invested through an external Fund Manager, Investec, who have a target of the 7 day LIBID. In-house lending is mainly for cash flow purposes and therefore prevents the strategic longer term lending which would mitigate the variations in interest rates. The interest rates move in cycles and the Council clearly receives lower interest receipts at the bottom of the cycle. This is managed by having a Treasury Strategy in place that forecasts the movements in rates and therefore allows the budget to be informed of the expected interest receipts so that spending plans are not based on unrealistic interest receipt assumptions. The fund manager is able to invest in a wider range of securities than the Council officers and there is exposure to the fluctuations in prices of instruments. The manager is expected to use their skill and knowledge to monitor these price movements and use them to the advantage of the Council. Based on the Short Term investments at Balance Sheet date of £15.1m, a 1% change in interest rate would equate to £151k higher or lower receipt to the Council in revenue.

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to losses arising from movements in exchange rates.

Note 38. Subsidiary Holdings

Charnwood Neighbourhood Housing Limited (CNH) manages the Council's Housing Stock and is a subsidiary of the Council. The unaudited Net Liabilities including the Pension Liability of CNH at 31st March 2012 were £3,733k. The unaudited trading result for 2011/12 was a post-tax trading profit of £835k. It is not expected that there will be any qualification of the audit opinion for the accounts. There are no arrangements in place in respect of any commitment from the Council to meet accumulated deficits or losses incurred by CNH and the investment in CNH is held at nil in the Council's accounts. Audited accounts for CNH will be available from the Chief Executive, Charnwood Neighbourhood Housing Ltd, Council Offices, Southfield Road, Loughborough, LE11 2TN.

As mentioned earlier in these statements it is the Council's intention to absorb the activities of CNH back into the Council during 2012/13. There are sufficient reserves to cover any one-off costs of this change and it is anticipated that there will be ongoing savings in future years from integrating CNH's activities with those of the Council.

Supplementary Statements and Notes

HRA Income and Expenditure Statement

The Housing Revenue Account reflects a statutory obligation under legislation to account separately for local Council housing provision. The Account is “ring-fenced” and has to be self-financing. The costs of HRA activities, not met by subsidy or other income, are met by the rents payable and deficits on the HRA that cannot be made good by the council taxpayer.

2010/11		Notes	2011/12
£'000			£'000
	Expenditure		
1,310	Supervision and Management		1,119
9,209	Charnwood Neighbourhood Housing Ltd.		9,092
38	Rents, Rates, Taxes and other charges		33
3,647	Negative HRA Subsidy payable (including MRA & prior year adjustment)	2	3,957
0	Exceptional Item – Self-financing payment to CLG	10	79,190
6	Rent Rebates	3	4
87,305	Depreciation/Impairment of non-current assets	4	20,924
6	Debt management costs		34
42	Movement in the allowance for bad debts (not specified by the Code)		128
101,563	Total Expenditure		114,481
	Income		
(17,094)	Dwellings	1	(18,382)
(327)	Non-dwelling rents		(324)
(1,092)	Charges for Services and Facilities		(1,001)
(68)	Contributions towards expenditure		(72)
(214)	Other Income		(10)
(18,795)	Total Income		(19,789)
82,768	Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		94,692
33	HRA services' share of Corporate and Democratic Core		47
82,801	Net Cost for HRA Services		94,739
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(1,085)	Capital grants and contributions receivable		(603)
0	Loss on disposal of HRA non-current assets		934
(19)	Interest and investment income		(45)
0	Interest Payable		43
81,697	Net cost/(income) of HRA Services		95,068

Movement on the HRA Statement

2010/11		Notes	2011/12
(226)	Balance on the HRA at the end of the previous year		(598)
81,697	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement		95,068
(81,666)	Adjustments between accounting basis and funding basis under statute		(95,825)
31	Net (increase) or decrease before transfers to or from reserves		(757)
(403)	Transfers (to) or from reserves		(403)
(372)	(Increase) or decrease in year on the HRA		(1,160)
(598)	Balance on the HRA at the end of the current year		(1,758)

Reconciling Items for the Statement of Movement on the HRA Balance

2010/11		Notes	2011/12
	Adjustments between accounting basis and funding basis under statute		
427	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with Statute		420
2	Capital expenditure funded by the HRA		9
0	Loss on sale of HRA non-current assets		(934)
0	Exceptional Item Self-financing payments to CLG		(79,190)
(1)	Accumulated Absences Account		2
1,085	Reversal of Capital Grants and Contributions		603
(83,179)	Reversal of Loss on Revaluation		(16,735)
(81,666)			(95,825)
	Transfers (to) or from reserves		
(8)	HRA share of contributions to or from the Pensions Reserve	9	4
(395)	Transfer to/from the Major Repairs Reserve		(407)
(403)			(403)

Notes to the Housing Revenue Account

Note 1. Gross Rents

Gross rent due in the year, after allowance is made for empty properties, was £18,381,799. In 2011/12 the average percentage of void properties was 2.45% (2010/11 2.33%). The average rent for 2011/12 on a 52 week basis was £61.97 (2010/11 £57.60). Rents are collected on a 52 week basis which has spanned into the 2012/13 financial year.

Rent Arrears		
2010/11 £'000		2011/12 £'000
	Arrears at 31st March:	
352	Current Tenants	340
438	Former Tenants	385
3	Garages and Shops	5
793		730
4.62%	Dwelling Arrears as % of gross debit	3.97%
67	Rent Write-offs/irrecoverable	172
2	Rent Rebate Overpayment Write-off/irrecoverable	3

A Provision for Bad Debts has been made in the accounts in accordance with the requirements of the approved guidance. The provision includes an element in respect of rent rebate overpayments. Rent rebates were transferred to the General Fund on 1st April 2004. This provision relates to overpayments made prior to that date which were financed by the HRA.

Bad Debt Provision		
31st March 2011 £'000		31st March 2012 £'000
475	Rent	438
94	Overpaid Rent Rebate	84
569		522

Note 2. HRA Subsidy

The breakdown of the amount payable by the Council for 2011/12 is provided below: -

2010/11 £'000		2011/12 £'000
3,122	Allowance for Management	3,270
5,950	Allowance for Maintenance	6,015
3,731	Allowance for Major Repairs	3,781
1,152	Charges for Capital	1,445
0	Additional Subsidy – Settlement of HRA Payment	28
(17,563)	Rent Income	(18,488)
(4)	Interest on Receipts	(2)
(3,612)	Total HRA Subsidy (negative)	(3,951)

For 2011/12, Negative Subsidy totalling £3,957,045 was debited to the Housing Revenue Account with respect to the Housing Subsidy entitlement. For 2011/12, the Major Repairs Allowance granted to the Council was £3,781,481. Prior year subsidy adjustments were also made totalling £6,027 making the total figure £3,957,045.

Note 3 Rent Rebates

Recoveries from ongoing benefit relating to housing benefit overpayments prior to 1st April 2004 totalling £4,020 were debited back to the Housing Revenue Account in 2011/12 compared with £6,150 in 2010/11.

Note 4. Depreciation Charge and Capital Credit

Total Capital Financing Charges of £454,212 were debited to the HRA in 2011/12 in accordance with the Item 8 determinations for the year. The Depreciation Charge is analysed below: -

2010/11 £'000		2011/12 £'000
	Depreciation:	
3,731	Dwellings	3,785
119	Garages and Shops	121
276	Plant, Vehicles and Equipment	276
4,126		4,182

There was an impairment charge on the desktop revaluation of housing dwellings, garages and shops, also a reversal of an insulation grant totalling £16,735,196. The total depreciation and impairment of non-current assets is £20,923,674.

Note 5. Housing Stock

The Council was responsible for managing 5,844 HRA dwellings as at 31st March 2012. This excludes one shared ownership dwelling, which is shared on a 50% equity basis. The stock was made up as follows: -

Number of Dwellings 31st March 2011		Number of Dwellings 31st March 2012
2,750	Flats/Maisonettes	2,749
3,089	Houses/Bungalows	3,095
5,839		5,844

The change in stock can be summarised as follows:-

Number of Dwellings 2010/11		Number of Dwellings 2011/12
5,847	Stock at 1st April	5,839
0	Add: New Properties, Acquisitions and Appropriations	9
(8)	Less: Property Sales	(4)
5,839	Stock at 31st March	5,844

On 31st March 2012 there were 22 void properties withheld from letting (4 at 31st March 2011). This is for a number of reasons including major refurbishment and redevelopment. Two HRA properties are being used as community centres on a temporary basis. The figure of 5,844 represents the actual HRA dwelling stock the Council owns. There were nine new houses built during 2011/12.

The dwellings are classified as operational assets within the Housing Revenue Account. In addition there are 807 garages (834 in 2010/11), 17 shops and 1 store (3 in 2010/11), that are non dwelling assets.

Note 6. Balance Sheet Value of Council's Housing Stock

Balance Sheet as at 31st March 2011 (Net)		Balance Sheet as at 31st March 2012 (Net)
£'000		£'000
182,441	Dwellings	168,948
	Other land & buildings	
5,009	Garages	3,970
832	Shops & Stores	1,147
188,282		174,065

Dwellings, Garages and Shops are all Operational Assets. There are no Non-Operational Assets.

The Existing Use Value – Social Housing on 1st April 2011 was £182,441,396. The vacant possession value of dwellings as at 1st April 2011 was £536,165,000. The difference between the vacant possession value and Balance Sheet value of dwellings within the Housing Revenue Account shows the economic cost to government of providing council housing at less than open market rents.

Note 7. Summary Total of Capital Expenditure and Receipts

Housing capital expenditure during the financial year was £6,692,672.

Capital expenditure is shown as follows –

2010/11		2011/12
£'000		£'000
5,519	Housing capital expenditure	6,693
3,891	Major Repairs Reserve	3,326
0	Borrowing	2,620
36	Other Capital Contributions	0
482	Section 106	0
65	Revenue Contributions to capital – funded by reserves	2
2	Revenue Contributions to capital – funded by revenue	9
785	Grants	342
258	HRA Miscellaneous capital receipts	394
5,519		6,693

Total capital receipts from the HRA were £318,884 and were as follows –

2010/11 £'000		2011/12 £'000
562	Council House Sales	314
68	Miscellaneous Capital Receipts	0
20	Reclaimable Discount from Council House Sales	5
650		319

Note 8. Major Repairs Reserve

2010/11 £'000		2011/12 £'000
(266)	Balance at 1st April	(105)
(4,126)	Transfer to Major Repairs Reserve	(4,189)
396	Transfer from Major Repairs Reserves to HRA	407
3,891	Capital Expenditure funded from Major Repairs Reserve	3,326
(105)	Balance at 31st March	(561)

Note 9. Pension Fund

In accordance with IAS19, Accounting for Retirement Benefits, accounting adjustments have been made in the Housing Revenue Account to report pension liabilities.

In 2011/12 this represented a cost of £4,290 to net cost of service compared to a reduction of £7,958 in 2010/11.

Note 10.Exceptional Item – Self-financing payment to the Department of Communities and Local Government

On the 1st April 2012 there was a fundamental change in how the Housing Revenue Account was financed following the closure of the Housing Subsidy system. The main transition to the new system involved the payment of £79,190,000 to the Department of Communities and Local Government which enabled the Council to buy itself out of future Negative Housing Subsidy liabilities. This has been financed by borrowing from the Public Works Loan Board which discounted its lending rate for this purpose for one day only during March 2012 and therefore, the transition to the new scheme was completed nationwide during 2011/12.

Collection Fund Statement 2011/12

2010/11 £'000		Notes	2011/12 £'000 £'000	
	Income			
(79,435)	Council Tax	2	(80,116)	
(40,747)	Non-Domestic Rates	3	(43,006)	
(120,182)				(123,122)
	Expenditure			
	Precepts and Demands:			
57,332	Leicestershire County Council	4	58,195	
9,344	Charnwood Borough Council		9,497	
9,149	Leicestershire Police Authority		9,287	
2,879	Leicestershire Combined Fire Authority		2,922	
78,704				79,901
	Non-Domestic Rates:			
40,404	Payment to National Pool		42,569	
203	Costs of Collection Allowance		198	
40,607		3		42,767
	Bad and Doubtful Debts:			
470	Write-offs	7	400	
(2)	Provisions	6	111	
468				511
(130)	Contribution to/(from) Leicestershire County Council towards previous year's Collection Fund Surplus/(Deficit)		119	
(21)	Contribution to/(from) Leicestershire Police Authority towards previous year's Collection Fund Surplus/(Deficit)		19	
(6)	Contribution to/(from) Leicestershire Combined Fire Authority towards previous year's Collection Fund Surplus/(Deficit)		6	
(21)	Contribution to/(from) Charnwood Borough Council towards previous year's Collection Fund Surplus/(Deficit)		19	
(178)				163
(581)	(Surplus)/Deficit for year			220

2010/11 £'000		Notes	2011/12 £'000 £'000	
	COLLECTION FUND BALANCE			
168	(Surplus)/Deficit as at 1st April			(413)
(581)	(Surplus)/Deficit for year			220
(413)	(Surplus)/Deficit as at 31st March			(193)

Notes to the Collection Fund Statement

Note 1. General

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing Council in relation to non-domestic rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with the other accounts of the billing Council. The transactions are prescribed by legislation and are prepared on an accruals basis.

The major items contained within the Fund are:

- Council Tax collected from Borough Residents
- Business Rates collected from businesses within the Borough
- Benefits granted to Council Taxpayers
- Transitional Relief granted to Council Taxpayers
- Precepts payable to the Borough and County Councils
- Precept payable to the Leicestershire Police Authority
- Precept payable to the Leicestershire Combined Fire Authority
- Payments to the National pool for Business Rates collected
- The cost of collection allowance for Business Rates
- Additional items, such as the provision for non-collectable amounts
- The deficit or surplus relating to Council Tax. This must then be distributed between billing authorities and precepting authorities on the basis of an estimate made on 15th of January in each year.

Note 2. Council Tax

The basis of Council Tax is a property valuation. Properties are valued at April 1991 prices and included within eight bands. The standard Council Tax is calculated at Band D and all bands are expressed as a Band D equivalent to ascertain a total tax base for the Council. The 2011/12 base is shown below. Note that there is now a reduced 'Band A' for properties in 'A' that are reduced for those with approved Disabled Adaptations.

Valuation Band	Range of Values	Relationship to Band D	Number of Properties	Band D Equivalent
X	Reductions on Band A Up to and including	5/9	26.25	14.6
A	£40,000	6/9	9,649.00	6,432.7
B	£40,001 - £52,000	7/9	16,872.10	13,122.7
C	£52,001 - £68,000	8/9	15,417.35	13,704.3
D	£68,001 - £88,000	1	8,477.60	8,477.6
E	£88,001 - £120,000	11/9	5,431.70	6,638.7
F	£120,001 - £160,000	13/9	2,619.30	3,783.4
G	£160,001 - £320,000	15/9	1,681.70	2,802.8
H	More than £320,000	18/9	158.80	317.6
	Contributions in lieu Estimated growth in Band D equivalents			24.0
				260
	Total (Tax Base)			55,580.2

The tax base, 55,580.2 as per the council tax resolution is then adjusted for the estimated collection rate of 98.5%, and this produces a revised base of 54,746.5 for the calculation of the standard Council Tax, per Band D property, which is £1,459.26. This provides a total requirement of £79.901m.

The actual position is as follows:

2010/11 £'000		2011/12 £'000
90,808	Gross Council Tax due	91,584
(11,373)	Relief, exemptions & transitional relief granted	(11,468)
79,435		80,116
(9,210)	Benefits applied to Council Tax payers	(9,175)
70,225	Net Council Tax	70,941
9,210	Government Grant - Benefits	9,175
79,435	Council Tax	80,116

Precepts of £79,901,450 (2010/11 £78,704,378) have been paid against the net income to the Collection Fund of £79,942,626 (2010/11 £79,122,073) giving a surplus of £41,176 in 2011/12 (2010/11 Surplus of £417,695).

Note 3. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Council is responsible for collecting rates due from the ratepayers in its areas and the total amounts billed to business ratepayers are included within the Collection Fund, less the various relief and exemptions granted. This amount is paid, during the year, into a national pool administered by the Government. The Government redistributes the sums paid into the pool back into local authorities' General Funds.

2010/11 £'000		2011/12 £'000
45,383	Gross Non-Domestic Rates due	49,803
(156)	Amounts Written Off	(227)
(4,660)	Reliefs & Exemptions	(6,876)
(59)	Interest on Refunds	(5)
16	Reduction/(Increase) Bad Debt Provision	(13)
83	General Fund Contribution to Discretionary Relief	85
40,607	NNDR Collectable	42,767
140	Add back net Write Offs & Bad Debt Provision	239
40,747	Net NNDR Collectable	43,006

The Government specifies an amount (43.3p in 2011/12 and 41.4p in 2010/11) and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Rateable Value for the Council's area at 31st March 2012 was £116.57m (31st March 2011 £117.0m)

Note 4. Charnwood Borough Council Precept

2010/11 £'000		2011/12 £'000
19,807	Charnwood Precept	17,255
2,591	Parish Precepts	2,641
21	Collection Fund Deficit/(Surplus)	(19)
22,418		19,877
(13,074)	RSG & NNDR Redistributed Pool	(10,380)
9,344		9,497

Note 5. Provision for Non-Payment**Council Tax**

There is a cumulative provision held as at 31st March 2012 amounting to £1,487,917 for doubtful debts, including costs. (31st March 2011 £1,357,474)

NNDR

There is a cumulative provision held as at 31st March 2012 amounting to £195,626 for doubtful debts, including costs. (31st March 2011 £184,820)

Note 6. Contributions to Provision for Bad and Doubtful Debts

Contributions were made to the provision during the year

2010/11 £'000		2011/12 £'000
15	Council Tax	98
(17)	NNDR	13
(2)		111

Note 7. Write off of Bad Debts

Bad debts were written off during the year

2010/11 £'000		2011/12 £'000
313	Council Tax	173
157	NNDR	227
470		400

Note 8. (Surplus)/Deficit on Collection Fund

There was a Surplus balance on the Collection Fund at 31st March 2012 of £193,467 (Surplus 31st March 2011 £412,745). This represents a £193,467 Surplus for Council Tax and a £0 Surplus for Community Charge. These will be carried forward to 2012/13 and taken into account in the future calculation of charges to be met by Council Taxpayers. Further analysis is provided in Note 10 below. The net paid out of £163,024 together with the Surplus brought forward of £412,745 and an Increase in Bad Debt Provision of £97,429 - reduce the in year surplus of £41,175 to a Surplus of £193,467 which is carried forward.

Note 9. Collection Fund Balance

The Collection Fund is a statutory fund in which the Council records transactions for Council Tax, National Non-Domestic Rates and residual Community Charges. The balance on the fund has to be taken into account by the major precepting authorities in determining their respective requirements to be raised through Council Tax in future financial years. The Surplus, on the Collection Fund is apportioned as follows:

	Amounts to account for in 2012/13 £'000	Amounts to account for in 2013/14 £'000	Total £'000
Leicestershire County Council	122	19	141
Leicestershire Police Authority	19	3	22
Charnwood Borough Council	20	3	23
Combined Fire Authority	6	1	7
Total	167	26	193

Note 10. Accounting for the Collection Fund Balance

On the basis that surpluses and deficits on the Collection Fund are shared with Leicestershire County Council, Leicester Police Authority, Leicestershire Combined Fire Authority and the Borough Council pro-rata to the precepts levied, the Council accounted for the Collection Fund Balance in the 2011/12 accounts as follows:

In the Balance Sheet at 31st March 2012, the Council included an overall Surplus of £193,467 (31st March 2011 £412,745) of which £170,421 relates to Preceptor Creditors (31st March 2011 £363,655 – Preceptor Creditor) in the proportions shown below and the balance of £23,046 (31st March 2011 - £49,090) relate to Charnwood Borough Council's share of the Collection Fund Deficit.

2010/11 £'000		2011/12 £'000
(301)	Leicestershire County Council	(141)
(48)	Leicestershire Police Authority	(22)
(15)	Leicestershire Combined Fire Authority	(7)
(364)	Total	(170)

Group Consolidated Accounts

Introduction

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and Charnwood Neighbourhood Housing Limited (CNH), a wholly owned subsidiary of the Council. The Housing Revenue Account includes a management fee paid to CNH to manage the stock owned by the Council under arms length arrangements. This management agreement came into effect on 1st December 2007. The group accounts have been prepared on the acquisition basis under IFRS (International Financial Reporting Standards).

Charnwood Neighbourhood Housing Limited (CNH) manages the Council's Housing Stock and is a subsidiary of the Council. The unaudited Net Liabilities including the Pension Liability of CNH at 31st March 2012 were £3,733k. The unaudited trading result for 2011/12 was a post-tax profit of £835k and it is not expected that there will be any qualification of the audit opinion for the accounts. There are no arrangements in place in respect of any commitment from the Council to meet accumulated deficits or losses incurred by CNH and the investment in CNH is held at nil in the council's books. Audited accounts for CNH will be available from the Chief Executive, Charnwood Neighbourhood Housing Ltd, Council Offices, Southfield Road, Loughborough, LE11 2TN.

Accounting Policies

The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 13 to 21.

Group Comprehensive Income & Expenditure Statement

Gross Expenditure 2010/11 £'000	Gross Income 2010/11 £'000	Net Expenditure 2010/11 £'000		Gross Expenditure 2011/12 £'000	Gross Income 2011/12 £'000	Net Expenditure 2011/12 £'000
			Central Services to the Public			
0	0	0	Emergency Planning	103	0	103
209	(199)	10	Local Land Charges	163	(233)	(70)
10,867	(10,004)	863	Local Tax Collection	10,667	(10,100)	567
551	0	551	General Grants, Bequests and Donations	509	(12)	497
219	(25)	194	Elections	332	(26)	306
			Cultural, Environmental, Regulatory and Planning Services			
6,627	(2,856)	3,771	Cultural & Related Services	10,725	(2,325)	8,400
11,222	(3,081)	8,141	Environmental Services	10,200	(3,564)	6,636
6,337	(3,693)	2,644	Planning & Development Services	7,804	(4,843)	2,961
2,486	(867)	1,619	Highways/Transportation	743	(891)	(148)
18,908	(19,647)	(739)	Housing Services - HRA	34,485	(20,410)	14,075
83,179	0	83,179	Exceptional Item – HRA	79,190	0	79,190
31,273	(29,064)	2,209	Housing Services - General Fund	33,709	(30,823)	2,886
1,521	(13)	1,508	Corporate & Democratic Core	3,815	(76)	3,739
221	0	221	Non-Distributed Costs	378	0	378
(11,129)	0	(11,129)	Exceptional Item - Unapportionable Costs	0	0	0
1,560	(1,088)	472	Rechargeable Service Units	1,578	(768)	810
163,136	(70,537)	92,599	Cost of Service	194,401	(74,071)	120,330
928	(437)	491	Trading Operations	437	(466)	(29)
2,591	0	2,591	Parish Precepts	2,642	0	2,642
426	0	426	Contribution to Housing Pooled Capital Receipts	227	0	227
0	(365)	(365)	(Gains)/Loss on Disposal Fixed Assets	1,998	0	1,998
0	(25)	(25)	Capital Receipt not related to Asset Disposal	0	(26)	(26)
0	(23)	(23)	Adjustment to Impairment on Investments	0	(39)	(39)
3,945	(850)	3,095	Other Operating Expenditure	5,304	(531)	4,773
266	0	266	Interest Payable and similar charges	288	0	288
1,176	0	1,176	Net Pensions Interest Costs and Expected Returns on Assets	584	0	584
0	(319)	(319)	Interest and Investment Income	0	(364)	(364)
0	(7)	(7)	Item 8 Debit	0	(7)	(7)
915	0	915	Investment Properties Change in Fair Values	(811)	0	(811)
36	0	36	Corporation Tax	0	(50)	(50)
2,393	(326)	2,067	Financing and Investment Income and Expenditure	61	(421)	(360)

Gross Expenditure 2010/11 £'000	Gross Income 2010/11 £'000	Net Expenditure 2010/11 £'000	Comprehensive Income & Expenditure Statement Continued	Gross Expenditure 2011/12 £'000	Gross Income 2011/12 £'000	Net Expenditure 2011/12 £'000
			Taxation and non-specific Grant Income			
0	(2,410)	(2,410)	General Government Grant	0	(3,220)	(3,220)
0	(1,499)	(1,499)	Capital Grants and Contributions	0	(582)	(582)
0	(10,927)	(10,927)	Non Domestic Rates Distribution	0	(7,437)	(7,437)
0	(9,393)	(9,393)	Collection Fund	0	(9,490)	(9,490)
0	(24,229)	(24,229)		0	(20,729)	(20,729)
169,474	(95,942)	73,532	Deficit on provision of services	199,812	(95,798)	104,014
1,546	0	1,546	Surplus on revaluation of Fixed Assets	0	(12,922)	(12,922)
0	(13,491)	(13,491)	Actuarial gains on pension assets/liabilities	11,894	0	11,894
1,546	(13,491)	(11,945)	Other comprehensive income and expenditure	11,894	(12,922)	(1,028)
171,020	(109,433)	61,587	Total comprehensive income and expenditure	211,706	(108,720)	102,986

Reconciliation of the Single Entity (Surplus)/Deficit to the Group (Surplus)/Deficit

2010/11 £'000		2011/12 £'000
63,351	(Surplus)/Deficit on the Council's Income and Expenditure Account	102,504
(1,764)	Inter Group Transactions	482
61,587	(Surplus)/Deficit on the Group Income and Expenditure Account	102,986

Group Movement in Reserves Statement

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

Movement in Group Reserves Statement 2011-12	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at the beginning of the period	(3,274)	(82)	(599)	(105)	(4,772)	(1,399)	(10,231)	(204,614)	(214,845)
(Surplus)/Deficit on provision of Services (accounting basis)	9,767	(821)	95,068	0	0	0	104,014	0	104,014
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(1,028)	(1,028)
Total Comprehensive Income and Expenditure	9,767	(821)	95,068	0	0	0	104,014	(1,028)	102,986
Adjustments Primarily involving the Capital Receipts Reserve:									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	1,817	0	1,817		
Cash Proceeds	0	0	0	0	(111)	0	(111)		
Adjustments Primarily involving the Capital grants Unapplied Account:									
Application of Grants to Capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	788	788		
Capital grants unapplied adjustment and Contributions Applied	0	0	0	0	0	(361)	(361)		
Adjustments Primarily involving the Major Repairs Reserve:									
Reversal of Major Repairs allowance credited to the HRA	0	0	0	(407)	0	0	(407)		
Use of the Major Repair Reserve to finance new capital Expenditure	0	0	0	(49)	0	0	(49)		
Sub Total	0	0	0	(456)	1,706	427	1,677	(1,677)	0
Adjustment between Accounting basis and Funding basis under Regulations									
Pension Fund Reserve	(781)	270	4	0	0	0	(507)		
Collection Fund Account	(26)	0	0	0	0	0	(26)		
Accumulated Absences Account	40	(13)	2	0	0	0	29		
Financial Instruments Account	0	0	420	0	0	0	420		
Capital Adjustment Account									
- Upward Revaluation	3,063	0	0	0	0	0	3,063		
- Downward Revaluation	(8,560)	0	0	0	0	0	(8,560)		
- (Loss) on Disposal of Fixed Assets	(1,064)	0	(934)	0	0	0	(1,998)		
- Revenue Exp funded from Capital	(5,934)	0	0	0	0	0	(5,934)		
- HRA Self Financing	0	0	(79,190)	0	0	0	(79,190)		
- Depreciation	(1,620)	0	(17,141)	0	0	0	(18,761)		
Capital Expenditure charged against General Fund and HRA balances	718	0	9	0	0	0	727		
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	100	0	261	0	0	0	361		
Application of Grants to Capital Adjustment Account	3,581	0	342	0	0	0	3,923		
Capital Receipts Reserve	(201)	0	0	0	0	0	(201)		
Revenue Reserves	79	0	0	0	0	0	79		
Sub Total Adjustments between accounting basis and funding basis under regulations	(10,605)	257	(96,227)	0	0	0	(106,575)	106,575	0
Net Increase/(Decrease) before transfers to earmarked reserves	(838)	(564)	(1,159)	(456)	1,706	427	(884)	103,870	102,986
Transfers to/(from) earmarked reserves	0	(86)	0	0	0	0	(86)	86	0
Sub Total Increase/(decrease) in the year	(838)	(650)	(1,159)	(456)	1,706	427	(970)	103,956	102,986
Balance at the end of the period	(4,112)	(732)	(1,758)	(561)	(3,066)	(972)	(11,201)	(100,658)	(111,859)

Movement in Reserves Statement 2010-11	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at the beginning of the period	(3,830)	(777)	(226)	(265)	(5,640)	(1,765)	(12,503)	(263,929)	(276,432)
(Surplus)/Deficit on provision of Services (accounting basis)	(7,525)	303	81,696	0	0	0	74,474	(942)	73,532
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(11,945)	(11,945)
Total Comprehensive Income and Expenditure	(7,525)	303	81,696	0	0	0	74,474	(12,887)	61,587
Adjustments Primarily involving the Capital Receipts Reserve:									
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	0	0	1,811	0	1,811		
Cash Proceeds	0	0	0	0	(943)	0	(943)		
Adjustments Primarily involving the Capital grants Unapplied Account:									
Application of Grants to Capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	1,167	1,167		
Capital grants unapplied adjustment and Contributions Applied	9	0	0	0	0	(801)	(792)		
Adjustments Primarily involving the Major Repairs Reserve:									
Reversal of Major Repairs allowance credited to the HRA	0	0	0	(395)	0	0	(395)		
Use of the Major Repair Reserve to finance new capital Expenditure	0	0	0	555	0	0	555		
Sub Total	9	0	0	160	868	366	1,403	(1,403)	0
Adjustment between Accounting basis and Funding basis under Regulations									
Pension Fund Reserve	8,791	0	(8)	0	0	0	8,783		
Collection Fund Account	69	0	0	0	0	0	69		
Accumulated Absences Account	(14)	4	2	0	0	0	(8)		
Financial Instruments Account	0	0	427	0	0	0	427		
Capital Adjustment Account	(4,482)	0	(83,574)	0	0	0	(88,056)		
Capital Expenditure charged against General Fund and HRA balances	645	0	(1)	0	0	0	644		
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	807	0	0	0	0	0	807		
Application of Grants to Capital Adjustment Account	2,869	0	1,085	0	0	0	3,954		
Capital Receipts Reserve	(203)	0	0	0	0	0	(203)		
Revenue Reserves	(28)	0	0	0	0	0	(28)		
Sub Total Adjustments between accounting basis and funding basis under regulations	8,454	4	(82,069)	0	0	0	(73,611)	73,611	0
Net Increase/(Decrease) before transfers to earmarked reserves	938	307	(373)	160	868	366	2,266	60,724	62,990
Transfers to/(from) earmarked and unusable reserves	(382)	388	0	0	0	0	6	(1,409)	(1,403)
Sub Total Increase/(decrease) in the year	556	695	(373)	160	868	366	2,272	59,315	61,587
Balance at the end of the period	(3,274)	(82)	(599)	(105)	(4,772)	(1,399)	(10,231)	(204,614)	(214,845)

Group Balance Sheet as at 31st March 2012

31st March 2011 £'000		31st March 2012 £'000	31st March 2012 £'000
	Long-Term Assets		
	Property, Plant and Equipment		
188,282	Council Dwellings	174,065	
31,767	Other Land & Buildings	38,881	
2,203	Vehicles, Plant & Equipment	1,688	
540	Infrastructure Assets	480	
3,824	Community Assets	3,541	
909	Assets Under Construction	16	
36	Surplus Assets Not Held for Sale	79	
227,561			218,750
0	Heritage Assets		229
4,666	Investment Property		3,522
1,063	Intangible Assets		625
132	Long-Term Investments		807
22	Long-Term Debtors		15
233,444	Long-Term Assets (Sub-total)		223,948
	Current Assets		
	Short -Term Investments		
16,706	Investments (Short-Term)		15,097
	Assets held for Sale		
42	Surplus Assets Held for Disposal		6
	Inventories		
177	Inventories		173
	Short -Term Debtors		
8,688	Short Term Debtors		6,957
(1,652)	Provision for Bad/Doubtful Debts		(2,014)
	Cash and Cash Equivalents		
1,839	Cash and Cash Equivalents		4,581
25,800	Current Assets (Sub-Total)		24,800

Group Balance Sheet as at 31st March 2012

31st March 2011 £'000		31st March 2012 £'000	31st March 2012 £'000
	Current Liabilities		
(2,214)	Cash and Cash Equivalents		(1,871)
0	Provisions		(391)
(8,825)	Short-term Creditors		(9,552)
(11,039)	Current Liabilities (Sub-Total)		(11,814)
	Long-Term Liabilities		
(185)	Long-Term Creditors, over 12 Months		(183)
(2,000)	Long-Term Borrowing, over 12 Months		(81,231)
	Other Long Term Liabilities		
(30,421)	Defined Benefit Pension Scheme Asset/(Liability)		(42,822)
(754)	Capital Grants Receipts in Advance		(839)
(33,360)	Long-Term Liabilities Total		(125,075)
214,845	Net Assets Total		111,859
	Reserves		
	Usable Reserves		
(4,772)	Capital Receipts Reserve		(3,066)
(105)	Major Repairs Reserve		(561)
553	Revenue Reserves		222
(635)	Reinvestment Reserve		(954)
(1,399)	Capital Grants Unapplied		(972)
(3,274)	General Fund Balance		(4,112)
(599)	HRA Fund Balance		(1,758)
(10,231)	Usable Reserves Total		(11,201)
	Unusable Reserves		
(49)	Collection Fund Adjustment Account		(23)
(22)	Deferred Credits (Deferred Capital Receipts)		(15)
(232,798)	Capital Adjustment Account		(128,132)
1,067	Financial Instruments Adjustment Account		647
30,421	Pension Reserve (Surplus)/Deficit		42,822
(3,584)	Revaluation Reserve		(16,279)
351	Accumulated Absences Account		322
(204,614)	Unusable Reserves Total		(100,658)
(214,845)	Total Reserves		(111,859)

Group Cashflow Statement Indirect Method

2010/11 £'000		2011/12 £'000
73,532	Net deficit on the provision of services	104,014
	Adjustments to net deficit for non-cash movements	
(84,361)	Depreciation, Impairment of Fixed Assets	(24,300)
250	Contribution (to)/from Provision for Bad Debt	(754)
9,710	Net Charges made for retirement benefit	(567)
(15)	Increase/(Decrease) in Inventories	147
2,279	Increase/(Decrease) in Debtors	(2,078)
983	(Increase)/Decrease in Creditors	(1,325)
23	Profit & Loss on Investments	39
48	Collection Fund Adjustment Account	(7)
3	Holiday Accrual	29
772	Deferred Capital Grant and Contributions	582
(70,308)	Adjustments to net deficit for non-cash movements	(28,234)
	Adjustments for items that are investing or financing activities	
389	Other Capital Receipts & (Gains)/Loss on Sale Fixed Assets	(1,972)
3,613	Net cash outflows/(inflows) from Operating Activities	73,808
603	Net Capital Activities	3,225
43	Net Change in investments	1,742
646	Net Cash outflow/(inflow) from Investing Activities	4,967
(746)	Net Cash outflows/(inflows) from Financing Activities	(81,860)
3,513	Net (Increase)/ Decrease in cash and cash Equivalents	(3,085)
3,138	Cash and cash equivalents at the beginning of the period	(375)
(375)	Cash and cash equivalents at the end of the period	2,710
3,513	(Increase)/Decrease in cash and cash Equivalents	(3,085)

Group Account Notes

The following notes have been prepared on an exception basis with only those items which have changed from Charnwood Borough Council's Statement of Accounts being included. For all other items reference should be made to the Council's Income and Expenditure Account on page 7 and Balance Sheet on page 8 with reference to appropriate notes.

Note 1. Taxation

Charnwood Neighbourhood Housing was refunded £50,493 in Corporation Tax during 2011/12 in respect of prior year payments, whilst there were no new charges during the year.

Note 2. Inventories

31st March 2011 £'000		31st March 2012 £'000
	<u>Inventories</u>	
2	South Charnwood Swimming Pool	0
17	Franking Machines	24
110	Raw Materials and Consumables	75
44	Van Inventory	65
4	Other	9
177		173

Note 3. Debtors

31st March 2011 £'000		31st March 2012 £'000
	<u>Amounts falling due in one year:</u>	
593	Government Departments	395
768	HM Revenue & Customs	397
831	Housing Rents	760
2,378	Reserved Debtors	676
3,273	Sundry Debtors	3,744
268	Net Share of Council Tax Debtors	282
518	Other Preceptors Share of Collection Fund	667
123	NNDR Central Government	0
(64)	Other	36
8,688		6,957

Note 4. Creditors

31st March 2011 £'000		31st March 2012 £'000
661	HM Revenue & Customs	630
426	Government Departments	707
294	Leicestershire County Council	234
378	Housing Rents	399
2,158	Other Sundry Creditors	1,762
3,634	Reserved Creditors	2,599
585	Health Council	691
149	CBC Share of Overpaid Council Tax	168
0	NNDR Central Government Provision for Accumulated Absences	1,837
351		322
189	Section 106 Monies	203
8,825		9,552

Note 5. Cash Flow Statement - Operating Activities include the following:-

2010/11 £'000		2011/12 £'000
(382)	Interest Received	(350)
266	Interest Paid	234
(116)		(116)

Note 6. Cash Flow Statement - Investing Activities

2010/11 £'000		2011/12 £'000
7,043	Purchase of Property, Plant, Equipment, Investment property and intangible assets	8,087
61	Purchase of short-term and long-term investments	19
(1,365)	Other payments for investing activities	(333)
43	Proceeds from the Sale of Property, Plant, Equipment, investment property and intangible assets	1,742
(5,136)	Proceeds of short-term and long-term investments	(4,548)
646	Other Receipts for investing activities	4,967

Note 7. Cash Flow Statement - Financing Activities

2010/11 £'000		2011/12 £'000
(4,000)	Cash Receipts of short and long term borrowing	(79,190)
4,000	Repayment of short and long term borrowing	0
142	Net NNDR Cash (Inflow)/Outflow	(2,019)
(888)	Net Council Tax Cash (Inflow)/Outflow	(651)
(746)		(81,860)

Note 8. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg 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.

31st March 2011			31st March 2012	
£'000	£'000		£'000	£'000
	354	Balance at 1st April		351
		Settlement or cancellation of accrual made at the end of the preceding year		
(3)		Amounts accrued at the end of the current year	(29)	
	(3)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(29)
	351	Balance at 31st March		322

Glossary of Terms

Accounting Period - The period of time covered by the accounts, normally 12 months commencing on 1st April for local authorities.

Accruals - Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Capital Charges - Charges made to service revenue accounts based on the value of the assets they use and comprising depreciation.

Capital Expenditure - Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

Capital Financing Costs - The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

Capital Receipt - Income from the sale of capital assets such as council houses, land or other buildings.

Creditors - Amounts owed by the Council at 31st March for goods received or services rendered but not yet paid for.

Current Assets - Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities - Amounts which will become due or could be called upon during the next accounting period.

Debtor - Amounts owed to the Council, which are collectable or outstanding at 31st March.

Depreciation - The estimated losses in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.

Government Grants - Payments by central government towards local Council expenditure. They may be specific, for example Housing Benefit subsidy, or general such as Revenue Support Grant.

Non Current Asset - Assets which can be expected to be of use or benefit to the Council in providing its services for more than one accounting period.

Operating Lease - A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

Precepts - The amount which local authorities cannot charge a council tax directly to the public (for example a County Council) and requires Charnwood Borough Council to collect on its behalf.

Reserves - Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

Revenue Expenditure - Spending on day-to-day items including employees' pay, premises costs and supplies and services.

Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Expenditure of a capital nature but for which there is no tangible asset, for example renovation grants.

Revenue Support Grant - The main grant paid by central government to a local Council towards the costs of its services.

Rule of 85 for Pensions – This is the date on which the sum of:

- (a) the member's age in whole years on the date his local government employment ends or the date he/she elects for payment, if later,
- (b) his/her total membership in whole years, and
- (c) in a case when he/she elects after his/her local government employment ends, the period beginning with the end of that employment and ending with the date he/she elects for payment, equals 85 years. The Rule of 85 can be reached prior to age 60 but benefits can only be paid if permitted by Charnwood Borough Council which it does not allow, so all calculations are based on 60 years of age. The Rule of 85 does not apply to new entrants after 1st October 2006 or for service after 31st March 2008 for certain members of the scheme.

Abbreviations used in the accounts:

ALMO – Arms Length Management Organisation – this is Charnwood Neighbourhood Housing Ltd

CNH – Charnwood Neighbourhood Housing Limited

CIPFA - Chartered Institute of Public Finance and Accountancy

FRS - Financial Reporting Standard

HRA - Housing Revenue Account

IFRS – International Financial Reporting Standard

MRA - Major Repairs Allowance

MRP - Minimum Revenue Provision

NNDR - National Non-domestic Rates

PRG - Performance Reward Grant

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHARNWOOD BOROUGH COUNCIL

Opinion on the financial statements

I have audited the financial statements of Charnwood Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Charnwood Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

Report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;

- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

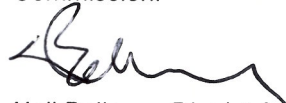
I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, *Charnwood Borough Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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



Neil Bellamy, District Auditor,
Audit Commission, Whitwick Business Park, Stenson Road, Coalville, LE67 4JP
25th September 2012

Annual Governance Statement 2011/12

1. SCOPE OF RESPONSIBILITY

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

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.

A copy of the code is available on our website at:

<http://www.chnwood.gov.uk/uploads/localcodeofcorporategovernance.pdf>.

This statement explains how the Council has complied with the code, and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

In addition, the Council's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the Application Note to *Delivering Good Governance in Local Government: Framework*.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place for the year ended 31st March 2012, and up to the date of the approval of the annual report and accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the Council's governance framework are as follows: -

To ensure we focus on the purpose of the Council and on outcomes for the community and that we create and implement a vision for the local area:

- ◆ The Council's objectives are set out in the Corporate Plan and this is reviewed through Cabinet and wider consultation with local partners and the community. The achievement of the plan is monitored through performance management and review processes carried out by Cabinet, Scrutiny committees and officers.

- ◆ A rigorous and robust annual business planning process is in place that includes consultation with service users where appropriate, and which ensures that resources and budgets are aligned to the corporate objectives set out in the Corporate Plan, as well as providing for a controlled and objective means of identifying efficiency savings and opportunities for investment to improve service delivery.
- ◆ Policies determined during the financial year are approved by Council or Cabinet as appropriate following thorough consultation with key stakeholders and the local community where appropriate.
- ◆ A corporate complaints procedure is in operation, and is appropriately publicised via the Council's website and other means. All complaints are investigated and corrective action taken to improve processes and procedures where appropriate.
- ◆ A sound system of internal controls is in place to ensure value for money is obtained and that funds and resources are used appropriately. This includes detailed Financial Regulations, and supporting Financial Procedures, which are reviewed and updated periodically.

To ensure members and officers work together to achieve a common purpose with clearly defined functions and roles:

- ◆ The Council's constitution sets out the terms of reference for all member committees, including executive and decision making functions, and the scrutiny function.
- ◆ A member/officer protocol is in place which sets out the expectations and processes that are in place to ensure effective and constructive working relationships.
- ◆ A scheme of delegation has been approved and is regularly updated, which clearly sets out which responsibilities have been delegated to officers, and how these delegations should operate and be recorded.

To promote values for the Council and to demonstrate that the values of good governance are demonstrated by high standards of conduct and behaviour:

- ◆ Codes of conduct are in place for members and officers, which clearly specify the required standards of conduct and behaviour, and which require the declaration of any personal interests which may conflict with the interests of the Council.
- ◆ Registers to record any declarations of interest made by members or officers and maintained.
- ◆ A 'whistle-blowing' policy is in place for any members, officers or other parties to report suspicions of fraud or other irregularities, and all such reported instances are investigated thoroughly.
- ◆ A Standards Committee is in place to deal with any allegations relating to the behaviour or conduct of members.
- ◆ A Code of Corporate Governance is in place which sets out the Council's approach towards, and requirements for achieving good corporate governance.

To ensure that informed and transparent decisions are taken which are subject to effective scrutiny and that risks are managed:

- ◆ All Cabinet reports recommending decisions include details of any relevant financial and legal implications, and contain a risk management section which sets out any identified risks together with their likelihood and impact, and actions planned to manage the risks.
- ◆ A scrutiny function is in place which has the right to call-in any executive decisions for comment and challenge.

- ◆ A risk management framework has been established under which strategic risks which may impact on the achievement of the Council's corporate objectives are identified on an annual basis, are approved by Cabinet, and subsequently monitored on a quarterly basis by senior managers and by the Audit Committee. Lower level operational risks are identified by the annual service delivery planning process and are monitored on an ongoing quarterly basis, with any exceptions or significant concerns being escalated to senior managers and to the Audit Committee.

To develop the capacity and capability of members and officers to be effective:

- ◆ An annual personal development review is undertaken for all officers, which includes the identification of training and development needs, which are then considered and built into a service level and corporate training programme where appropriate.
- ◆ A Member Development Strategy has been approved and a programme of training courses for councillors is organised in conjunction with the Leicestershire and Rutland Improvement Partnership. An intensive induction programme is in place for new councillors.
- ◆ Thorough and rigorous recruitment and selection processes for officers are in place, and workforce succession planning is undertaken to ensure capacity and continuity issues are identified and addressed.

To engage with local people and other stakeholders to ensure robust public accountability:

- ◆ The scrutiny function consists of a Cabinet / Scrutiny Liaison Group, a Scrutiny Management Board, an Overview Scrutiny Group, a Policy Scrutiny Group, and a Performance Scrutiny Panel. Other scrutiny panels are set up to examine issues on a task and finish basis.
- ◆ The Audit Committee has responsibility for overseeing the production of the annual statement of accounts, and for the work of Internal Audit. The committee aims to fulfil the core functions of an audit committee as recommended by the Chartered Institute of Public Finance & Accountancy, and is chaired by an independent person who has appropriate experience and qualifications.
- ◆ The Council has an Internal Audit function which operates in accordance with appropriate requirements and guidance, and which is responsible for providing assurance on the adequacy of internal control and risk management arrangements.
- ◆ The Council has identified all of its significant partnerships, and has undertaken a risk assessment for all of these partnerships, including ensuring appropriate governance arrangements are in place.
- ◆ Appropriate employment policies and procedures are in place to ensure responsibilities to staff are met and that employment legislation is complied with. These include disciplinary and capability policies.
- ◆ Appropriate mechanisms are in place to measure quality of service to users, including use of the 'Govmetric' satisfaction monitoring tool for all major access channels.
- ◆ Compliance with internal policies and procedures is ensured by various means, including management checks and the work of Internal Audit.

4 REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the annual Internal Audit report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council's statutory officers consist of the Head of Paid Service (Chief Executive), the Monitoring Officer (Head of Strategic Support), and the s.151 Officer (Strategic Director – Corporate Services). These officers fulfil the required statutory duties associated with their roles, including ensuring that the Council's activities are in accordance with the law and legislative requirements, and that financial budgets are set appropriately and are monitored regularly.

The Council's Internal Audit service operates according to an annual audit programme, which is developed using a risk based approach designed to ensure that key financial systems, strategic risk counter measures, and significant Council services are audited at appropriate frequencies so that sufficient assurance on adequacy of the internal control environment and risk management arrangements can be provided.

Senior managers, and the Audit Committee and Performance Scrutiny Panel are responsible for receiving and considering regular monitoring reports in respect of the risk management framework, the performance management framework, and the work of Internal Audit. The Audit Committee also receive and consider any reports arising from the work of the external auditors.

These arrangements and processes ensure that the Council's corporate governance and internal control arrangements are kept under regular and ongoing review throughout each financial year.

Additionally, as part of the process to produce the Annual Governance Statement, a comprehensive review of all sources of evidence, including external review, audit and inspection work undertaken during the year, has been undertaken.

This review indicates that the Council's corporate governance and internal control arrangements are adequate and effective. Although some areas for further improvement have been identified during the year, none of these are in respect of significant concerns or issues.

The annual audit letter issued by the Audit Commission for 2010/11 did not identify any significant internal control issues, and no recommendations were made.

5. SIGNIFICANT GOVERNANCE ISSUES

No significant governance issues have been identified.

6. POST BALANCE SHEET EVENTS

There are no post balance sheet events that require reporting.



Geoff Parker
Chief Executive
18th September 2012



Cllr David Slater
Leader of the Council
18th September 2012