



**Melton
Borough
Council**



**STATEMENT OF ACCOUNTS
SUBJECT TO AUDIT
2009/2010**

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EXPLANATORY FOREWORD

The purpose of this foreword is to assist the reader's understanding of the Financial Statements and to summarise the Council's financial position.

FINANCIAL STATEMENTS

The Council's Core Financial Statements for the year ended 31 March 2010 are set out on pages 14 to 44. They consist of:

- **The Statement of Responsibilities for the Statement of Accounts** (page 14).
- **The Income and Expenditure Account** (page 15) - summarises the resources that have been generated and consumed in providing services and managing the Council during the year.
- **Statement of Movement on the General Fund Balance** (pages 16-17) - summarises the differences between the year end position on the Income and Expenditure Account and the General Fund Balance.
- **Statement of Total Recognised Gains and Losses** (page 18) - details all the gains and losses of the Council for the year and shows the aggregate increase/decrease in its net worth as shown on the Balance Sheet.
- **The Balance Sheet** (page 19) - shows the Council's overall financial position in terms of its assets and liabilities.
- **The Cash Flow Statement** (page 20) - summarises the total movement of cash to and from the Council or, simply where the money came from and where it was spent.
- **Notes to the Core Financial Statements** (pages 21-43)

In addition to the core financial statements the following supplementary statements are set out on pages 44-51. They consist of:

- **The Housing Revenue Account** (pages 44-49) - details the major elements of housing revenue expenditure such as repairs & maintenance, administration, capital financing costs, and shows how these are met by rents, fees & charges and other income. The Housing Revenue Account is incorporated with the Income & Expenditure Account but is also shown separately as required.
- **The Collection Fund** (pages 50-51) - shows the transactions relating to the collection of Council Tax and Non-Domestic Rates. It shows how this money is then distributed between authorities delivering services to the people and businesses within the Borough.

This is followed by:

- **Annual Governance Statement** (pages 52-56).
- **Glossary of Terms** (pages 57-61).
- **The Independent Auditor's Report** (pages 62-64).

FINANCIAL POSITION

The Council incurs revenue and capital expenditure during the year.

Revenue Expenditure – covers most day-to-day items, usually involving the provision of ongoing services.

Capital Expenditure – relates to spending of a more lasting nature such as the purchase of an asset which has a life beyond one year and is used in the provision of services.

Revenue spending is financed from Council Tax, fees and charges, Government grants and other income. Capital spending is financed mainly from loans, useable capital receipts from the sale of Council assets, Government grants, contributions and revenue.

Revenue Expenditure

The net costs of the main functions of the Council are included in the Income and Expenditure account. This comprises of general fund expenditure, both general and special expenses and the Housing Revenue Account.

General Fund Services

General Expenses – the net revenue expenditure of the Council for 2009-10 was originally estimated at £6.56m, which was subsequently updated to an estimated year end position of £6.923m. The actual net expenditure for the year was £6.665m, an increase over the original estimate of £105k. When taking into account additional grant income the deficit for the year is £93k compared to an original deficit of £32k; representing an increase in the use of reserves of £61k.

Special Expenses – the net revenue expenditure for 2009-10 in respect of special expenses was originally estimated at £488k, which was subsequently updated to an estimated year end position of £494k. The actual net expenditure for the year was £508k, an increase over the original estimate of £20k.

Housing Revenue Account (HRA) – The original estimate for the HRA was a deficit of £10k, which was subsequently updated to an estimated year end surplus position of £210k. The actual year end position was a surplus of £52k, resulting in an underspend over the original estimate of £62k.

The table below compares the original estimate with the actual year end position for all Council funds.

	2009-10 Original Estimate	2009-10 Actual	2009-10 Variances
	£'000	£'000	£'000
<u>General Expenses</u>			
Cost of Service Provision	7,045	6,912	-133
Other Items	-485	-247	238
Council Tax & Grant Income	-6,528	-6,572	-44
Surplus(-)/Deficit for Year	32	93	61
Transfer to/from (-) Working Balance	60	60	0
Transfer to/from (-) Reserves	-92	-153	-61
Net Surplus(-)/Deficit	0	0	0
<u>Special Expenses</u>			
Cost of Service Provision	541	562	21
Other Items	-53	-55	-2
Council Tax & Grant Income	-482	-482	0
Surplus(-)/Deficit for Year	6	25	19
Transfer to/from (-) Working Balance	0	-7	-7
Transfer to/from (-) General Reserve	-4	-17	-13
Net Surplus(-)/Deficit	2	1	-1
<u>Housing Revenue Account (HRA)</u>			
Expenditure	6,758	6,191	-567
Income	6,748	6,243	505
Surplus(-)/Deficit	10	-52	-62

The increased spend on general expenses of £61k over the original estimate is due to additional expenditure authorised in year relating to asset management and planning issues. In addition there are a number of areas where costs have increased such as concessionary fares and areas where actual income achieved was less than budgeted such as investment income, planning and building control fees. These additional pressures have been offset by increased income from certain assets and reduced interest payable through applying a strategy of internal borrowing to balance the rates achievable on investments with the cost of borrowing.

As with 2008/09 In order to help control the impact of budget pressures from the recession and the financial issues created during the business recovery period enhanced budget monitoring and increased control of spending led to the Council making a number of savings in other service areas.

In addition to the above there are a number of other service underspends where approval has been given to carry forward the budget into 2010-11.

The current economic climate has proven and continues to prove challenging for the Council in terms of financial management. The main effect on the Council's finances has been the loss of income from fees and charges such as planning and building control and the decline in investment income. As such, budget monitoring throughout 2009/10 was enhanced in order to reduce the impact and non essential expenditure was reduced. The impact of the economic situation will of course continue into 2010/11 and budget monitoring will remain at an enhanced level.

The HRA year end position when compared to the original budget shows a net reduction in spending of £62k. This is mainly due to a lower working balance being carried forward from 2008/09 than was budgeted and the need to increase this to the approved working balance of £250k. There were a number of pressures in year particularly with regard to the repairs and maintenance budget as a result of the drive to deliver decent homes, a high number of voids where some required significant improvements and a higher level of demand for urgent or emergency work.

New Accounting Policies

There are a number of changes introduced into the 2009 SORP that have amended the requirements for disclosure and presentation in the Statement of Accounts and these are as follows:

Examples of the more minor and relevant ones are as follows:

- Removal of the requirement for a note on Section 137 expenditure.
- Removal of the requirement for a note on Publicity expenditure.
- Removal of the requirement for a note on the Building Control Account.
- Changes in the reporting requirements for senior officers' remuneration i.e. changing the bandings in the scale from multiples of £10k to £5k and changes to the definition of the meaning of remuneration and senior officer. These have been introduced to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior officers charged with the stewardship of the Council.

The following material changes in accounting policy have been introduced:

New provisions for agency accounting in respect of Council Tax:

- The Council Tax income included in the Income & Expenditure Account for the year is the accrued income for the year. This contrasts with previous accounting requirements where Council Tax income included in the Income & Expenditure Account represented the amounts required under regulation to be transferred from the Collection Fund to the General Fund.
- The difference between the income included in the Income & Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.
- Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the Council from Council Tax debtors belongs proportionately to the Council and the major preceptors i.e. LCC, Fire and Police. There will therefore be a debtor/creditor position between the Council and each major preceptor to be recognised, since the cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

As this is a material change in accounting policy it therefore requires a prior period adjustment. The prior period comparatives have thus been restated as follows:

	SORP 2009 £'000	SORP 2008 £'000	Prior Period Adjustment £'000
<u>Income & Expenditure Account</u>			
Share of (Surplus)/Deficit at 31 st March 2008	83,355	84,633	-1,278

Statement of Movement on General Fund Balance

Transfer to/from Collection Fund Adjustment Account	1,278	0	1,278
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Balance Sheet

Arrears (net of Bad Debt Provision)	122,653	907,902	-785,249
Overpayments/Prepayments	-64,592	-478,124	413,532
Debtors – Major Precepting Authorities	588,173	216,456	371,717
Collection Fund Adjustment Account	30,780	0	30,780
Collection Fund Balance – Council Tax	0	30,780	-30,780

Cash Flow Statement

Payments to Major Preceptors	0	21,998,504	21,998,504
Council Tax Receipts – Major Preceptors Share	3,155,798	23,835,336	-20,679,538
Net (Increase)/Decrease in Other Liquid Resources	-1,318,966	0	-1,318,966

New provisions for agency accounting in respect of NNDR:

- The 2009 SORP confirms that the collection of National Non-Domestic Rates (NNDR) is carried out as an agency activity on behalf of central government and should be accounted for accordingly.

As this is also a material change in accounting policy the following prior period adjustments are required:

	SORP 2009 £'000	SORP 2008 £'000	Prior Period Adjustment £'000
<u>Balance Sheet</u>			
Arrears (net of Bad Debt Provision)	0	569,336	-569,336
Overpayments/Prepayments	0	-228,015	228,015
Government Department Creditor	0	-481,412	481,412
Government Department Creditor	-140,091	0	-140,091
<u>Cash Flow Statement</u>			
NNDR Payments to National Pool	0	-12,166,067	12,166,067
NNDR Receipts	0	12,652,473	-12,652,473
Net (Increase)/Decrease in Other Liquid Resources	486,406	0	486,406

Capital Expenditure

Capital expenditure amounted to £5.256m which was an underspend on the programme of £0.526m. Of this underspend, £0.523m has been carried forward into 2010-11.

The major items of capital expenditure in 2009-10 were the private sector housing decent homes and disabled facilities grants (£0.608m), the new Council Offices including land purchase (£1.78m) and various works to Council dwellings (£2.359m).

The programme was funded by the following sources:

	£'000
Loan	2,150
Capital receipts	513
Major repairs reserve	1,186
Third party contributions	727
Government grants	580
Use of reserves	100
	£5,256

Other than the expenditure on capital projects set out above and income received from capital receipts in the sum of £773k, there have been no other material changes to assets and liabilities

Reserves

Overall revenue reserves and revenue account surpluses decreased by £26k and at 31 March 2010 totalled £2.071m. These are analysed below:

	31 March 2009	31 March 2010
	£'000	£'000
Special reserves	401	469
Other reserves	1,019	821
General Expenses working balance	580	640
Special Expenses working balance	54	46
Housing Revenue Account working balance	43	95
	£2,097	£2,071

Outstanding Debt

During the year no loans were repaid. A new loan totalling £1.6m was raised leaving the outstanding loan debt at 31 March 2010 at £8.588m. The maturity profile of the outstanding loan debt at 31 March 2010 is shown below:

	£'000
Maturing 1 year	1,600
Maturing 1 -2 years	1,450
Maturing over 10 years	5,538
	8,588

During the year investments decreased by £2.35m and stood at £1.0m at 31 March 2010.

Pensions Liability

Since 2003-04 Local Authorities have had to account for retirement benefits when they are committed to give them, even if the actual payment will be many years into the future. As a result a total liability of £17.458m has been included in the balance sheet, thereby reducing the net worth of the Council. This deficit on the Local Government pension scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

STATEMENT OF ACCOUNTING POLICIES

1 General

The Statement of Accounts summarises the Council's transactions for the 2009-10 financial year and its position at the year end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (the SORP) and BVACOP (Best Value Accounting Code of Practice). The SORP is produced by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is the professional body for accountants in the public sector.

The SORP is a statement of 'proper accounting practice' with which local authorities must comply in preparing their Statement of Accounts in accordance with the Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendments) Regulations 2004.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2 Income and Expenditure

The revenue accounts of the Council are maintained on an income and expenditure basis in accordance with the SORP and Financial Reporting Standard 18 (FRS18). That is, sums due to and 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 electricity and similar quarterly payments which are charged at the date of meter reading rather than apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

3 Provisions

The Council sets aside provisions in accordance with FRS12 for the purpose of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or date on which it will arise. In creating a provision a charge is made to the revenue account and the expenditure is charged against the provision (rather than the revenue account) when the settlement takes place. The main provisions are:-

- (i) Provisions for Doubtful Debts (Sundry Debtors) – General Fund and Housing Revenue Account.
- (ii) Provision for Doubtful Debts (Collection Fund).
- (iii) Provision for Doubtful Debts (Housing Rents).

4 Reserves

The Council maintains reserves for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to be included within the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and therefore do not represent usable resources for the Council.

The following reserves are maintained:-

- (i) **Council Property** – Repairs & Renewals - amounts are set aside from revenue to meet repairs and maintenance expenditure on Council property.
- (ii) **Vehicles and Equipment** – amounts are set aside from revenue to meet major repairs or replacement.
- (iii) **The Registrars Furniture** – amounts are set aside from revenue to meet the costs of replacing furniture for the Registrar.
- (iv) **Cemetery Drains** – amounts are set aside from revenue to meet the cost of replacing the French drains at the cemetery.
- (v) **Town Amenities** – commuted sums – amounts from developers are set aside to be released into the Revenue Account over a 5-year period to meet maintenance costs of play areas.
- (vi) **Car Parking Contributions** – amounts are received from developers of commercial properties in lieu of the provision of car parking places. These may be used for the provision of car parking places or other traffic improvement schemes.

- (vii) **Welland Shared Services** – introductory fees received by the Welland Joint Committee from other local authorities joining Welland Shared Services are held as a contingency for future one-off procurement projects.
- (viii) **Melton Local Development Framework (MLDF)** – amounts are set aside from the Local Plans Revenue Budget to fund uneven patterns of spending on the MLDF.
- (ix) **Corporate Priorities Reserve** - amounts are set aside from the General Fund General Expenses Revenue Account to fund capital expenditure or new initiatives which meet the Councils priorities.
- (x) **General Reserve - Special** - amounts are set aside from the General Fund Special Expenses Revenue Account to fund capital expenditure or new initiatives in the Special Expenses area of Melton Mowbray.
- (xi) **Capital Contributions Unapplied** – this represents amounts received from third parties for the financing of capital expenditure but not yet applied.
- (xii) **Major Repairs Reserve** – this represents amounts set aside as depreciation from the Housing Revenue Account to finance capital expenditure to alleviate housing repairs problems.
- (xiii) **Pensions Reserve** – reflects the net assets/liabilities of the Pension Fund.

5 **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited in the Income and Expenditure Account after Net Operating Expenditure.

Where capital grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Capital Contributions Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

6 **Retirement Benefits**

The cost of providing pensions for employees is charged to the accounts in accordance with the statutory requirements governing the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme, administered by Leicestershire County Council in accordance with the Local Government Pension Scheme Regulations 1997, as amended. It is contracted out of the State Pension Scheme.

LGPS regulations require that an actuarial valuation of the fund be completed, and a report produced every three years. The figures are prepared in accordance with Financial Reporting Standard 17 (FRS17).

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, employee turnover rates, etc, and the projections of earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate equal to the gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years, at the FRS17 valuation date.

The assets of the pension fund attributable to the Council are included in the balance sheet at their fair value based upon the following:

- (i) Quoted securities – current bid price
- (ii) Unquoted securities – professional estimate
- (iii) Unlisted securities – current bid price
- (iv) Property – market value.

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

- (i) **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
- (ii) **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- (iii) **Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.

- (iv) **Expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
- (v) **Gains/losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- (vi) **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses.
- (vii) **Contributions paid to the pension fund** – cash paid as employer’s contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

These requirements are shown in the following statements, and include comparative figures for 2008-09.

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

7 **VAT**

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

8 **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2009 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

The basis of allocation used for the main costs of overheads and support services are outlined below:-

<u>Cost</u>	<u>Basis of Allocation</u>
Support/Service Accounts	Estimated time spent by staff
Administrative Buildings	Number of personnel
Computer Materials	Actual use/number of personnel
Telephones	Number of personnel
Fax Machines	Estimated time spent by staff
Postages	Actual use
Printing & Photocopying	Actual use/number of personnel
Stationery	Actual use/number of personnel

9 **Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised on an accruals basis provided it brings benefits to the Council for more than one financial year subject to a de-minimus level of £10k. The balance is amortised to the relevant service account over the economic life of the investment to reflect the pattern of consumption of benefits.

10 Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administration purposes on a continuing basis.

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that the fixed asset yields benefit to the council and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

A de-minimus level of £10k has been set i.e. no expenditure below this level will generally be capitalised. This is also applied to the Council's asset register.

There are some notable exceptions to this rule i.e.

- (i) Where the cost attracts a specific capital grant or government supported borrowing approval.
- (ii) Where individual items of furniture, IT equipment and other equipment costing less than £10k are being bulk purchased; the cost for which can be capitalised.
- (iii) Feasibility costs in preparation for a larger scheme.

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Under the system of capital accounting, fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Assets are then carried in the Balance Sheet using the following measurement bases:

- (i) Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value.
- (ii) Dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use.
- (iii) Infrastructure assets and community assets - depreciated historical cost.

Net current replacement cost is assessed as:

- (i) Non – specialised operational properties – existing use value.
- (ii) Specialised operational properties – depreciated replacement cost.
- (iii) Investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

11 Impairment of Fixed Assets

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- (i) Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account or
- (ii) Written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

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

12 Disposals of Fixed Assets

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10k are categorised as capital receipts.

A proportion of capital receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Useable Capital Receipts Reserve, and can then be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

13 Depreciation of Fixed Assets

Depreciation is provided for on all fixed assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Depreciation is provided in the year of disposal rather than the year of acquisition. In determining depreciation for specific asset groups the following bases have been applied based on information provided by the appointed Valuer:-

Asset	Depreciated	Basis
<u>Housing Dwellings</u>	Yes	Depreciation provided for on the basis of valuation of dwellings and useful life of 50 years. Garages are included within the valuation for Council Dwellings and are depreciated over a useful life of 15 years.
<u>Other Land and Buildings</u> Waterfield Leisure Pool	Yes	Depreciation charge based on estimated useful life of 15 years.
Car Parks	Yes	Depreciation charge based on estimated useful life of 50 years.
Public Conveniences	Yes	Depreciation charge based on estimated useful lives of between 26-29 years.
Council Offices	Yes	Depreciation charge based on estimated useful life of 43 years.
Cattle Market	Yes	Depreciation charge based on useful life of 25 years.
Improvement Schemes	No	
<u>Vehicles, Plant and Equipment</u>	Yes	Depreciation provided on basis of estimated useful life of between 3-10 years.
<u>Community Assets</u>	Yes	Assets in this category consist mainly of play areas, made up of non-depreciable land and play equipment. The play equipment is depreciated over a period of 12 years.
<u>Infrastructure Assets</u> Land	No	Assets in this category consist mainly of non-depreciable land.
<u>Investment Assets</u> Industrial Estates	No	

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

14 Charges to Revenue for Fixed Assets

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

- (i) Depreciation attributable to the assets used by the relevant service.

- (ii) Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- (iii) Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least the estimated life of the asset, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

15 **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

16 **Leases**

The Council's leases do not meet the definition of finance leases and are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

17 **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective interest for the instrument. For the borrowings that the council currently has, the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where purchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account 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 Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

18 **Financial Assets**

Financial assets are classified into two types:

- (i) Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- (ii) Available-for-sale assets – assets that have a quoted market price and/or do not have a fixed or determinable payment.

The Council currently holds no available-for-sale assets. Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account 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 Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

Surplus monies when not used internally are invested in approved investments.

19 **Interest**

All external interest received is credited to the General Fund. The amount credited to the Housing Revenue Account is determined in accordance with the Local Government & Housing Act 1989 and is offset against the amount credited to the General Fund.

20 **Stocks and Long Term Contracts**

Stocks have previously been included in the Balance Sheet at latest price in respect of the former Central Purchasing Stores. This does not fully comply with Statement of Standard Accounting Practice 9 (SSAP 9), but the amounts involved are not material. Purchasing stocks have been completely recharged to services in 2009-10. Interim valuations have been made for long-term contracts and included in the accounts in accordance with SSAP 9.

21 **Special Expenses**

This statement of accounts refers at times to Special Expenses. Section 35(1) of the Local Government Finance Act 1992 defines special expenses as any expenses incurred by a billing authority in performing in a part of its area a function performed elsewhere in its area by a parish or community council or the chairman of a parish meeting unless a resolution of the authority to the contrary effect is in force.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT 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 Head of Financial Services.
- To manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Head of Financial Services Responsibilities

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

In preparing this Statement of Accounts, the Head of Financial Services has:

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

The Head of Financial Services has also:

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

CERTIFICATE

I certify that this Statement of Accounts presents a true and fair view of the financial position of Melton Borough Council at 31st March 2010, and its income and expenditure for the period 1st April 2009 to 31st March 2010.

.....
D K Garton CPFA
Section 151 Officer

Date: 29th June 2010

APPROVAL BY THE COUNCIL

At its meeting on the 29th June 2010 the Policy, Finance and Administration Committee resolved that the Statement of Accounts for 2009-10 be approved.

.....
Councillor M C R Graham
Chairman

Date: 29th June 2010

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2008-09		2009-10	2009-10	2009-10
Net		Gross	Income	Net
Expenditure		Expenditure		Expenditure
Restated				
£'000		£'000	£'000	£'000
749	Central Services to the Public	3,489	2,858	631
5,922	Cultural Environmental and Planning Services	6,833	2,016	4,817
-60	Education and Children's Services	355	356	-1
130	Highways, Roads and Transport Services	815	716	99
9,136	Local Authority Housing (HRA)	5,879	6,083	-204
414	Other Housing Services	8,183	7,635	548
1,052	Corporate & Democratic Core	1,047	0	1,047
250	Non distributed Costs	8	0	8
549	Exceptional item not included in costs of specific services above	998	707	291
18,142	NET COST OF SERVICES	27,607	20,371	7,236
-1	Loss/Gain (-) on the Disposal of Fixed Assets			-407
399	Parish Council Precepts			408
703	Surpluses/Deficits on Trading undertakings not included in Net Cost of Services above			-253
325	Interest Payable and Similar Charges			324
2	Contribution of Housing Capital Receipts to Government Pool			31
-315	Interest and Investment Income			-18
147	Pensions Interest Cost and Expected Return on Pensions Assets			608
19,402	NET OPERATING EXPENDITURE			7,929
-3,441	Demand on the Collection Fund			-3,588
-533	General Government Grants			-771
-3,349	Non-Domestic Rates Redistribution			-3,146
12,079	SURPLUS (-)/DEFICIT FOR YEAR			424

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the Council Tax that it raised for the year, taking into account the use or reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the year end position on the Income and Expenditure Account and the General Fund Balance.

2008-09		2009-10
Restated		
£'000		£'000
12,079	Surplus (-)/Deficit for the year on the Income and Expenditure Account	424
-12,080	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-476
-1	Increase in General Fund Balance for the year	<u>-52</u>
-633	General Fund Balance brought forward	-634
<u>-634</u>	General Fund Balance carried forward	<u>-686</u>

**NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND
BALANCE**

2008-09 Restated £'000		2009-10 £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the Year	
-139	Amortisation of intangible fixed assets	-136
-13,877	Depreciation and impairment of fixed assets	-580
-376	Excess of depreciation charged to HRA over the Major Repairs Allowance	-151
2,892	Government Grants Deferred amortisation	714
-495	Write down of deferred charges to be financed from capital resources	-747
1	Net loss (-)/gain on sale of fixed assets	407
3	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	3
50	Amount by which Council Tax Income and residual community charge adjustment included in the Income and Expenditure is different from the amount taken to the General Fund in accordance with regulation	42
-827	Net charges made for retirement benefits in accordance with FRS 17	-970
-12,768		-1,418
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the Year	
180	Minimum revenue provision for capital financing	203
2	Contributions to/from (-) funds	0
101	Capital expenditure charged in year to the General Fund Balance	100
43	Capital expenditure charged in year to HRA	0
-2	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	-31
742	Employer's contributions payable to the Leicestershire County Council (LCC) Pension Fund and retirement benefits payable direct to pensioners	748
1,066		1,020
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the Year	
-241	Housing Revenue Account balance	52
-137	Net transfer to or from (-) earmarked reserves	-130
-378		-78
-12,080	Net additional amount required to be credited to the General Fund Balance for the year	-476

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the gains and losses of the Council for the year and shows the aggregate increase/decrease in its net worth. In addition to the surplus/deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008-09		2009-10
Restated		
£'000		£'000
12,079	Surplus(-)/deficit for the year on the Income and Expenditure Account	424
3,527	Surplus(-)/deficit arising on revaluation of fixed assets	-4,374
4,907	Actuarial gains(-)/losses on pension fund assets and liabilities	8,971
20,513	Total recognised gains(-)/losses for the year	5,021

Note:

In order to comply with the latest Code of Practice for Local Authorities it is sometimes necessary to amend figures shown in prior year accounts. The changes can consist of technical, presentational, or occasionally of fundamental changes to the accounting treatment of transactions between years. The purpose of restating prior year figures is to enable users to compare figures on any statement on a comparative basis. Where changes have been made to previously published figures these are clearly indicated, as in the above statement, as being restated.

BALANCE SHEET

The Balance Sheet summarises in its top half all of the assets that the Council owns and the liabilities that it owes to others. The bottom half sets out how the net assets of the Council are allocated between usable resources, resources that have been set aside to finance capital expenditure, unrealised gains from increases in asset values and reserves needed to manage the complexities of local authority accounting.

At 31 March 2009 As Restated		At 31 March 2010	
£'000		£'000	£'000
	FIXED ASSETS		
606	Intangible Fixed Assets	548	
	Tangible Fixed Assets		
	Operational Assets:		
89,528	Housing Dwellings, Land & Other Buildings	91,632	
9,948	Other Land & Buildings	9,695	
247	Vehicles, Plant, Furniture & Equipment	261	
1,567	Community Assets	1,715	
22	Infrastructure Assets	22	
	Non Operational Assets		
1,510	Investment Properties	1,450	
51	Assets Under Construction	3,099	
3,000	Surplus Assets/Assets Held for Sale	4,525	
<hr/>		<hr/>	
106,479	TOTAL FIXED ASSETS		112,947
4	Long Term Investments		0
11	Long Term Debtors		7
<hr/>		<hr/>	
106,494	TOTAL LONG-TERM ASSETS		112,954
	CURRENT ASSETS		
1	Payments in Advance		2
2,419	Debtors		4,212
3,351	Short Term Investments		1,000
11	Cash and Bank		129
<hr/>		<hr/>	
112,276	TOTAL ASSETS		118,297
	CURRENT LIABILITIES		
-2,838	Creditors		-2,623
-255	Bank Overdraft		-30
<hr/>		<hr/>	
109,183	TOTAL ASSETS LESS CURRENT LIABILITIES		115,644
	LONG TERM LIABILITIES		
-7,125	Long Term Borrowing		-8,726
-246	Deferred Liabilities		-221
-3,258	Government Grants Deferred		-3,850
-3	Capital Contributions Unapplied		-125
-8,265	Liability - Defined Benefit Pension Scheme		-17,458
<hr/>		<hr/>	
90,286	TOTAL ASSETS LESS LIABILITIES		85,264
706	Revaluation Reserve		4,962
95,182	Capital Adjustment Account		94,854
11	Deferred Credits		7
-166	Financial Instruments Adjustment Account		-163
-8,265	Pensions Reserve		-17,458
752	Usable Capital Receipts Reserve		981
1	Major Repairs Reserve		0
634	General Fund Balance		686
43	Housing Revenue Account Balance		95
-33	Collection Fund Adjustment Account		9
1,420	Fund Balances & Other Reserves		1,290
1	Other Balances		1
<hr/>		<hr/>	
90,286	TOTAL NET WORTH		85,264

CASH FLOW STATEMENT

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

2008-09 (As Restated)			2009-10	
£'000	£'000		£'000	£'000
Revenue Activities				
<u>Cash Outflows:</u>				
3,592		Cash paid to and on behalf of employees	3,608	
15,041		Other operating cash payments	14,976	
2,936		Housing benefit paid out	3,957	
399		Parish Precepts	408	
1,377		Other government grants	1,627	
379		Payments to the Capital Receipts Pool	30	
	23,724			24,606
<u>Cash Inflows:</u>				
-3,281		Rents (net of rebates)	-3,149	
-3,155		Council Tax receipts	-3,358	
-4,200		National non-domestic rate receipts from pool	-3,146	
-466		Revenue Support Grant	-726	
-7,589		DSS grant for benefits	-9601	
-188		Other government grants	-246	
-2,456		Cash received for goods and services	-2,471	
-9,052		Other operating cash receipts	-5,331	
	-30,387			-28,028
	-6,663	Net Cash Flow from Revenue Activities		-3,422
Returns on Investments & Servicing of Finance				
<u>Cash Outflows:</u>				
166		Interest paid	161	
<u>Cash Inflows:</u>				
-323		Interest received	-16	
	-157			145
Capital Activities				
<u>Cash Outflows:</u>				
6,645		Purchase of fixed assets	4,510	
620		Other capital cash payments	784	
	7,265			5,294
<u>Cash Inflows:</u>				
0		Sale of fixed assets	-763	
-92		Capital grants received	-405	
	-92			-1,168
	353			849
Management of Liquid Resources				
	-800	Net increase(-)/decrease in short term deposits		-2,350
	832	Net increase/decrease in other liquid resources		2,758
Financing				
<u>Cash outflows</u>				
940		Repayments of amounts borrowed	0	
<u>Cash Inflows</u>				
-1,000		New Loans raised	-1,600	
	-60	Financing and Management of Liquid Resources		-1,600
	325	NET INCREASE(-)/DECREASE IN CASH		-343

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Notes to the Balance Sheet

a) Movement of Fixed Assets

	Operational Assets				Non-Operational Assets					Total
	Housing Dwellings, Land & Buildings	Other Land & Buildings	Vehicles Plant and Equipment	Infra-structure Assets	Community Assets	Intangible Assets	Investment Assets	Assets Under Construction	Surplus Assets/ Held for Sale	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
At 1 st April 2009	92,603	10,056	495	22	1,720	1,090	1,510	51	3,001	110,548
Additions	2,264	82	104	0	161	78	1	306	1,513	4,509
Disposals	-360	0	-2	0	0	0	0	0	0	-362
Reclassifications	0	-25	0	0	0	0	0	2,743	-2,718	0
Impairments	0	-332	0	0	0	0	-61	-1	0	-394
Revaluations	1,536	192	0	0	71	0	0	0	2,732	4,531
At 31 March 2010	96,043	9,973	597	22	1,952	1,168	1,450	3,099	4,528	118,832
Depreciation/Impairment										
At 1 st April 2009	-3,075	-108	-248	0	-153	-484	0	0	-1	-4,069
Charge for Year	-1,336	-208	-88	0	-84	-136	0	0	-2	-1,854
Revaluations	0	38	0	0	0	0	0	0	0	38
At 31 st March 2010	-4,411	-278	-336	0	-237	-620	0	0	-3	-5,885
Balance Sheet amount as at 31st March 2010	91,632	9,695	261	22	1,715	548	1,450	3,099	4,525	112,947
Balance Sheet amount as at 1st April 2009	89,528	9,948	247	22	1,567	606	1,510	51	3,000	106,479
Nature of Asset holding										
Owned	91,632	9,695	261	22	1,715	548	1,450	3,099	4,525	112,947
Finance Lease	0	0	0	0	0	0	0	0	0	0
PFI	0	0	0	0	0	0	0	0	0	0
	91,632	9,695	261	22	1,715	548	1,450	3,099	4,525	112,947

(b) Long Term Investments

The long term investments consist of:

Balance 31 March 2009 £'000	<u>Long Term</u>	Balance 31 March 2010 £'000
	1 3½% War Stock	0
	2 3½% War Stock	0
	1 2½% Consols	0
<hr/>		<hr/>
4	Total Long Term Investments	0

(c) Long Term Debtors

Balance 31 March 2009 £'000		Repaid £'000	Balance 31 March 2010 £'000
11	Housing Advances – Right to Buy	4	7
<hr/>		<hr/>	<hr/>
11		4	7

(d) Debtors

Balance 31 March 2009 (Restated) £'000		Balance 31 March 2010 £'000
	Amounts falling due in one year:	
438	Government Departments	1,616
269	Housing Rent	291
1,970	Sundry Debtors	2,573
-258	Provision for Doubtful Debts	-268
<hr/>		<hr/>
2,419		4,212

e) Short Term Investments

The short term investments consist of:

Balance 31 March 2009 £'000	<u>Short Term</u>	%	Balance 31 March 2010 £'000
150	Chelsea Building Society	1.50	0
100	Yorkshire Building Society	1.00	0
100	Norwich & Peterborough Building Society	1.00	0
100	Norwich & Peterborough Building Society	0.30	0
150	Skipton Building Society	0.60	0
100	Norwich & Peterborough Building Society	0.45	0
200	Chelsea Building Society	1.15	0
150	Chelsea Building Society	0.90	0
500	Yorkshire Building Society	0.90	0
100	Coventry Building Society	0.65	0
150	Norwich & Peterborough Building Society	0.75	0
100	Coventry Building Society	0.55	0
100	Skipton Building Society	1.10	0
100	Skipton Building Society	1.10	0
100	Chelsea Building Society	1.00	0
100	Skipton Building Society	1.00	0
100	Skipton Building Society	1.00	0
250	Coventry Building Society	0.45	0
100	Coventry Building Society	0.45	0
100	Chelsea Building Society	1.00	0
300	Alliance & Leicester plc	0.95	0
100	Chelsea Building Society	1.00	0
100	Chelsea Building Society	1.00	0
0	Debt Management Office	0.25	250
0	Debt Management Office	0.25	300
0	Debt Management Office	0.25	450
0			0
1	Interest accrued to 31 st March		0
3,351	Total Short Term Investments		1,000

f) Creditors

Balance 31 March 2009 (Restated) £'000		Balance 31 March 2010 £'000
511	Government Departments	475
2,279	Sundry Creditors	2,080
0	Local Authorities	15
	<u>Receipts in Advance:</u>	
48	Council Tax	53
0	National Non-Domestic Rates (NNDR)	0
2,838	Total	2,623

(g) Long Term Borrowing

Balance 31 March 2009 £'000	Analysis of Loans by type	Raised £'000	Repaid £'000	Balance 31 March 2010 £'000
6,988	Public Works Loans Board	1,600	0	8,588
137	Interest payable to 31 st March	1		138
7,125	Total	1,601	0	8,726

(h) Deferred Liabilities – Credit Arrangements

Balance 31 March 2009 £'000		Balance 31 March 2010 £'000
197	Principal outstanding brought forward	246
77	New advance in year (IT Strategic Framework)	0
-28	Less: Principal repayment in year	-25
246	Principal outstanding at 31 March	221

(i) Deferred Credits – Housing Advances – Right to Buy

	Balance 31 March 2010 £'000
Balance at 31 March 2008	14
Repayment of Loans & Advances	-3
Balance at 31 March 2009	11
Repayment of Loans & Advances	-4
Balance at 31 March 2010	7

(j) Government Grants Deferred

Balance 31 March 2009 £'000		Balance 31 March 2010 £'000
1,980	Balance b/fwd 1 April	3,258
4,170	Capital contributions Applied	1,306
-2,892	Amortised to Revenue	-714
3,258	Balance c/fwd 31 March	3,850

(k) Capital Contributions Unapplied

Balance 31 March 2009 £'000		Balance 31 March 2010 £'000
3	Balance b/fwd 1 April	3
4,170	Grants, contributions and interest received	1,431
-4,170	Transfer to capital contributions deferred	-1306
0	Transfer to revenue	-3
3	Balance c/fwd 31 March	125

(l) Revaluation Reserve

Balance 31 March 2009 £'000		Balance 31 March 2010 £'000
4,257	Balance b/fwd 1 April	706
663	Revaluation gains for the year (General & Special)	2,995
0	Revaluation gains (Housing Revenue Account)	1,536
-4,191	Revaluation Losses in year	-157
-23	Write down of revaluation gains	-118
706	Balance c/fwd 31 March	4,962

(m) Capital Adjustment Account

Balance 31 March 2009 £'000		Balance 31 March 2010 £'000
106,072	Balance b/fwd 1 April	95,182
314	Capital financing - capital receipts	513
145	- revenue	100
1,612	- major repairs reserve	1,186
2,892	Government Grants Deferred	714
-1,892	MRP (less depreciation provision)	-1,652
-495	Less – revenue expenditure funded from capital under statute written off	-747
0	Disposal of fixed assets	-362
-13,489	Impairments (net of revaluation losses)	-198
23	Write off revaluation gain	118
95,182	Balance c/fwd 31 March	94,854

(n) Financial Instruments Adjustment Account

Balance 31 March 2009 £'000		Balance 31 March 2010 £'000
-169	Balance b/fwd 1 April	-166
11	Premiums transferred to General Fund	11
-8	Discounts transferred to HRA	-8
-166	Balance c/fwd 31 March	-163

(o) Usable Capital Receipts Reserve

Balance 31 March 2009 £'000		Balance 31 March 2010 £'000
1,065	Balance b/fwd 1 April	752
1	Repayments of grants & loans	4
0	Sale of assets, etc	738
1,066		1,494
-314	Less applied - capital expenditure	-513
752	Balance c/fwd 31 March	981

(p) Collection Fund Adjustment Account

Balance 31 March 2009 As Restated £'000		Balance 31 March 2010 £'000
-83	Balance b/fwd 1 April	-33
50	Change in year	42
<u>-33</u>	Balance c/fwd 31 March	<u>9</u>

(q) Other Balances

Balance 31 March 2009 £'000		Balance 31 March 2010 £'000
<u>1</u>	Parochial Property	<u>1</u>

(r) Fund Balances and Reserves

	FUND BALANCES								GENERAL RESERVES				Total Fund Balances & Reserves
	Council Property Repairs & Renewals	Vehicles & Equipment Repairs & Renewals	Town Amenities – Commuted Sums	Car Parking Contribution	Melton Local Development Framework	Welland Shared Services	Registrars Furniture Renewals	Special Expenses Cemetery Drains	Total	General Reserve		Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Corporate Priorities Reserve	Special	£'000	
Balance: 31 March 2008	20	90	4	37	129	0	1	0	281	1,217	57	1,274	1,555
INCOME													
Revenue Contributions:													
Service Accounts	28	48	0	0	29	0	1	5	111	0	0	0	111
General	0	0	0	0	0	10	0	0	10	0	0	0	10
Interest	0	0	0	1	0	0	0	0	1	0	0	0	1
EXPENDITURE													
Transfers: Capital Expenditure	0	0	0	0	0	0	0	0	0	77	24	101	101
Working Balances	0	0	2	0	0	0	0	0	2	139	15	154	156
Balance: 31 March 2009	48	138	2	38	158	10	2	5	401	1,001	18	1,019	1,420
INCOME													
Revenue Contributions:													
Service Accounts	0	52	0	0	86	0	1	5	144	0	0	0	144
General	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
EXPENDITURE													
Transfers: Capital Expenditure	34	40	0	0	0	0	0	0	74	27	1	28	102
Working Balances	0	0	2	0	0	0	0	0	2	153	17	170	172
Balance: 31 March 2010	14	150	0	38	244	10	3	10	469	821	0	821	1,290

2 Notes to the Cash Flow Statement

(a) Reconciliation of Surplus to Net Cash Flow

2008-09			2009-10	
(As Restated)				
£'000	£'000		£'000	£'000
		Surplus for the Year:		
-1		Deficit/Surplus(-) per Income and Expenditure	-51	
241		Deficit/Surplus(-) per Housing Revenue Account	-52	
<u>-370</u>		Deficit/Surplus(-) per Collection Fund	<u>-316</u>	
	-130			-419
	-6,924	Non Cash Transactions-		-1,126
		Items on an accruals basis:		
-4		Decrease In Stocks and Work in progress	0	
907		Increase/Decrease(-) in Debtors	-1,803	
<u>-669</u>		Increase(-)/Decrease in Creditors	<u>215</u>	
	234			-1,732
		Items Classified elsewhere:		
323		Investment Income	16	
<u>-166</u>		Interest Paid	<u>-161</u>	
	157			-145
	<u>-6,663</u>	Net Cash Flow from Revenue Activities		<u>-3,422</u>

(b) Increase/Decrease in Cash and Cash Equivalents

Balance		Movement	Balance
31 March 2009		in the Year	31 March 2010
£'000		£'000	£'000
<u>-244</u>	Cash Overdrawn	<u>343</u>	<u>99</u>

(c) Analysis of Government Grants

2008-09			2009-10	
£'000	£'000		£'000	£'000
<u>-1,377</u>		<u>Department of the Environment</u>		
		Housing Revenue Account Subsidy	<u>-1,627</u>	
	-1,377			-1,627
		<u>Office of the Deputy Prime Minister (ODPM)</u>		
93		Planning Delivery Grant	193	
<u>0</u>		PSA Grant	<u>0</u>	
	93			193
		<u>Department for Communities and Local Govt</u>		
44		LABGI	21	
<u>51</u>		Priority Need Grant	<u>31</u>	
	95			52
		<u>Department for Work and Pensions</u>		
1,888		Council Tax Benefit	2,372	
2,579		Rent Allowances	4,027	
225		Admin Grant	252	
<u>2,897</u>		Rent Rebates	<u>2,950</u>	
	7,589			9,601
	<u>6,400</u>	Total Government Grants		<u>8,219</u>

(d) Statement of Liquid Resources

The Council's liquid resources at 31 March 2010 are those outlined below and comply with the definition contained in Financial Reporting Standard 1–Cash Flow Statements issued by the Accounting Standards Board.

Balance		Movement	Balance
31 March 2009		in the Year	31 March 2010
£'000		£'000	£'000
3,350	Liquid Resources – Short Term Investments	-2,350	1,000

(e) Reconciliation of Movement in Cash to Movement in Net Debt

	Balance as at	Balance as at	Movement
	31 March 2009	31 March 2010	in the Year
	£'000	£'000	£'000
Cash in hand	11	129	118
Cash Overdrawn	-255	-30	225
Short Term Borrowing	0	0	0
Long Term Borrowing	-6,988	-8,588	-1,600
	<u>-7,232</u>	<u>-8,489</u>	<u>-1,257</u>
New Loans Raised			1,600
Loans Repaid			0
Increase/Decrease (-) in Cash			<u>343</u>

3 Exceptional Items

On the morning of 30 May 2008, there was a fire to the main Council Offices which caused considerable damage. The best estimate for the total cost of reinstatement to-date as at 31 March 2010 is estimated to be £11.95m. Of this amount, it is estimated that the sum of £11.52m will be reimbursed by the Council's insurers with the remaining sum of £0.43k being funded from the Council's reserves.

4 Undischarged obligations arising from Long-Term Contracts

In 2010-11 the Council is committed to making payments estimated at £0.949m under a schedule of rates type contract with Jeakins Weir for the repair and maintenance of Council housing. The actual level of payments will depend upon the volume of orders issued to the contractor in respect of responsive and programmed maintenance. The contract which was due to expire at the end of March 2009 has been extended for a further two years until March 2011.

In the same year the Council is committed to making payments estimated at £2.183m under an integrated waste management contract with Verdant Group Plc. The actual level of payments will depend upon the number of properties collected from, marginal variations to the contract and the number of variation orders issued. The contract which was due to expire at the end of March 2010 has been extended for a further seven years until March 2017.

The Council is also committed to making payments estimated at £0.221m to SLM Community Leisure Charitable Trust for the management of the Waterfield Leisure Pools. The contract originally due to expire at the end of September 2009 has been extended to September 2011.

5 Trading Operations

(a) Cattle Market

The Melton Mowbray Cattle Market was established under the Melton Mowbray Cattle Market Act 1869. The animal markets are operated under licence by a local consortium of auctioneers. Other activities include a farmer's market, antique and collector's fairs, car boot and agricultural vehicle sales.

The financial results were as follows:-

2008-09		2009-10
£'000		£'000
-327	Turnover	-403
704	Expenditure	170
377	Deficit/Surplus (-)	-233

Included in the expenditure in 2009-10 is impairment to the site of the Cattle Market to the value of £1k compared to £519k in 2008-09. The cost is reversed out in the Statement of Movement on the General Fund Balance therefore has a neutral impact for the Council Tax Payer.

(b) Industrial Estates

The Council lets 20 units at Snow Hill Industrial Estate, Melton Mowbray. These were provided to help small businesses. Over the years this account has produced a trading surplus.

2008-09		2009-10
£'000		£'000
-127	Turnover	-121
453	Expenditure	101
326	Deficit/Surplus (-)	-20

Included in the expenditure in 2009-10 is impairment to the Industrial Units to the value of £60k compared to £408k in 2008-09. The cost is reversed out in the Statement of Movement on the General Fund Balance therefore has a neutral impact for the Council Tax Payer.

(c) Net Deficit on Trading Operations

2008-09		2009-10
£'000		£'000
703	Net Deficit/Surplus (-)	-253

6 General Government Grants

In addition to the Non-Domestic Rates Redistribution the Council receives from Central Government, which is shown on the Income & Expenditure Account, the following general grants are also received, which is shown in summary on the Income & Expenditure Account.

2008-09		2009-10
£'000		£'000
466	Revenue Support Grant	726
23	Area Based Grant	23
44	Business Growth Incentive Grant	22
533		771

7 Agency Income & Expenditure

The Council has an agency agreement with Leicestershire County Council whereby the Council is responsible for the provision of children's services within the borough on behalf of the County Council. The County Council reimburses the borough for this work, including a contribution towards administrative costs.

A summary of expenditure incurred and reimbursement received in respect of the activity, which is included in the Income and Expenditure Account, is as follows:

2008-09		2009-10
£'000		£'000
236	Gross Expenditure	355
-296	Gross Income	-356
-60	Net Surplus	-1

8 **Members' Allowances**

Members' allowances paid in 2009-10 amounted to £186k (2008-09 £159k). These figures have been drawn from payroll records held in the Financial Services Section.

9 **Officers' Emoluments**

In accordance with Regulation 7 (2) of the Accounts and Audit Regulations 2003 the Council is required to disclose the number of employees whose remuneration is in excess of £50k per annum, starting at that level and increasing in multiples of £5k.

2008-09 (As Restated)		2009-10	
No. of Employees	Remuneration Band	No. of Employees	
1	50,000 - 54,999	1	
-	55,000 - 59,999	-	
-	60,000 - 64,999	-	
-	65,000 - 69,999	-	
2	70,000 - 74,999	2	
-	75,000 - 79,999	-	
-	80,000 - 84,999	-	
1	85,000 - 89,999	1	

Remuneration for these purposes includes all taxable sums paid to or receivable by an employee, sums due by way of expenses allowances, and the money value of any other benefits received other than in cash. It includes pension contributions payable by the Council.

10 **Transactions with Related Parties**

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

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg housing benefits). Details of transactions with government departments are set out in a note to the Cash Flow Statement.

Members and Senior Officers of the Council have direct control over the Council's financial and operating policies. The following Members have declared 'related party transactions' with the Council during the year:

- Councillor P Cumbers:
 - a) Member of Melton Mowbray Town Estate between 1st April 2009 and 5th October 2009 which received payments of £9,446.95 during the year.
- Councillor M.O'Callaghan:
 - b) Chairman of Melton Mowbray Food Partnership which received funding of £2,000 during the year.

The Welland Partnership is a committed consortium of six local authorities from East Northamptonshire, Harborough, Melton, Rutland, Blaby and South Kesteven; a partnership by choice. It has established joint officer working groups, created shared appointments and secured joint funding in its collective aim of delivering improved services.

11 Audit Costs

In 2009-10 Melton Borough Council incurred the following fees relating to external audit and inspection:

2008-09		2009-10
£'000		£'000
88	Fees payable to the appointed auditor in respect of audit services	88
43	Fees payable to the appointed auditor for the certification of grant claims and returns	45
0	Fees payable in respect of any other services over and above the normal services	11
6	Fees payable to the Audit Commission in respect of statutory inspection	8
137		152

12 Summary of Capital Expenditure and Fixed Asset Disposals

Capital Expenditure and Financing

2008-09		2009-10
£'000		£'000
	Capital Investment	
6,291	Fixed Assets	4,509
495	Deferred Charges	747
6,786		5,256
	Sources of Finance	
545	Borrowing	
314	Capital Receipts	2,150
1,101	Capital Grants	513
1,612	Major Repairs Reserve	1,186
3,214	Capital and Other Funds	1,407
6,786		5,256

Fixed Asset Disposals

The table below shows the value of fixed assets disposed of during the financial year, analysed by category.

2008-09		2009-10
£'000		£'000
0	Housing Dwellings, Land & Other Buildings	-360
0	Vehicles, Plant & Equipment	-2
0	Total	-362

Change in Capital Financing Requirement

2008-09		2009-10
£'000		£'000
6,893	Opening Capital Financing Requirement	7,258
	Capital Investment:	
6,213	Operational Assets	4,509
78	Deferred Liabilities	0
0	Adjustment to CFR – Prior Year	75
495	Revenue Expenditure Funded from Capital Under Statute	747
	Sources of Finance:	
-314	Capital Receipts	-513
-4,170	Government Grants and other contributions	-1,306
-1,937	Sums set aside from revenue (including MRP)	-1,489
7,258	Closing Capital Financing Requirement	9,281
365	Movement in Year	2,023
	Explanation of Movements in the Year:	
300	Increase in underlying need to borrow (supported by Government financial assistance)	300
65	Increase/Decrease (-) in underlying need to borrow net of MRP (un-supported by Government financial assistance)	1,723
365	Increase/Decrease (-) in Capital Financing Requirement	2,023

13 Significant Commitments Under Capital Contracts

As at 31st March 2010 the Council had no significant capital commitments requiring disclosure.

14 Analysis of Fixed Assets

31 March 2009		31 March 2010
(As Restated)		
No		No
1900	Council Dwellings	1,897
403	Council Garages	406
1	Shop	1
1	Council Offices	1
1	Depot	1
13	Off-Street Car Parks	13
1	Leisure Pools Complex	1
2	Community/Children's Centres	3
1	Playing Fields	1
1	Park	1
1	Country Park (incorporating Playing Fields)	1
13	Play Areas	13
1	Cattle Market	1
1	Cemetery	1
20	Industrial Units	20
6	Allotment Sites	6
3	Public Conveniences	2

15 Assets Held Under Leases

This Council uses vans, grounds equipment and various other equipment financed under the terms of an operating lease. The amount paid under these arrangements in 2009-10 was £2k (2008-09 - £2k).

The Council is committed to making payments of £2k under these leases for the period 1st April 2010 to 31st March 2011 comprising the following elements:

	£'000
Leases expiring in 2010-11	0
Leases expiring between 2011/12 and 2015/16	2
Leases expiring after 2016/17	0

16 Fixed Asset Valuation Information

The freehold and leasehold properties which comprise the Council's property portfolio were valued as at 1 April 2010 by Mr Richard Pearson, Asset Management Officer and a qualified member of the Royal Institute of Chartered Surveyors with assistance from Richard Edwards from the Leicestershire Valuation Office. The valuations have been made in accordance with the RICS Appraisal and Valuation Standards Manual ('The Red Book') for all assets in the portfolio above the de-minimus threshold of £10k. In relation to the Councils Housing Portfolio the market value for each property has been determined.

Properties regarded by the Council as operational were valued on the basis of Market Value Existing Use. There are two notable exceptions to this valuation method. The first relates to the Council's housing portfolio which has been valued on the basis of existing use for social housing. This is an accepted valuation method for stock held for this purpose and represents 50% of the open market value of the stock (50% being the adjustment factor applicable to the East Midlands Region). The second exception relates to specialised property which is rarely if ever sold on the open market. As such an open market value cannot be determined. For this type of property, which includes the Councils Waterfield Leisure Pool and Public Conveniences, the Depreciated Replacement Cost method of valuation has been used.

Assets classified as Community Assets have been valued on the basis of historic cost except where an open market value is determinable.

For determining the value of all Non HRA Assets a valuation was also provided by Mr Pearson for all operational assets as at 1st April 2009 taking into account all the available evidence of movements in the year.

Plant and machinery is included in the valuation of the buildings.

17 Fixed Asset Depreciation – FRS 15

In order to comply with FRS 15 the Council has obtained useful lives for all of the assets included in the balance sheet as part of the valuation process. The bases used to calculate depreciation for individual assets are disclosed in the Statement of Accounting Policies.

18 Intangible Fixed Assets

The intangible assets of the Council consist of items of software which are valued at amortised historic costs. The assets are all amortised over their estimated useful life of 5 years.

	Totals
	£'000
Original Cost	1,090
Amortisation to 1 st April 2009	-484
Balance as at 1 st April 2009	606
Expenditure in year	78
Reclassification	0
Amortised to revenue in year	-136
Balance as at 31st March 2010	548

19 Analysis of Net Assets Employed

2008-09		2009-10
(as restated)		
£'000		£'000
8,934	General Fund	11,858
86,357	Housing Revenue Account	87,664
3,260	Trading Operations	3,200
-8,265	Pension Fund	-17,458
90,286	Total	85,264

20 Long Term Borrowing – Public Works Loans Board (PWLB)

Balance	Analysis of Loans by maturity	Balance
31 March 2009		31 March 2010
£'000		£'000
0	Maturing in 1 year	1,600
0	Maturing in 1-2 years	1,450
1,450	Maturing in 2-3 years	0
5,538	Over 10 years	5,538
6,988		8,588

Accounting practice requires that local authorities disclose the fair value of their portfolio. The fair value at 31 March 2010 was £9.019m (£7.838m at 31 March 2009).

The figures have been calculated by reference to the 'premature repayment' set of rates in force on that day.

21 Reserves

Reserve	Balance at 1 April 2009 As Restated £'000	General Movement in Year £'000	Balance at 31 March 2010 £'000
Revaluation Reserve	706	4,256	4,962
Capital Adjustment Account	95,182	-328	94,854
Financial Instruments Adjustment Account	-166	3	-163
Deferred Capital Receipts	11	-4	7
Pensions Reserve	-8,265	-9,193	-17,458
Usable Capital Receipts Reserve	752	229	981
Major Repairs Reserve	1	-1	0
General Fund Reserve	634	52	686
Housing Revenue Account Reserve	43	52	95
Other Reserves:			
Collection Fund Adjustment Account	-33	42	9
Earmarked Reserves	1,420	-130	1,290
Other Balances	1	0	1
Total Balance	90,286	-5,022	85,264

22 Contingent Liabilities & Contingent Assets

There are two claims for compensation to be sought by the Council as a contingent asset; the details for which are as follows:

- Compensation claim to be pursued by the Council against the contractors/architects/agents, subject to legal Counsel Opinion, to cover the costs of repairing defects to balconies on Council owned/private leasehold dwellings on New Street/Chapel Street in Melton Mowbray. The estimated cost to rectify the damage is in the region of £150k. An independent architects report commissioned by the Council concluded that water ingress into some of the flats was entirely as a result of "very poor detailing and design".
- On the morning of 30 May 2008, there was a fire to the main Council Offices which caused considerable damage. The best estimate for the total cost of reinstatement as at 31 March 2010 is estimated to be £11.95m. Of this amount, it is estimated that the sum of £11.52m will be reimbursed by the Council's insurers although the timing of the reimbursement and final settlement figure is uncertain. The Council's insurers have to 31 March 2010 paid the sum of £4.6m to the Council leaving an estimated contingent asset value of £6.92m for the expected proceeds.

23 Authorisation of Accounts for Issue

The accounts were authorised for issue by D K Garton CPFA the Section 151 Officer on 29th June 2010.

24 Events After the Balance Sheet Date

There have been no occurrences between 31st March 2010 and 29th June 2010, when the accounts were authorised for issue that would materially affect the accounts for the period 1st April 2009 – 31st March 2010.

Participation in Pensions Scheme

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement 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.

The Council participates in the following:

The Local Government Pension Scheme administered by Leicestershire County Council – 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 Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

Income and Expenditure Account	2008-09	2009-10
	£'000	£'000
Net Cost of Services:		
Current Service Cost	416	355
Past Service Costs	199	0
Settlements & Curtailments	65	7
Net Operating Expenditure:		
Interest Cost	1,789	1,729
Expected Return on Assets in the Scheme	(1,642)	(1,121)
Net Charge to the Income and Expenditure Account	827	970
Statement of Movement in the General Fund Balance		
Reversal of Net Charges made for retirement benefits in accordance with FRS17	(827)	(970)
Actual amount charged against the General Fund Balance for the pensions in the year:		
Contributions by the Employer	670	674
Contributions in respect of Unfunded Benefits	72	74
	742	748

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £8.971m representing a loss (£4.907m loss in 2008-09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £14.295m which represents a loss.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

Funded Liabilities: Local Government Pension Scheme	2008-09	2009-10
	£'000	£'000
1 April	26,002	25,290
Current Service Cost	416	355
Interest Cost	1,789	1,729
Contributions by scheme participants	231	238
Losses / (Gains) on Curtailments	65	7
Actuarial (gains) and losses	(2,349)	14,151
Benefits paid	(1,063)	(1,074)
Past service costs	199	0
31 March	25,290	40,696

Reconciliation of fair value of the scheme assets:

	2008-09	2009-10
	£'000	£'000
1 April	22,729	17,025
Expected rate of return	1,642	1,121
Actuarial gains and losses	(7,256)	5,180
Employer contribution	742	748
Contributions by scheme participants	231	238
Benefits paid	(1,063)	(1,074)
31 March	17,025	23,238

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 rates of return experienced in the respective markets.

The actual gain on scheme assets in the year was £6.213m (2008-09: loss of £5.704m).

Scheme history

	2005-06*	2006-07	2007-08	2008-09	2009-10
		As Restated	As Restated		
	£'000	£'000	£'000	£'000	£'000
Present Value Defined Benefit Obligation	(27,900)	(27,889)	(26,002)	(25,290)	(40,696)
Fair value of assets	21,700	23,608	22,729	17,025	23,238
Surplus/(deficit) in the scheme	(6,200)	(4,281)	(3,273)	(8,265)	(17,458)

*The Council has elected not to restate fair value of scheme assets for 2005-06 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £17.458m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduction from £102.722m to £85.264m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Scheme by the Council in the year to 31 March 2011 is £0.651m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. An actuarial valuation in respect of the Leicestershire County Council Pension Fund became due on 31 March 2010. Due to the requirement to reconcile and process a huge amount of data, both within the Pensions Section and at the actuary, the outcome of the valuation will not be known until November/December. From an employer's perspective the most important output of the valuation will be the setting of employer contribution rates for the three year period commencing 1 April 2011.

During the three year period since the last actuarial valuation it has been a difficult time for financial markets and investment returns have been poor. There are also other factors which have negatively influenced the expected ratio of assets to liabilities within the Fund, and the expected outcome of the valuation is that there will be significant upward pressure onto the contribution rates payable by all employing bodies. The next formal valuation due will be as at 31 March 2013.

The principal assumptions used by the actuary have been:

	2008-09	2009-10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.0%	7.8%
Bonds	5.4%	5.0%
Property	4.9%	5.8%
Cash	4.0%	4.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	19.6	20.8
Women	22.5	24.1
Longevity at 65 for future pensioners:		
Men	20.7	22.3
Women	23.6	25.7
Rate of inflation	3.1%	3.8%
Rate of increase in salaries	4.6%	5.3%
Rate of increase in pensions	3.1%	3.8%
Rate of discounting scheme liabilities	6.9%	5.5%

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

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

	31 March 2009	31 March 2010
	%	%
Equity Investments	79	78
Bonds	9	10
Property	12	11
Cash	0	1
	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009-10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2005-06	2006-07	2007-08	2008-09	2009-10
		As Restated	As Restated		
	£'000	£'000	£'000	£'000	£'000
Differences between the expected and actual return of assets	3,000	306	(2,593)	(7,256)	5,180
Fair value of employer assets	21,700	23,608	22,729	17,025	23,238
Percentage of assets	13.8%	1.3%	(11.4%)	(42.6%)	22.3%
Experience gains/(losses) on liabilities	121	(48)	(1,296)	46	(22)
Present value of liabilities	27,900	27,889	26,002	25,290	40,696
Percentage of liabilities	0.4%	(0.2%)	(5.0%)	0.2%	(0.1%)

Key Risks

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

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

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

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

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

The annual treasury management strategy for 2009/10 which incorporates the prudential indicators was approved by The Full Council on 4/2/09. The key issues within the strategy were:

- The Authorised Limit for the 2009/10 was set at £16.5m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £8.263m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £13.0m and £3.5m based on the Council's net debt.

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

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term of F1, Long Term A – Support C and Individual 3 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria.
- UK institutions provided with support from the UK Government;

The full Investment Strategy for 2009/10 was approved by Full Council on 4/2/09.

The following analysis summarises the Authority's maximum exposure to credit risk. The table (composite defaults from Fitch, Standard & Poors and Moody's) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period since at least 1990 to 2009. Defaults shown are by long term rating category on investments out to 1 year, which were the most commonly held investments during the year.

	Amount at 31 March 2010	Historical experience of default	Adjustment for market conditions at 31 March 2010	Estimated maximum exposure to default
	£000s	%	%	£000s
Deposits with banks and financial institutions	(a)	(b)	(c)	(a x c)
AAA rated counterparties	1,000	0.00%	0.00%	0
AA rated counterparties	0	0.03%	0.03%	0
A rated counterparties	0	0.08%	0.08%	0
Other counterparties	0	42.67%	42.67%	0
Bonds – AAA rates	0	0.00%	0.00%	0
Trade debtors (not including statutory debtors – Council Tax/NNDR)	852	5.0%	5.0%	43
Total	1,852			43

During the year the Council complied with its legislative and regulatory requirements which limit the levels of risk associated with its Treasury Management activities with the following exceptions:

In April 2009 it was established that seven investments were placed with institutions that had been removed from the approved counterparties list. The errors were identified and rectified and as a result the Council suffered no financial loss as a result of these investments. Members were given a verbal update on the position during the year and appropriate action was taken to understand how this had occurred and to prevent such a reoccurrence in the future. Internal procedures were strengthened as a result.

Internal Audit reported that 'while errors were made in the year recording and monitoring arrangements allowed for rapid identification of, and responses to the errors' and no recommendation was made.

Whilst the current credit crisis in International markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

The Council does not generally allow credit for its trade debtors, such that £286m of the £852m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2010	31 March 2009
	£000s	£000s
Less than three months	43	28
Three to six months	76	73
Six months to one year	62	57
More than one year	105	109
Total	286	267

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

Liquidity risk

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

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	31 March 2010	31 March 2009
	£000s	£000s
Less than one year	1,000	3,350
Between one and two years	0	0
Between two and three years	0	0
More than three years	0	0
Total	1,000	3,350

All trade and other payables are due to be paid in less than one year and are not shown in the table above.

Refinancing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

	Actual 31 March 2010 £000s	Actual 31 March 2009 £000s
Less than one year	1,600	0
Between one and two years	1,450	0
Between two and five years	0	1,450
Between five and ten years	0	0
More than ten years	5,538	5,538
Total	8,588	6,988

Market risk

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

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and Expenditure Account.

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

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	1
Increase in interest receivable on variable rate investments	0
Impact on Income and Expenditure Account	1
Increase in Government grant receivable for financing costs*	0
Share of overall impact debited to the HRA*	0
Decrease in fair value of fixed rate investment assets	0
Impact on STRGL	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	0

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

Price risk - The Council does not generally invest in equity shares or marketable bonds.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT

2008-09		Note	2009-10
£'000			£'000
	Income		
5,576	Dwelling rents		5,648
90	Non-dwelling rents		90
367	Charges for services and facilities		345
6,033	Total Income		6,083
	Expenditure		
1,880	Repairs and maintenance		1,744
1,225	Supervision and management		1,162
53	Rents, rates, taxes and other charges		64
0	Subsidy limitation transfer to General Fund	14	9
1,502	Negative Housing Revenue Account subsidy payable	10	1,474
10,454	Depreciation and impairment of fixed assets	3	1,336
-2	Government Grant Deferred		-23
12	Debt management costs		13
66	Increase in bad debt provision		30
15,190	Total Expenditure		5,809
9,157	Net Cost of HRA Services per Authority Income and Expenditure Account		-274
184	HRA services share of Corporate and Democratic Core		198
9,341	Net Cost of HRA Services		-76
0	Loss/gain(-) on sale of HRA Fixed Asset		-55
144	Interest payable and similar charges		145
-17	Interest and investment income		-1
9	Pensions interest cost and expected return on pension assets		34
9,477	Surplus(-) or deficit for the year on HRA services		47

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2008-09		Note	2009-10
£'000			£'000
9,477	Surplus(-) or deficit for the year on the HRA Income and Expenditure Account		47
-9,236	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year (as below)		-99
<hr/>			<hr/>
241	(Increase) or decrease in the Housing Revenue Account Balance		-52
-284	Housing Revenue Account surplus brought forward		-43
<hr/>			<hr/>
-43	Housing Revenue Account surplus carried forward		-95
<hr/>			<hr/>

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

2008-09		Note	2009-10
£'000			£'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year		
-33	Net charges made for retirement benefits in accordance with FRS 17		-54
-8,909	Impairment on Revaluation of Fixed Assets		0
2	Government Grants Deferred Reversal		23
0	Gain/Loss(-) on sale of Fixed Assets		55
<hr/>			<hr/>
-8,940			24
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year		
-375	Transfer to/(from) Major Repairs Reserve	5	-151
8	Minimum Revenue Provision for capital financing		0
36	Employer's contributions payable to the Leicestershire County Council Pension Fund and retirement benefits payable direct to pensioners		36
-9	Amortisation of Premiums & Discounts		-8
44	Capital expenditure funded by the HRA		0
<hr/>			<hr/>
-9,236	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		-99
<hr/>			<hr/>

NOTES TO HOUSING REVENUE ACCOUNT

The Housing Revenue Account reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with part 6 of the Local Government and Housing Act 1989. The Act sets the framework for "ring fencing" the Housing Revenue Account (HRA). The account has to be self financing and there is a legal prohibition on cross subsidy to or from the General Fund.

1. Number of Dwellings

2008-09		2009-10
As Restated		Dwellings
Dwellings		
1,900	At 1 April	1,900
0	Sold during year	3
0	Net loss(-)/gain through conversion	0
<u>1,900</u>	At 31 March	<u>1,897</u>

2. Type of Dwelling

2008-09		2009-10
Dwellings At 31 March		Dwellings
(Restated)		
901	Houses	898
284	Bungalows	284
715	Flats and maisonettes	715
<u>1,900</u>		<u>1,897</u>

3. Movement in Fixed Assets

	Operational assets		Non - operational assets		Total
	Dwellings	Other land & buildings	Intangible assets	Other land & buildings	
	£'000	£'000	£'000	£'000	£'000
Net book value 31 March 2009	86,447	2,834	0	247	89,528
Revaluation adjustment	-522	148	0	38	-336
Net book value 1 April 2009	85,925	2,982	0	285	89,192
Movement in 2009-10					
Spending in Year	2,264	0	0	0	2,264
Additions	0	0	0	0	0
Revaluation	1,717	0	0	155	1,872
Disposals	60	0	0	300	360
Impairment	0	0	0	0	0
Depreciation / Amortisation	1,203	126	0	7	1,336
Reclassification	-75	0	0	75	0
Net book value at 31 March 2010	<u>88,568</u>	<u>2,856</u>	<u>0</u>	<u>208</u>	<u>91,632</u>

Housing properties were valued on the basis of 'Existing use value – Social Housing'. Depreciation for operational and non operational assets has been calculated using estimated useful lives following assessment by the valuer. During 2009/10 there has been a slight recovery in the market and taking a cautious view, the valuer has re-valued the properties in the HRA to show an increase of 2%-4% depending on property type and location.

Three properties were sold in the year, one under Right to Buy and two were disposed of as land. The land was reclassified as a non-operational surplus asset during the year and the resulting gain on its disposal was £45k which is included in the figures above. On the face of the income and expenditure account this amount has been adjusted to account for the return of discount from a previous right to buy property being re-sold. In the Right to Buy situation the Authority is constrained by law from selling the dwellings at their Market Value, the fair comparison is between the sale proceeds and the value subject to the statutory constraint, which results in no gains or losses.

4. (i) **Vacant Possession Value of Dwellings**

The vacant possession value of dwellings within the HRA at 1 April 2009 was £171m.

(ii) **Economic Cost of Providing Council Housing**

The valuation at 1 April 2009 of £86m is lower than the vacant possession value on the open market of £171m. The difference between the vacant possession value of dwellings and the opening balance sheet value within the HRA represents the economic cost to Government of providing council housing at less than open market rents.

5. **Major Repairs Reserve**

2008-09		2009-10
£'000		£'000
443	Balance brought forward 1 April	1
1,545	Transfer from the HRA	1,336
-1,612	Capital Expenditure – Dwellings	-1,186
-375	Transfer to the HRA	-151
1	Balance carried forward 31 March	0

6. **Financing of Capital Expenditure**

2008-09		2009-10
£'000		£'000
1,912	Dwellings	2,243
0	Deferred Charges	95
145	Fairmead Community Centre	21
2,057		2,359
300	Borrowing	748
0	Useable capital receipts	396
0	HRA Working Balance	0
1,612	Major Repairs Reserve	1,186
145	Contribution from Third Party	29
2,057		2,359

7. **Summary of Capital Expenditure**

2008-09		2009-10
£'000		£'000
175	Aids and Adaptations	164
129	Major Void Repairs	314
0	Alarms and Security	15
191	Replacement Heating Systems	200
114	Re-roofing	183
372	Windows and Doors replacement	350
637	New Kitchens & Bathrooms	740
155	Rewiring	118
124	Major Catch Up Repairs	46
15	Asbestos Remedial Work	11
0	Fire at Rutland Street	26
0	Cladded Panel Improvements	76
0	Regeneration Project	95
145	Community Centre	21
2,057		2,359

8. **Total Capital Receipts from Disposal of HRA Assets**

The total capital receipts before pooling of capital receipts to the Department for Communities and Local Government (DCLG) is as follows:

2008-09		2009-10
£'000		£'000
0	Dwellings	36
0	Land	350
3	Housing Advances	3
0	Discount Repaid	10
3		399

9. Deferred Charges

In 2009/10 a deferred charge of £95k has arisen for the preliminary works on a local regeneration project. This is expenditure which has been spent in the year and the asset will not be realised until future years.

10. HRA Subsidy

The Council must pay a contribution to the subsidy pool from the Housing Revenue Account based upon notional calculations representing the Government's assessment of what the Council should be collecting and spending

The Notional Housing Revenue Account for 2009/10 is as follows:

2008-09 £'000		2009-10 £'000
	Expenditure	
2,639	Management and Maintenance Allowance	2,724
1,169	Major Repairs Allowance	1,185
271	Charges for Capital	282
0	Caps & Limits Allowance	62
0	Admissible Allowance	0
	Income	
-1	Interest on Receipts	-1
-5,596	Guideline Rent Income	-5,722
<u>-1,518</u>	Total Housing Subsidy Payable	<u>-1,470</u>
16	Prior Year Adjustments	-4
<u>-1,502</u>	Debit to HRA in year	<u>-1,474</u>

11. Rent Arrears

At 31 March 2010 rent arrears (including ancillary services) as a proportion of gross rent debit were 4.43% (31 March 2009 – 4.17%). The arrears figures excluding amounts collectable on behalf of other agencies are as follows:-

2008-09 £'000		2009-10 £'000
	<u>Arrears at 31 March:</u>	
161	Current Tenants	186
86	Former Tenants	81
<u>247</u>		<u>267</u>

At 31 March 2010, the total arrears (including amounts collectable on behalf of other agencies) are £290k (2008-09 £269k) which was the basis of the disclosure in the 2008-09 financial statements.

12. Doubtful Debts Provision of Uncollectable Debts

2008-09 £'000		2009-10 £'000
180	Housing Rents, Fees and Charges	183
23	Sundry Debtors	23
<u>203</u>		<u>206</u>

During the year £27k (2008-09 £10k) was written off against the provision for doubtful debts.

13. Sums directed by the Secretary of State

There were no sums directed by the Secretary of State to be debited to the HRA during 2009-10. This was also the case during 2008-09.

14. Transfer to the General Fund

From 1 April 2004, the administration of rent rebate is now classified as expenditure under the general fund and is controlled by the Department for Work & Pensions along with other benefit payments. The HRA must compensate the general fund on an on-going basis for losses due to increasing rents above Government Guidelines. The policy of bringing re-let properties to the Government's Guideline rent has resulted in this cost to the HRA of £9k for 2009/10.

15. Retirement Benefits

The Council recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the HRA balance during the year:

Income & Expenditure Account	2008-09 £'000	2009-10 £'000
Net Cost of Services:		
Current Service Cost	24	20
Net Operating Expenditure:		
Interest Cost	104	97
Expected Return on Assets in the Scheme	<u>-95</u>	<u>-63</u>
Net Charge to Income & Expenditure Account	33	54
Statement of Movement in the HRA Balance:		
Reversal of Net Charges made for retirement benefits In accordance with FRS 17	-33	-54
Actual amount charged against the HRA for the pensions In the year:		
Employers Contributions Payable to Scheme	36	26

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2008-09			2009-10	
£'000	£'000		£'000	£'000
		INCOME		
	23,478	Council Tax (Note 1)	24,269	
	12,741	Business Rates (Note 2)	13,025	
		Transfers from General Fund:-		
	1,986	Council Tax Benefits	2,295	
	1	Discretionary Relief	1	
	15	Charitable Relief	20	
		Leicestershire County Council, Fire and Police		
		Contributions to:-		
	544	Collection Fund Deficit(-)/Surplus	197	
	38,765	TOTAL INCOME		39,807
		EXPENDITURE		
		Precepts and Demands (Note 3)		
18,376		Leicestershire County Council	18,937	
2,924		Leicestershire Police Authority	3,017	
909		Leicestershire Fire & Rescue Service	946	
2,920		Melton Borough Council - General	3,064	
471		- Special	482	
	25,600			26,446
		Business Rate:-		
12,648		Payment to National Pool	12,972	
64		Costs of Collection	67	
	12,712			13,039
		Bad Debts Provision:-		
39		Council Tax – Net Increase/Decrease (-)	6	
44		NNDR – Reduction in Provision	0	
	83			6
	38,395	TOTAL EXPENDITURE		39,491
	-370	Surplus(-)/Deficit for Year		-316
	620	Balance B/fwd 1 April		250
	250	Balance C/fwd 31 March		-66
		APPROPRIATION OF DEFICIT		
-179		Leicestershire County Council	47	
-29		Leicestershire Police Authority	8	
-9		Leicestershire Fire & Rescue Service	2	
-33		Melton Borough Council	9	
	-250			66
	0	Balance		0

Bad Debt Provision – Summary (Memorandum)

	Balance 31-3-09 £'000	Write-offs £'000	Increased Provision £'000	Reduced Provision £'000	Balance 31-3-10 £'000
Business Rates	46	-29	0	0	17
Council Tax	59	-13	6	0	52
	105	-42	6	0	69

NOTES TO COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1 Council Tax Base

<u>Band</u>	<u>Range of Values</u>	<u>Number of Properties (Valuation List March 2010)</u>	<u>Council Tax Base Band D Equivalent*</u>
A	Up to £40,000	3,456	1,914
B	Over £40,000 and up to £52,000	6,778	4,536
C	Over £52,000 and up to £68,000	3,709	2,953
D	Over £68,000 and up to £88,000	3,340	3,044
E	Over £88,000 and up to £120,000	2,271	2,530
F	Over £120,000 and up to £160,000	1,313	1,763
G	Over £160,000 and up to £320,000	907	1,368
H	Over £320,000	89	152
Total		21,863	18,260

* Used for the purpose of setting the Council Tax for 2009-10

2 Non Domestic Rates

Non Domestic Rateable Value at 31 March 2010	32,323,901
Rate Multiplier for 2009-10 – up to and including £15,000	48.1
– £15,001 and over	48.5

3 Precepts and Demands

	£'000
Leicestershire County Council	18,937
Leicestershire Police Authority	3,017
Melton Borough Council	3,138
Parish Councils	408
Leicestershire Fire & Rescue Service	946

4 Collection Fund Arrears

2008-09			2009-10	
£'000	£'000		£'000	£'000
615		Business Ratepayers	894	
-46		Provision for Bad Debts	-17	
	569			877
967		Council Taxpayers	1,257	
-59		Provision for Bad Debts	-52	
	908			1,205
	1,477			2,082

5 Collection Rate

The collection rate for accounts raised in 2009-10 was 99.6% (2008-09 99.6%).

ANNUAL GOVERNANCE STATEMENT

1. SCOPE

Local authorities are required to prepare and adopt a local code of Corporate Governance. A Code of Corporate Governance was adopted by the Council in September 2002 and was further updated and approved by members in January 2008 in order to comply with the CIPFA/SOLACE framework publication 'Delivering Good Governance in Local Government – Guidance Note for English Authorities'.

This framework is considered best practice, *“to be followed as best practice for developing and maintaining a local code of governance and making adopted practices open and explicit”*.

Risk management is a principal element within Corporate Governance, to this end a Risk Management Strategy is reviewed annually and approved by the Council's Policy, Finance & Administration Committee.

The Code of Corporate Governance covers the principles underpinning governance at the Council, demonstrates how the Council intends to maintain these principles and assists the Council in reviewing its governance arrangements and its effectiveness against the published framework.

This Annual Governance Statement provides summarised details of the assurances and evidence that is in place in order to demonstrate compliance with the Code. A full version of the assurances and evidence is detailed in a document specifically created for that purpose which has been based on the Statement of Internal Control and CIPFA/Solace's guidance.

2. RESPONSIBILITIES

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

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

The roles of the Chief Executive, the Section 151 Officer, the Monitoring Officer and the Executive Role of Members are defined within part 2-Article 11 of the Council's Constitution.

Officers and Members are expected to conduct themselves in a proper manner in accordance with the constitution and both are expected to declare interests that may impact on the Council's decision making process. These interests are held on a register and reviewed on a regular basis by the Monitoring Officer.

Furthermore, the constitution also covers the scheme of delegation to both officers and members.

3. GOVERNANCE

The Council has adopted a Code of Corporate Governance which has been prepared in accordance with the principles outlined in the CIPFA SOLACE publication.

Governance responsibilities are charged to the Policy Finance and Administration Committee therefore the role of approving this Statement, and the responsibility for the approval of the Accounts and the subsequent Audit Commission Governance Report falls to this. The Council has established an Officer/Corporate Governance Group composed of the Head of Paid Service, S151, Monitoring Officer and Head of Legal Services to oversee these matters.

In terms of the recent guidance from CIPFA regarding status of the section 151 officer within the Council, Melton Borough Councils local arrangements are as follows. The Head of Financial Services, whilst not of Director Level, reports to the Chief Executive regularly on a direct basis and is a member of the Management Team. The Corporate Governance meetings attended by the Statutory Officers provide a further opportunity for any issues of significance to be raised directly.

4. POLICY AND DECISION MAKING

In discharging its statutory duties in the provision of Services the constitution provides details of the decision making process for the Council as a whole.

The Council's Constitution is available on the Council's website and is reviewed by the Monitoring Officer and the Constitution Working Group on a regular basis and reports are received by Council relating to proposed changes. All Member meetings held by the Council are open to the public, unless the items being discussed are considered to be private under the Local Government Act 1972; these will include staffing and legal matters and those of a contractual nature.

All decisions made either by Committee can be subjected to further scrutiny via a call-in procedure allowing challenge of the decision being taken within five working days. The facility for members of the public and Members to ask questions of the Council/Lead Members is also available.

5. ESTABLISHMENT AND MONITORING OF CORPORATE PERFORMANCE PLANNING AND SERVICE OBJECTIVES

The Corporate Performance Plan is approved by Members on an annual basis and provides detail of the objectives for the Council for the forthcoming year and reports its performance for the previous year and copies can be found on the council's website.

The Corporate objectives are set using feedback from the Council's various consultation mechanisms, these objectives then feed down through to section performance plans and individual performance appraisals, the "Golden Thread". This will now be influenced by the Local Area Agreement and the area action plans associated with it.

The performance plan sets out the Councils targets for both National and Local Performance Indicators. These targets are cascaded to section performance plans and are time specific. Performance is monitored by the Performance Management Group, Committees and Full Council on a regular basis giving details of the progress to date and what management action is being taken to correct any adverse performance.

The effective targeting and usage of our resources has always been a corporate priority, and this is achieved in several ways.

- Through the use of service planning, which determines the service delivery models for the Council as a whole
- Through the budget away day process and the Budget and Strategic Planning Working Group.

6. INTERNAL AND EXTERNAL AUDIT

Audit Committee functions discharged by the Overview & Scrutiny Committee as set out in the Constitution.

INTERNAL AUDIT

The Council has a duty to maintain an Internal Audit service. This responsibility is discharged by the Head of Financial Services through a service level agreement with the Welland Internal Audit Shared Service hosted by Rutland County Council. The scope of internal audits shall encompass the examination and evaluation of the adequacy and effectiveness of the Council's system of internal control and the quality of performance in carrying out assigned duties and responsibilities.

The Welland Internal Audit Service undertakes work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom. The outcome of audit results in a level of assurance opinion being reported to management.

The outcome of audit reports to the Audit Committee is on an exception basis although Members are made aware of all published reports and can request copies.

A risk model is used to formulate an annual plan which is reported to, and agreed by Management Team and the Committee at the beginning of each financial year with progress reports being reported to the Committee on a regular basis where they are considered to a detailed level.

At the end of each year annual assurance statements are issued to each Member of the Management Team to provide assurances on the identification and assessment of risks, and that sound operational arrangements exist within their service. Following their return these raised issues which have been reflected in Section 14 of the AGS.

In addition the Committee receives an annual report from the Head of the Internal Audit Consortium providing details of the effectiveness of Internal Control with an annual opinion.

EXTERNAL AUDIT

The Council's external appointed auditors for the 2009/10 financial year are PWC; they carry out reviews of the work of the Welland Internal Audit Section as well as auditing the Statement of Accounts, and carrying out a Use of Resources. No significant issues have been raised relating to issues arising from audit work undertaken since April 1st 2007, pertaining to either 2006/07, 2007/08, 2008/09 or 2009/10 work to date.

7. RISK MANAGEMENT AND BUSINESS CONTINUITY

The Council has adopted a risk management strategy that sets out the roles of Members and Officers in the identification and minimisation of risk. The risk registers that flow from the strategy cover both strategic and operational risks and are reviewed regularly during the year as part of service and strategic planning. The strategies themselves identify those service risks and categorise them as high and low probability and high and low impact on the authority. Services are then asked to put plans in place in order to reduce the probability of those risks occurring and to reduce the service impact if they do occur. To ensure that risk is considered all reports presented to Members must include a risk assessment of the actions within the report. This assessment also covers legal and financial and value for money considerations.

In addition to this during 2008/09 our risk management procedures were reviewed again in consultation with the Council's risk management consultants. Member Champions are in place and training is undertaken. The strategy and policy were subject to further review in 2009/10.

Furthermore, partnership working is now becoming more prevalent within local government, and both the Constitution and Partnership Management Practices (which has recently been reviewed) are currently being updated to take account of this wider working.

The Council also has a Business Continuity Plan in place to mitigate significant business risk which we have been testing. In addition to this our major partners are required to provide us with their Business Continuity Plans, for review and assessment by the service partners.

8. FINANCIAL MANAGEMENT

In addition to Financial and Contractual procedure rules contained within the constitution, in order to maintain its financial management the Council operates budgetary control procedures which are used in conjunction with a Medium Term Financial Strategy (MTFS).

Budgetary control of both revenue and capital expenditure is carried out by Services on a regular basis as determined by a risk assessment of the budgets with reports covering the major areas of expenditure and income being presented to Committees their scheduled meetings and Management Team. These reports detail current and future variations and provide details of any management action to be taken where appropriate.

Our MTFS ensures longer term targets and assumptions about inflation and government grant are taken into account when annual budgets are established. The MTFS spans a three year period and provides a sustainable basis for the delivery of resources.

This provides for the development and improvement of the Council's key services whilst ensuring Council Tax increases are kept to reasonable levels and our financial reserves can be maintained at an appropriate level. The MTFS is regularly reviewed as part of the budget review process and when significant changes occur to ensure its assumptions and financial projections remain soundly based.

Internal Audit regularly reviews the financial accounting systems to ensure that adequate safeguards are in place in order to protect the Council from financial irregularity. In addition, the Council has a Benefits Investigation Team to investigate allegations of Benefits irregularities.

In addition to these constitutional rules and budgetary control guidance, the Council complies with statutory legislation relevant to financial issues which are communicated to the appropriate staff; these will include the Statement of Recommended Practice which governs the production and format of the Statement of Accounts and the CIPFA guidance on Treasury Management and the Prudential Code.

The draft Statement of Accounts is approved by the PFA Committee in June each year prior to the Audit of the Accounts by the Audit Commission. They also then receive the audited copy of the Accounts along with the Audit Commission's Annual Governance Report in September.

The Council adopts an Investment Strategy and Treasury Management Strategy Statement in accordance with legislation as part of the annual budget setting process in February each year. The strategy incorporates the requirements of the Prudential Code. The purpose of this strategy will be to inform both Council Members and the Public of the authority's investment strategy for the forthcoming 12 months. During 2009/10 there were some breaches in the policy which resulted in some investments being made in institutions not on the authority's approved lending list. This has been reported to members and actions taken by Finance to avoid a similar situation occurring in the future. Any deviations to the original strategy have been reported. An outturn report is reported to the Council's Policy, Finance & Administration Committee in each year.

The Council has a good track record in attaining its efficiency targets although they are clearly challenging.

9. PROCUREMENT

The Council's corporate procurement strategy has been reviewed by the Welland Procurement Unit following the extensive developments in this area; this work was been delayed due to the impact of the fire. In addition to the strategy, guidance notes covering all areas of procurement have been produced and made available to all staff. The proposed strategy will be considered by committee shortly.

10. USE OF RESOURCES

The Council is subject to an annual assessment by the Audit Commission on its use of resources. The Use of Resources (UoR) assessment evaluates how well local authorities manage their financial resources to support their strategic priorities, improve services and deliver value for money. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance and effective financial reporting arrangements and is an important part of the Comprehensive Performance Assessment (CPA) framework.

The Assessment covers five themes: financial reporting, financial management, financial standing, internal control and value for money. The Council was assessed on its 2007/08 performance in September 2008 and achieved an overall score of 3 which is defined as 'performing well'.

11. COMPLAINTS AND WHISTLE-BLOWING POLICIES

The Council operates a formal complaints procedure which is available to both staff and stakeholders either on request or on the Council's website. The procedure is well documented and complaints referred to the Local Government Ombudsman are reported to Committee. The most recent report identified no areas of maladministration.

The Council also has a Whistle-Blowing Policy along with anti fraud polices including benefit fraud. Staff are advised of the code which was at their induction training has also been provided to staff as part of their team meetings, with reminders being included in the Corporate Messenger at regular intervals. In addition to these reminders staff are asked to confirm their awareness of these at their appraisal each year. Of particular note in 2009/10 ethical awareness training was undertaken for all staff and a detailed guidance note prepared and is available on the intranet.

12. COMPLIANCE

The Council has a duty to ensure that all activities undertaken are in accordance with the law. This is discharged in part by the Council's Financial Procedure Rules and Contract Procedure Rules. Other policies or strategies covering both internal and external issues are available to staff and the public via the Council's intranet and internet sites respectively and can be found on the Council's website. These polices include:

- Anti-fraud Policy
- Benefits Anti-fraud Policy
- Confidential Reporting Code
- Freedom of Information
- Anti Money Laundering Policy
- Diversity Policy Action Plan
- Race Equality Scheme
- Anti-Harassment Policy
- Child Protection Policy

All strategies or policies are allocated to a lead officer who is responsible for the periodic review and updating of each of the policies /strategies.

13. GOVERNANCE ISSUES ARISING

Internal Audit

During 2008/09 Internal Audit identified two particular areas of concern with regards to the systems and controls in the payment of benefit deeming the assurance rating “unsound” and debtors’ assurance rating “unsatisfactory”. In 2009/10 the benefits report has improved to “unsatisfactory” although there is clearly still some progress to be made and the debtors’ assurance rating improved to marginal.

Overall the level of control has been assessed as ‘Sound’ the second highest level of assessment. A separate report on this agenda from the Head of Internal Audit goes into further detail on the overall position.

14. EMERGING ISSUES

The following areas have been identified for further action monitoring and review:

- A continued focus is required on the availability of finance to resource the Council’s Medium Term Financial Strategy with a particular emphasis on:
 - a) Capital resources to fund the Councils asset repair/replacement strategy and any uninsured costs associated with the new build project
 - b) Revenue resources continue to be a concern with the current economic environment.
- A National review of the administration and as such the funding of concessionary fares is currently underway which may impact on the Councils Finances in the longer term.
- The risk associated with the Housing Revenue Account (HRA) finances was realised and as a result void levels are higher than should be tolerated and the working balance is lower than the target level. An action plan has been developed and is being monitored to restore the working balance and also to improve procedures within the service level to prevent a reoccurrence. The Council is currently assessing the implications of the consultation document relating to the reform of the HRA which will also result in refreshed business plans for the HRA.
- With reference to the two audit reports referred to at 13 (benefits and debtors) whilst the control environment has improved from that reported last year there is still scope for improvement and continued focus needs to be given to the internal audit recommendations. In addition a review of the benefits service is underway applying lean principles to improve service quality and efficiency. Consideration needs to be given to the control environment generally in these areas in order to ensure all services covered are robust in terms of the control environment.
- Substantial progress has been made with the significant programme of high profile projects underway. A continued focus on programme and project management is required in order to hit key deadlines, for examples, those contained within the new build programme.

A detailed action plan has been developed to oversee and manage these issues forward. They will regularly be reported to Making Progress Group for monitoring and review.

.....
Leader of the Council

.....
Chief Executive

29 June 2010

GLOSSARY OF FINANCIAL TERMS

This section explains the technical terms that have been used throughout this document.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or
- b) the actuarial assumptions have changed

Actuary

An expert on rates of death, and insurance statistics, who assesses whether our pension fund is adequate.

Amortisation

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

Balance Sheet

A statement of all our assets, liabilities and balances at the end of the financial year.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing asset.

Capital Financing Costs

These are costs, such as interest, which we incur because we have spent money on fixed assets.

Capital Receipt

Income from selling assets that have a long-term value and may be used to repay loan debt or to finance new capital expenditure.

Cash-Flow Statement

This is a statement which shows the changes in our cash and bank balances since we prepared the previous year's accounts. It also shows the changes in our other assets, liabilities and other accounts in our balance sheet.

Collection Fund

A fund we use to show what happens to Council Tax and NNDR income.

Community Assets

Assets we do not plan to sell and which have no definite useful life. Examples of community assets are parks and historic buildings.

Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Contingent Liability

Money that we may owe, but we cannot be certain of the exact amount.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same activities. There is therefore no logical basis for apportioning these costs to services.

Creditors

Money we owe for work, goods or services, which have not been paid for by the end of the financial year.

Current Assets

These are the short-term assets we have at the date of our balance sheet, which we can use in the following year.

Current Liabilities

These are the short-term liabilities we owe at the date of our balance sheet, which we will pay in the following year.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailement

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- a) termination of employees' services earlier than expected, e.g. as a result of discontinuing a service.
- b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits..

Debtors

Money that is owed to us, but it is not paid by the end of the financial year.

Deferred

When something will happen in the future.

Deferred Contributions

Amounts paid to us for future activities.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investment of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

Discretionary benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

Earmarked Reserves

Money we set aside for a specific purpose.

Expected Rate of Return on Pension Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Formula Grant

The money we receive from the Government for a revenue support grant and our share of National Non-Domestic Rates.

FRS 17

A statement of recommended accounting practice directing us how to account for pensions.

General Fund

The main revenue fund of the Borough Council. Precept income, National Non-Domestic Rate income and government grants are paid into the fund, from which the cost of providing services is met.

Gross Spending

The total cost of providing a service.

Impairment

A loss in the value of a fixed asset, arising from physical damage such as a major fire or a significant reduction in market value.

Income and Expenditure Account

The account which reports the income and spending on our services.

Infrastructure Assets

Assets that only have a nominal value as we cannot sell them, e.g. roads, bridges, lighting, etc

Intangible Asset

Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights (e.g. purchased software licences)

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment Properties

Interest in land/or buildings:-

- a) in respect of which construction work and development have been completed; and
- b) which is held for its investment potential, any rental income being negotiated at arm's length.

LABGI (Local Authority Business Growth Incentive)

A specific grant we receive from central government for encouraging businesses to develop.

Leasing

A method of financing the acquisition of assets, notably equipment, vehicles, plant, etc.

There are two forms of lease:

- a) a finance lease involves payment by the lessee (the user) of the full cost of the asset together with a return on the finance provided by the lessor, usually payable over the anticipated life of the asset.
- b) an operating lease involves the payment of a rental by a lessee for a period, which is normally less than the useful economic life of the asset.

LGPS (Local Government Pension Scheme)

The fund that pays and manages the pensions of our staff.

Liabilities

Our debts and responsibilities.

Liquid Resources

This is money we have invested but which we can draw on quickly.

Long Term Borrowing

Loans raised to finance capital spending which have still to be repaid.

Minimum Revenue Provision (MRP)

This is the amount we have to set aside, out of our revenue, to repay loans.

National Non-Domestic Rates (NNDR)

This is a charge, which all businesses must pay for their premises. It is worked out by multiplying a property's rateable value by a nationally set multiplier. National Non-Domestic Rates are paid into a pool which the Government controls. This money is then shared between local authorities depending on the adult population in their area.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Net Spending

The cost of providing a service after we have taken into account income from government grants and fees and charges.

Nominal Value

Where an asset cannot be sold, it is given a very low value in the balance sheet to recognise that it has no resale value.

Non-Distributed Costs

We must make an extra payment to Leicestershire County Council to maintain the value of the pension fund. Under the accounting rules, we do not get this cost back from our services.

Non-Operational Assets

Assets held by the Authority but not directly used for the provision of services, e.g. assets surplus to requirements, commercial properties and assets under construction.

Operational Assets

Assets that we use in our day-to-day activities for delivering our services to the public, e.g. the Council offices.

Parish Council

An organisation delivering some services within the parish boundary, rather than across the borough as a whole.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is authorised, by the responsible financial officer, for issue.

Precept

A demand made by Leicestershire County Council, Leicestershire Police Authority, Leicestershire combined Fire and Rescue Authority and Parish Councils for money they want us to collect for them from the Council Tax.

Prior Year Adjustment

If we make an important change to the accounts for earlier years we call this a 'prior year adjustment'. We must show the reasons for any prior year adjustments in the year we make them.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- b) the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

Provision

An amount set aside for any liabilities or losses of uncertain timing or amounts that have been incurred.

Public Works Loan Board (PWLB)

A government body from which local authorities may raise long term loans, usually at advantageous interest rates.

Recharge

The transfer of costs from one service to another.

Reserve

An amount set aside for purposes falling outside the definition of a provision.

Restated

We normally show the amounts that were in last year's accounts as the same figure, but where there is a change in the accountancy rules, we have to change last year's figure to meet the current rules.

Revenue

Expenditure that the Council incurs on the day to day running costs of its services including salaries, running expenses of premises and vehicles as well as the annual payment of capital charges. The expenditure is financed from charges for services, government grants and income from Council Tax and National Non-Domestic Rates.

Revenue Expenditure Funded from Capital under Statute

Spending on assets that have a lasting value which we do not own e.g. grants to the community.

Revenue Funding of Capital Expenditure

The financing of capital expenditure by a direct contribution from revenue.

Settlement

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Specific Grants

Grants paid by the government for a particular service e.g. Housing & Planning Delivery Grant and Disabled Facilities Grant.

Statement of the Movement on the General Fund Balance

A reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising Council Tax.

Statement of Total Recognised Gains & Losses

Demonstration of how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure account surplus/deficit and to other unrealised gains and losses.

Stocks

Comprise the following categories:-

- a) goods or other assets purchased for resale;
- b) consumable stores;
- c) raw materials and components purchased for incorporation into products for sale;
- d) products and services in intermediate stages of completion;
- e) contract balances; and
- f) finished goods.

Surplus

At the end of the year, if an account such as the Income & Expenditure Account shows that we have received more income than we have spent, that account is known as being 'in surplus'.

Tangible Fixed Assets

Assets we plan to own or use for more than one year.

Taxbase

The number of houses that we can charge our Council Tax on.

Trading Undertakings

Part of our activities where the service could also be provided by others outside the council.

Useful Life

The period over which the council will derive benefits from the use of a fixed asset.