



**STATEMENT OF
ACCOUNTS
2011/12**

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APPROVAL OF THE ACCOUNTS

This Statement of Accounts will be approved and adopted by Harborough District Council's Governance and Audit Committee at its meeting in September 2012.

Councillor Dr Bremner
Chairman, Governance and Audit Committee
27 September 2012

EXPLANATORY FOREWORD

The purpose of this foreword is to assist the reader's understanding of the Financial Statements and to provide a commentary on the Council's financial position

1. Financial Statements

The Council's Financial Statements for the year ended 31 March 2012 are set out on pages 10 to 73 and consist of:

- **The Movement in Reserves Statement** – shows the movement during the year between the Council's "usable reserves" (i.e. those that can be used to fund expenditure or reduce Council Tax) and "unusable reserves". The surplus/deficit on the Provision of Services line shows the true economic cost of providing the Council's services. Also included are adjustments to ensure the General Fund balance is only charged with statutory expenditure plus contributions to/from earmarked reserves.
- **The Comprehensive Income and Expenditure Statement** – reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The Income and Expenditure Account has been compiled in accordance with the Best Value Accounting Code of Practice.
- **The Balance Sheet** - which shows the Council's overall financial position at the financial year end.
- **The Cash Flow Statement** – a summary of the cash movements during the year, demonstrating how the Council has moved to the financial position reflected on the Balance Sheet.
- **The Collection Fund** – showing the transactions of the Council in relation to non-domestic rates and the council tax. It illustrates the way in which these have been distributed to precepting authorities and the General Fund.

2. Other Statements

- **The Statement of Responsibilities for the Statement of Accounts** – sets out the principal responsibilities of the Council and its officers in relation to the Financial Statements.
- **The Annual Governance Statement** – sets out the framework within which the financial and operational control is managed and reviewed and the main components of the system of control, including the arrangements for internal audit. This report is presented separately.

3. Revenue Funding in 2011/12

The main sources of revenue income available to pay for the Council's services are illustrated below.

2010/11 Actual Income £'000		2011/12 Approved Budget £'000	2011/12 Revised Budget £'000	2011/12 Actual Income £'000
(6,595)	Council Tax	(6,777)	(6,777)	(6,837)
(24,266)	Government Grants and Other Contributions	(18,881)	(19,867)	(22,428)
(83)	Interest Receivable	(65)	(65)	(81)
(6,468)	Fees and Charges	(5,761)	(5,944)	(6,999)
(183)	Contribution from Balances	(77)	(1,607)	(540)
(37,595)	Total Revenue Income	(31,561)	(34,260)	(36,885)

4. Revenue Expenditure in 2011/12

The table below shows the Council's main areas of expenditure incurred in the provision of its services. Running expenses include premises related costs, travel costs, purchase of supplies and services and contractual expenditure. Capital financing costs include the repayment of principal and interest on long term loans taken out to finance fixed assets.

2010/11 Actual Expenditure £'000		2011/12 Approved Budget £'000	2011/12 Revised Budget £'000	2011/12 Actual Expenditure £'000
8,017	Employees	7,284	7,249	7,183
11,881	Running Expenses	9,949	11,305	11,902
13,775	Housing Benefits	14,155	14,155	14,480
3,564	Capital Financing	173	793	2,175
358	Contribution to Balances	0	758	1,145
37,595	Total Revenue Spending	31,561	34,260	36,885

5. The General Fund

The net expenditure on General Fund services for 2011/12 is compared below with both the original and revised budgets for the year.

	2011/12 Approved Budget	2011/12 Revised Budget	2011/12 Actual Spend
	£'000	£'000	£'000
Net Expenditure per I&E Account:			
Central Services to the Public	1,196	1,200	1,001
Children's and Education Services	17	17	13
Cultural & Related Services	1,750	1,590	1,563
Corporate and Democratic Core	1,905	2,202	1,942
Environmental and Regulatory Services	4,228	4,193	4,120
Highways Transport Services	(162)	(247)	(353)
Housing Services	1,278	1,054	929
Non Distributed Costs	443	633	311
Planning Services	995	1,311	1,838
	11,650	11,953	11,364
Central Items	(1,646)	(1,525)	(1,212)
Parish Precepts	1,173	1,173	1,173
Income from Council Tax	(6,777)	(6,777)	(6,716)
General Grants & Share of Business Rates	(4,400)	(4,824)	(4,916)
Contribution from/(to) General Balances	0	0	(307)

6. Capital Expenditure and Finance

The Council spent £2,599,716 on capital schemes during 2011/12 representing an underspend of £682,584 against the approved Capital Programme. Of this underspend, £548,397 has been carried forward to 2012/13. An analysis of the expenditure and how it was financed appears below.

	2010/11 £'000	2011/12 £'000
Capital Expenditure:		
- Car Parking	198	8
- Leisure & Recreation	393	922
- Flood Prevention	0	1
- Recycling	60	0
- Private Sector Housing	609	428
- Other	3,140	1,241
	4,400	2,600
Financing		
- Unsupported Borrowing	(264)	(203)
- Capital Receipts	(361)	(33)
- Government Grants	(323)	(261)
- Direct Revenue Funding	(192)	(396)
- Contributions from Developers etc	(3,260)	(1,707)
	(4,400)	(2,600)

7. Pension Fund Liability

Harborough District Council's estimated share of the net Pension Fund liability at 31 March 2012 disclosed in the notes to the balance sheet is £17,312,000, a increase of £4,773,000 against the previous year. Although this liability appears in the Council's balance sheet it is offset by the Pensions Reserve, movements on which are charged or credited to the Income and Expenditure Account, ensuring that there is no impact on the level of council tax.

The level of Pension Fund liabilities significantly increased in the latest review under IAS 19, due to falling bond yields, poor asset returns and reduced expected asset rates of return assumptions. The Pension Fund has a different basis to calculate the rate Harborough District Council contributes as an employer to the Pension Fund; this is undertaken every 3 years with the results of the latest review being issued in November 2010. This review has increased the requirement to pay a higher contribution to the fund, the rate in 2011/12 was 18% in order to reduce the potential fund liabilities. The rate will also increase to 19% in 2012/13 and 20% in 2013/14.

8. Borrowing Facilities

The introduction, on 1 April 2004, of CIPFA's Prudential Code for Capital Finance in Local Authorities, has given the Council freedom to raise finance for capital expenditure and operational requirements from a number of approved borrowing instruments subject to it not exceeding its authorised limit for external debt. The Council's Annual Treasury Strategy, approved on 24 February 2011, sets a range of prudential indicators including the authorised and operational limits on borrowing. The limits in place at 31 March 2012 are shown in the table below compared to actual borrowing, and the borrowing position for the preceding year.

	2010/11 £'000	2011/12 £'000
Borrowing limits		
- Authorised Limit	4,000	4,500
- Operational Boundary	3,500	3,500
Actual Borrowing		
- Long Term	1,490	1,490
- Short Term	0	0
Total	1,490	1,490

9. Internal and External Sources of Funds

The table below sets out the resources available to the Council to meet its capital expenditure plans and other financial commitments.

	31 March 2011 £'000	31 March 2012 £'000
Revenue Reserves:		
- General Fund Working Balance	984	1,498
- General Reserve	1,904	2,116
- Earmarked Reserves	4,536	4,445
	7,424	8,059
Other Resources:		
- Usable Capital Receipts	0	141
- Section 106 Contributions	2,253	1,633
- Other Capital Contributions	142	74
	2,395	1,848

10. Further Information

Further information about the Council's accounts is available from the Finance Services Manager, Council Offices, Adam and Eve Street, Market Harborough LE16 7AG.

Members of the public have a statutory right to inspect the accounts on deposit for audit purposes. The availability of the accounts for inspection is advertised in the local press and on the Council's website.

GENERAL ISSUES

Critical Judgements in Applying Accounting Policies

The income from the VAT shelter agreement with Seven Locks Housing is of a revenue nature and therefore is shown on the Comprehensive Income and Expenditure Statement.

Assumptions made about the Future and other Major Sources of Estimation Uncertainty

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

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Leicestershire County Council to provide all Leicestershire authorities with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £4,346,000. However, the assumptions interact in complex ways, During 2011/12, the Authority's actuaries advised that the net pensions liability increased by £4,773,000. This is as a result of changes to actuarial gains on assets and liabilities.
Arrears	At the 31st March 2012, Harborough District Council had a balance of sundry debtors for £1,232,000. A review of significant balances resulted in a provision of £ 729,500 (59%), mainly in relation to S106 schemes. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase in the amount of the impairment of doubtful debts of 5% would result in an additional £62,000 needing to be set aside as an allowance.

Post Balance Sheet Events

There are no significant events arising after the Balance Sheet date that would have a material impact on the accounts.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and for one of its officers to be responsible for the administration of those affairs. In Harborough District Council, this is the Shared Section 151 Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

Shared Section 151 Officer's Responsibilities

The Shared Section 151 Officer is responsible for preparing Harborough District Council's Statement of Accounts to present a true and fair view of the financial position of the authority and its income and expenditure for the year ended 31 March 2012, according to the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain.

SHARED SECTION 151 OFFICER'S CERTIFICATION

I certify that I have prepared the accounts of the Council to comply with all legislative requirements and in accordance with the above Code of Practice.

I have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Signed:

Jim Holden
Shared Section 151 Officer

Date:

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The 'surplus or (deficit) on the provision of service' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund (GF) Balance for Council Tax setting purposes.

The 'net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund (GF) Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

	<u>Usable Reserves (£'000)</u>						<u>Unusable Reserves (£'000)</u>								<u>(£'000)</u>
	General Fund (GF) Balance	Earmarked GF Reserves	General Reserves	Capital Receipts Reserve	Receipts In Advance Unapplied	Total Usable Reserves	Financial Instruments Adjustment Account	Capital Revaluation Reserve	Deferred Capital Adjustment Account	Collection Fund Adjustment Account	Accumul'd Pension Absences Account	Total Unusable Reserves	Total Authority Reserves		
Balance at 31 March 2011 carried forward	984	4,536	1,904	0	185	7,609	(29)	1,462	22,397	4	77	(12,644)	(98)	11,169	18,778
Movement in reserves during 2010/11															
Surplus or (deficit) on provision of services (accounting basis)	674					674								0	674
Other Comprehensive Income and Expenditure	(229)					(229)		470			(4,591)			(4,121)	(4,350)
Total Comprehensive Income and Expenditure	445	0	0	0	0	445	0	470	0	0	0	(4,591)	0	(4,121)	(3,676)
Adjustments between accounting basis and funding basis under regulations (note 6)	196	0	0	141	(152)	185	13	(52)	69	(1)	(60)	(193)	39	(185)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	641	0	0	141	(152)	630	13	418	69	(1)	(60)	(4,784)	39	(4,306)	(3,676)
Transfers to/from Earmarked Reserves (note 7)	(127)	(91)	212		6	0								0	0
Increase/Decrease in year	514	(91)	212	141	(146)	630	13	418	69	(1)	(60)	(4,784)	39	(4,306)	(3,676)
Balance at 31 March 2012 carried forward	1,498	4,445	2,116	141	39	8,239	(16)	1,880	22,466	3	17	(17,428)	(59)	6,863	15,102

	<u>Usable Reserves (£'000)</u>						<u>Unusable Reserves (£'000)</u>							<u>(£'000)</u>	
	General Fund (GF) Balance	Earmarked GF Reserves	General Reserves	Capital Receipts Reserve	Receipts In Advance Unapplied	Total Usable Reserves	Financial Instruments Adjustment Account	Capital Revaluation Reserve	Deferred Capital Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumul'd Absences Account	Total Unusable Reserves	Total Authority Reserves	
Balance at 31 March 2010 carried forward	961	4,360	1,904	73	215	7,513	(30)	1,468	19,439	6	15	(24,486)	(104)	(3,692)	3,821
Movement in reserves during 2010/11															
Surplus or (deficit) on provision of services (accounting basis)	7,079					7,079								0	7,079
Other Comprehensive Income and Expenditure						0					7,879			7,879	7,879
Total Comprehensive Income and Expenditure	7,079	0	0	0	0	7,079	0	0	0	0	7,879	0	7,879	14,958	
Adjustments between accounting basis and funding basis under regulations (note 1)	(6,952)			(73)	42	(6,983)	1		2,953	(2)	62	3,963	6	6,983	0
Net Increase/Decrease before Transfers to Earmarked Reserves	127	0	0	(73)	42	96	1	0	2,953	(2)	62	11,842	6	14,862	14,958
Transfers to/from Earmarked Reserves (note 2)	(104)	176			(72)	0		(6)	5					(1)	(1)
Increase/Decrease in year	23	176	0	(73)	(30)	96	1	(6)	2,958	(2)	62	11,842	6	14,861	14,957
Balance at 31 March 2011 carried forward	984	4,536	1,904	0	185	7,609	(29)	1,462	22,397	4	77	(12,644)	(98)	11,169	18,778

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the economic cost in the year of providing services in accordance with Generally Accepted Accounting Practices (GAAP), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in Reserves Statement.

<u>31 March 2011</u>			Note	<u>31 March 2012</u>		
Exp £'000	Income £'000	Net £'000		Exp £'000	Income £'000	Net £'000
5,128	(4,103)	1,025	Central Services to the Public	5,154	(4,153)	1,001
437	(417)	20	Children's and Education Services	469	(456)	13
2,338	(414)	1,924	Cultural and Related Services	2,031	(468)	1,563
1,949	(111)	1,838	Corporate and Democratic Core	1,945	(3)	1,942
6,541	(2,262)	4,279	Environmental and Regulatory Services	6,373	(2,253)	4,120
971	(958)	13	Highways and Transport Services	916	(1,269)	(353)
12,911	(11,834)	1,077	Housing Services	12,951	(12,022)	929
(4,416)	(30)	(4,446)	Non-distributed Costs	458	(147)	311
2,573	(1,315)	1,258	Planning Services	2,899	(1,061)	1,838
28,432	(21,444)	6,988	Cost of Services	33,196	(21,832)	11,364
1,377	(714)	663	Other Operating Expenditure	1,362	(762)	600
676	(83)	593	Financing and Investment Income and Expenditure	309	(94)	215
0	(15,323)	(15,323)	Taxation and Non-specific Grant Income	0	(12,853)	(12,853)
		(7,079)	(Surplus)/Deficit on Provision of Services			(674)
		0	(Surplus)/Deficit on Revaluation of Fixed Assets			(470)
		0	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets			0
		(7,879)	(Actuarial Gains)/Losses on Pension Assets/Liabilities			4,591
		(7,879)	Other Comprehensive (Income) and Expenditure			4,121
		(14,958)	Total Comprehensive (Income) and Expenditure			3,447

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves cannot be used to provide services, such as reserves that hold unrecognised gains and losses (revaluation reserve), where amounts only become available if assets are sold. Also reserves that hold timing differences shown in the Movement in Reserves Statement "Adjustments between accounting basis and funding basis under regulations".

31 March 2011 £'000		Note	31 March 2012 £'000
22,631	Property, Plant & Equipment	12	26,119
207	Intangible Assets	15	166
3,009	Assets under Construction	12	11
144	Long Term Debtors	19b	69
25,991	Long Term Assets		26,365
2,000	Short Term Investments		4,000
160	Assets held for Sale < 1 Year	14	160
110	Inventories	18	80
5,660	Short Term Debtors	19a	4,196
3,568	Cash and Cash Equivalents	20	3,195
11,498	Current Assets		11,631
(15)	Short Term Borrowings		(15)
(2,401)	Short Term Creditors	21	(2,401)
(2,416)	Current Liabilities		(2,416)
(1,490)	Long Term Borrowing	16	(1,490)
(12,539)	Pension Liability Account		(17,312)
(2,266)	Grants Received in Advance	38	(1,676)
(16,295)	Long Term Liabilities		(20,478)
18,778	Net Assets		15,102
7,609	Usable Reserves		8,239
11,169	Unusable Reserves	22	6,863
18,778	Total Reserves		15,102

CASH FLOW STATEMENT

2010/11 £'000		2011/12 £'000	Note
7,079	Net surplus on the provision of Services	674	
(3,684)	Adjustments to net surplus on the provision of services for non -cash movements	2,759	
1,097	Adjustments for items included in the net surplus on the provision of services that are investing or financing activities	681	
4,492	Net Cash flows from operating activities	4,114	30
(1,015)	Investing activities	(2,447)	31
(3,671)	Financing activities	(2,040)	32
(194)	Net increase/(decrease) in cash and cash equivalents	(373)	
3,762	Cash and Cash equivalents at the beginning of the reporting period	3,568	
3,568	Cash and Cash equivalents at the end of the reporting period	3,195	

Certificate of the Shared Section 151 officer

I certify that the accounts set out on pages 2 to 73 present a true and fair view of the financial position of Harborough District Council at 31 March 2012, and its income and expenditure for the year ended 31 March 2012.

Jim Holden
Shared Section 151 Officer

Date

NOTES TO THE FINANCIAL STATEMENTS

1) Summary of Significant Accounting Policies

a) **General**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2011 and present a true and fair view of the transactions and financial position of Harborough District Council for the year ended 31 March 2012.

The Statement of Accounts is prepared on a going concern basis; that is the accounts are prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This means in particular that the income and expenditure account and balance sheet assume no intention to curtail significantly the scale of operation.

The accounting convention adopted in the statement of accounts is principally historic cost, modified by re-valuation of certain categories of non current assets and financial instruments.

b) **Changes in Accounting Treatment**

These Policies ensure we produce our financial statements in accordance with the updated Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (based on International Financial Reporting Standards).

The main changes from previous years are outlined below:

i) **Heritage Assets**

It is a new requirement for 2011/12 to consider if the Council has any Heritage Assets, and if so restate prior periods if material.

c) Accruals of Income and Expenditure

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code. That is, activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

i) **Customer and Client Receipts** – all sales, fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.

ii) **Employee Costs** – the full cost of employees has been included for the period 1 April 2011 to 31 March 2012. The exception to this is that the reimbursement of travel expenses is made one month in arrears, so that the amount included in the accounts covers the period 1 March 2011 to 28 February 2012. This policy has

been applied consistently between years, and does not have a material effect on the accounts.

- iii) **Interest** – interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- iv) **Supplies and Services** – the costs of supplies and services have been accrued and included in the accounts for the period to which they relate. All material sums unpaid at the year-end for goods and services received or works completed, have been accrued. The exception to this policy relates to quarterly utility payments (eg. gas, electricity and water), which are charged at the date of the meter reading, and are not apportioned between financial years. Again this policy has been applied consistently between years and does not have a material effect on the accounts.

d) Cash and Cash Equivalents

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

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

e) Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the accounts, but are instead disclosed by means of a note to the balance sheet, where the inflow of a receipt or economic benefit is probable. Contingent assets and liabilities arise when an event has taken place that gives the Council an possible obligation, but needs another future event not controlled by the Council to confirm the obligation.

f) Employee Benefits

i) Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include salaries, wages and other employment related payments and are recognised as an expense in the year in which the service is rendered by the employees.

An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the following financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period the employee takes the benefit. The accrual is charged to Surplus or Deficit on the provision of services, but then reversed out through the Movement of Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

ii) Termination Benefits

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

iii) Pension Benefits

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council, which is accounted for as a defined benefits scheme.

The attributable assets of the scheme are measured at fair value, usually based on market value at 'bid prices'.

The attributable liabilities of the scheme are measured on an actuarial basis using the projected unit method.

The current service cost is based on the most recent actuarial valuation at the commencement of the financial year, with financial assumptions updated to reflect conditions at that date.

The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period.

The expected rate of return on assets is based on long-term expectations at the beginning of the period and is expected to be reasonably stable.

Actuarial gains and losses may arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date.

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

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

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 Movement in Reserves Statement this means that there are appropriations to and from the Pension reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

iv) Discretionary Benefits

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 members of staff are accrued in the year of the decision to make the award and accounted for using the same policies applied to the Local Government Pension Scheme.

g) Estimation Techniques

In certain circumstances actual income or expenditure for the financial year, or part thereof, may have to be estimated due to the timing of, for example, completion of grant claims, receipt of supplier invoices etc. Where necessary the following estimation techniques are used:

- i) **Impairments** – calculated by reference to the length of time the debt has been overdue, i.e. the older the debt the greater the provision (see notes to the core financial statements).
- ii) **Depreciation** – depreciation is calculated using the straight line method in accordance with the estimated remaining useful life of the asset, as provided by the Council's appointed independent valuer (see notes to the core financial statements).

h) Exceptional Items, Extraordinary Items and Prior Period Adjustments

- i) **Exceptional items** – material items arising from events or transactions that fall within the ordinary activities of the Council. They are either included in the cost of service to which they relate, or separately on the face of the Comprehensive Income and Expenditure Statement if their degree of materiality so requires, in order to give a fair presentation of the accounts.
- ii) **Extraordinary items** – material items which arise from events or transactions falling outside the ordinary activities of the Council. They are disclosed separately on the face of the Income and Expenditure Account and explained in a note to the accounting statements.
- iii) **Prior year adjustments** – material adjustments applicable to prior years which may arise from changes in accounting policies or from the correction of material errors. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Authority's financial position or performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected by amending opening balances and comparatives amounts for the prior period.

i) Events after the Balance Sheet Date

Where an event after the balance sheet date occurs which provides evidence of conditions that existed at the balance sheet date, the amounts recognised in the accounts are adjusted, along with any related disclosures.

Where an event occurs after the balance sheet date is indicative of conditions that arose after the balance sheet date, the amounts recognised in the accounts will not be adjusted. Instead the following disclosures will be made:

- The nature of the event.
- An estimate of the financial effect, or a statement that such an estimate cannot be made reliably.

j) **Financial Instruments**

i) **Financial Liabilities (e.g. Borrowing)**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provision of a financial instrument and are initially measured at fair value and carried at that value plus any interest due. Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for that particular financial instrument. For the council this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income & Expenditure Statement is the amount payable for the year in the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income & Expenditure Statement in the year of repurchase/settlement. Where premiums and discounts have been charged to the Comprehensive Income & Expenditure Statement, regulations allow the impact on balances 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, unless the premium or discount is not material in amount. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

ii) **Financial Assets (e.g. Investments)**

Financial Assets are classified into two types:

- Loans and receivables – Investments that have fixed determinable payments but are not quoted in an active market
- Available-for-sale-assets – assets that have quoted market price and/or do not have fixed or determinable payments

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

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

Assets are maintained in the balance sheet at fair value. Instruments with quoted market prices which the Council holds are held at the market price.

k) Foreign Currency Translation

From time to time the Council may receive income or incur expenditure in a foreign currency. In such circumstances the transaction is converted into sterling at the exchange rate in operation on the date on which the transaction occurred.

l) Government Grants and Other Contributions

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

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

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

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

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

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

m) Intangible Fixed Assets (Excluding Goodwill and Development Expenditure)

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement of Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

n) Leases

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

i) Finance leases

The Council does not presently have any assets acquired by way of finance lease.

ii) Operating leases

Rentals paid under operation leases are charged to the Comprehensive Income & Expenditure Statement as a cost to the services benefiting from the use of the lease property, plant or equipment. Charges are made on a straight line basis over the life of the lease.

Where the council grants an operating lease over property, plant or equipment the asset is retained in the Balance Sheet. Rental income is credited on a straight-line basis over the life of the lease, even if this does not match the pattern of the payment, to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement.

o) Overheads

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

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees taking early retirement.

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

p) Property, Plant, and Equipment

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

i) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council has a de minimus level for recognition as an asset, an item or a related group of items must have a minimum expenditure value of £5,000 excluding VAT.

ii) Measurement

Assets are initially measured at cost, comprising

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

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

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

- Infrastructure assets, community assets and assets under construction are carried at historic cost, net of depreciation where appropriate
- All other assets are carried at fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. The last full revaluation was as at 31 March 2009. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

iii) Impairment

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

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

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

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

iv) Depreciation

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

and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Where depreciation is provided for, assets are being depreciated using the straight-line method over their useful lives as advised by the valuer/suitably qualified officer.

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

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

v) Disposals and Non Current Assets Held for Sale

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

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

When an asset is disposed of or decommissioned, the carrying amount 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 disposal are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement 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 received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to old housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

q) Provisions

Provisions are required for any losses or liabilities which are likely or certain to be incurred, where the amounts or dates upon which they will arise are uncertain. These provisions are detailed in the notes to the Core Financial Statements. Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When expenditure is incurred it is charged to the provision set up in the balance sheet.

r) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund/ HRA Balances in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement. The equivalent proportion reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

The usable capital receipts reserve is a reserve established for specific statutory purposes.

s) Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be funded from capital under statutory provisions but does not result in the creation of non current assets is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. These items are generally grants and expenditure on property not owned by the authority, and amounts directed under Section 16 (2) of Part 1 of the Local Government Act 2003. Where the cost of this expenditure is met from existing capital resources a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

t) Inventories and Long Term Contracts

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

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services received under the contract during the financial year.

u) Value Added Tax

VAT is included in income and expenditure accounts, whether of a revenue or capital nature, only to the extent that it is irrecoverable.

v) Local Area Agreement Grant

A local area agreement (LAA) is a three year agreement between the Government Office for the area and a local strategic partnership (LSP) representing the local authorities, other public, private, voluntary and community interests for the area. The LAA sets out the priorities for a local area (e.g. a county), in defined areas of activity. The upper tier local authority for the area acts as the accountable body for the LAA.

Harborough District Council is not the accountable body for LAA Grant and, therefore, accounts for the grant as follows:

Allocations of LAA Grant receivable from the accountable body that are recognisable as income are accounted for on an accruals basis.

LAA Grant transactions recognised in revenue are apportioned between the services that are funded by the Grant, since it is a specific grant that is likely to relate to more than one service.

2) Changes in accounting estimates

There have been no changes to accounting estimates during the financial year.

3) Impact of accounting standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 has introduced a change in accounting policy in relation to amendments to IFRS7 *Financial Instruments: Disclosures (transfers of financial assets)* – issued October 2011. This change in accounting policy applies from 1 April 2012, and is intended to assist users of the financial statements to evaluate the Council's exposure to risk in relation to the transfer of financial assets and the effect of those risks on the Council's financial position. This type of transfer of asset occurs very rarely in local authorities, and such circumstances would only arise where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the financial instrument, at the same time as retaining substantially all the risks and rewards of ownership. It is considered that this change in accounting policy will have no material impact on the Council's financial statements.

4) Prior Period Errors

There are no prior period errors.

5) Prior Period Adjustments

There are no prior period adjustments, however under the code requirements, for the financial year 2011/12, the split of the Cost of Services has changed from previous

disclosure requirements. This is not due to a change in accounting policy but a change in disclosure requirements following a change to comply with Service Reporting Code of Practice, instead of Best Value Accounting Code of Practice. The overall totals disclosed have not changed just the split on the face of the Comprehensive Income and Expenditure Statement.

6) Notes to MIRS

The notes on the following pages show the adjustments between accounting basis and funding basis under regulations.

2011/12	Usable Reserves (£'000)				Unusable Reserves (£'000)							
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total	Financial Instruments Adjustment	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total
Adjustments involving the Capital Adjustment Account												
Reversal of Items DR/CR to the CIES												
Charges for Depreciation and impairment of non-current assets	(1,764)		34	(1,730)		52	1,678					1,730
Amortisation of intangible assets	(93)			(93)			93					93
Capital grants and contributions applied	1,968		(45)	1,923			(1,923)					(1,923)
Revenue expenditure funded from capital under statute	(769)			(769)			769					769
Insertion of items not DR/CR to the CIES												
Statutory provision for the financing of capital investment	242			242			(242)					(242)
Capital expenditure charged against the GF and HRA Balances	411			411			(411)					(411)
Adjustments primarily involving the Capital Grants Unapplied Account												
Capital grant and contributions unapplied credited to the CIES	(163)		163	0								0
Application of grants to capital financing			0	0			0					0
Adjustments primarily involving the Capital Receipts Reserve												
Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the CIES	174	(174)		0								0
Use of the Capital Receipts Reserve to finance new capital expenditure		33		33			(33)					(33)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1)	1		0								0
Adjustments primarily involving the deferred Capital Receipts Reserve												
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		(1)		(1)				1				1
Adjustments primarily involving the Financial Instruments Adjustment Account												
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	13			13	(13)							(13)
Adjustments primarily involving the Pension Reserve												
Reversal of items relating to retirement benefits DR/CR to CIES	(1,229)			(1,229)						1,229		1,229
Employers pension contributions and direct payments to pensioners payable in the year	1,036			1,036						(1,036)		(1,036)
Adjustments primarily involving the Collection Fund Adjustments Account												
Amount by which council tax income credited to the CIES is different from council tax income calculated in the year in accordance with statutory requirements	(60)			(60)					60			60
Adjustment primarily involving Accumulated Absences Account												
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	39			39							(39)	(39)
Total Adjustments	(196)	(141)	152	(185)	(13)	52	(69)	1	60	193	(39)	185

2010/11	Usable Reserves (£'000)				Unusable Reserves (£'000)						
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total	Financial Instruments Adjustment	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Pension Reserve	Accumulated Absences Account	Total
Adjustments involving the Capital Adjustment Account											
Reversal of Items DR/CR to the CIES											
Charges for Depreciation and impairment of non-current assets	(473)			(473)		473					473
Amortisation of intangible assets	(88)			(88)		88					88
Capital grants and contributions applied	3,555		(57)	3,498		(3,498)					(3,498)
Revenue expenditure funded from capital under statute	(864)			(864)		864					864
Insertion of items not DR/CR to the CIES											
Statutory provision for the financing of capital investment	243			243		(243)					(243)
Capital expenditure charged against the GF and HRA Balances	250			250		(250)					(250)
Adjustments primarily involving the Capital Grants Unapplied Account											
Capital grant and contributions unapplied credited to the CIES	11		(11)								
Application of grants to capital financing			26	26		(26)					(26)
Adjustments primarily involving the Capital Receipts Reserve											
Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the CIES	287	(287)		0							0
Use of the Capital Receipts Reserve to finance new capital expenditure		361		361		(361)					(361)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1)	1		0							0
Adjustments primarily involving the deferred Capital Receipts Reserve											
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		(2)		(2)			2				2
Adjustments primarily involving the Financial Instruments Adjustment Account											
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	1			1	(1)						(1)
Adjustments primarily involving the Pension Reserve											
Reversal of items relating to retirement benefits DR/CR to CIES	3,042			3,042					(3,042)		(3,042)
Employers pension contributions and direct payments to pensioners payable in the year	921			921					(921)		(921)
Adjustments primarily involving the Collection Fund Adjustments Account											
Amount by which council tax income credited to the CIES is different from council tax income calculated in the year in accordance with statutory requirements	62			62				(62)			(62)
Adjustment primarily involving Accumulated Absences Account											
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	6			6						(6)	(6)
Total Adjustments	6,952	73	(42)	6,983	(1)	(2,953)	2	(62)	(3,963)	(6)	(6,983)

7) Transfers to/from Earmarked Reserves

Reserve	Balance at 1 April 2010 £'000	Transfers Out £'000	Transfers In £'000	Balance 31 March 2011 £'000	Transfers Out £'000	Transfers In £'000	Balance 31 March 2012 £'000
Earmarked Reserves:							
Enforcement	0			0			0
Wheeled Bins Replacement	(21)			(21)	21		0
Fraud Incentive	(35)	35		0			0
Verification Framework	(20)	20		0			0
Workforce System	(3)			(3)	3		0
Planning Delivery Grant	(495)	80		(415)	415		0
CPA/Risk Assessment	(17)	17		0			0
Elections	(90)		(30)	(120)			(120)
CCTV Renewal & Repairs	0			0			0
Planning: Award of Costs	(16)			(16)	16		0
Waste Performance	(66)			(66)	66		0
Car Parks	(529)	9		(520)	520		0
LABGI	(94)	94		0			0
Asset Management	(77)		(100)	(177)			(177)
Planning Improvement Plan	(10)			(10)	10		0
Local Development Framework	(52)	9		(43)		(335)	(378)
VAT Shelter	(989)		(169)	(1,158)	1,488	(330)	0
G.I.S.	(42)		(55)	(97)	97		0
Organisational Capacity	(152)		(148)	(300)	130		(170)
Business Support	(36)		(44)	(80)			(80)
Harborough Innovation Centre	(182)		(200)	(382)	346		(36)
Concessionary Travel	(11)			(11)	11		0
Leisure Trust	(97)	97		0			0
Special Expenses	7		(7)	0			0
Welland Internal Audit	(4)			(4)	4		0
Procurement	(15)	10		(5)	5		0
Valuing Staff	(15)			(15)	15		0
Communications & Consultation	(34)			(34)	34		0
Training & Development	(61)	15		(46)			(46)
Contracts Procurement	(92)	84		(8)	8		0
Moorbarns Lane	(190)	70		(120)	120		0
Supporting People in Rural Europe	(106)	80		(26)	26		0
Business Priorities and Efficiencies	(186)	146		(40)	40		0
Redundancy	0		(241)	(241)			(241)
Repossession Fund	0		(24)	(24)	54	(30)	0
Planning Appeals and Call-ins	(33)	22		(11)	11		0
Developer Commuted	(597)	54		(543)	54		(489)
Contributions							
New Homes Bonus	0			0		(508)	(508)
Asset Acquisition & Development	0	0		0		(2,200)	(2,200)
	(4,360)	842	(1,018)	(4,536)	3,494	(3,403)	(4,445)
General Fund Reserve	(1,904)			(1,904)	2,407	(2,619)	(2,116)
	(6,264)	842	(1,018)	(6,440)	5,901	(6,022)	(6,561)

8) Amounts reported for Resource allocation

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the

Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across portfolios.

REVENUE SERVICES BY PORTFOLIOS FOR MANAGEMENT REPORTING PURPOSES								
Local Business & Enterprise	Corporate & Customer Services	Finance	Housing Infrastructure & Planning	Environmental Service Delivery	Community Engagement, Cohesion & Wellbeing	Community Safety & Enforcement	Total	
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Fees, charges & other service income	(86)	(4,362)	(2,700)	(1,418)	(3,546)	(601)	(2,537)	(15,250)
Government grants	0	0	(14,919)	0	0	(708)	0	(15,627)
Total Income	(86)	(4,362)	(17,619)	(1,418)	(3,546)	(1,309)	(2,537)	(30,877)
Employee expenses	0	2,663	1,151	1,138	492	312	1,389	7,145
Other operating expenses	1,140	1,646	15,886	332	5,648	1,559	783	26,994
Support Service Recharges	7	2,247	1,816	972	887	580	1,426	7,935
Total Expenditure	1,147	6,556	18,853	2,442	7,027	2,451	3,598	42,074
Net Expenditure	1,061	2,194	1,234	1,024	3,481	1,142	1,061	11,197
Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement								£000s
Cost of Services in Service Analysis								11,197
Add: Amounts not reported to management								75
Net Cost of Services in Comprehensive Income and Expenditure Statement								11,272

	Portfolio Analysis	Amounts not reported to Management	Allocation of Recharges	Net cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(15,250)	0	0	(15,250)	(1,788)	(17,038)
Interest and investment income	0	0	0	0	(94)	(94)
Income from council tax	0	0	0	0	(6,699)	(6,699)
Government grants and contributions	(15,627)	0	0	(15,627)	(4,823)	(20,450)
Total Income	(30,877)	0	0	(30,877)	(13,404)	(44,281)
Employee expenses	7,145	0	0	7,145	37	7,182
Other service expenses	26,994	0	0	26,994	12	27,006
Support Service recharges	7,935	0	0	7,935	0	7,935
Depreciation, amortisation and impairment	0	0	0	0	62	62
Interest Payments	0	75	0	75	0	75
Precepts & Levies	0	0	0	0	1,173	1,173
Payments to Housing Capital Receipts Pool	0	0	0	0	1	1
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	173	173
Total Expenditure	42,074	75	0	42,149	1,458	43,607
Surplus or deficit on the provision of services	11,197	75	0	11,272	(11,946)	(674)

REVENUE SERVICES BY PORTFOLIOS FOR MANAGEMENT REPORTING PURPOSES								
Local Business & Enterprise	Corporate & Customer Services	Finance	Housing Infrastructure & Planning	Environmental Service Delivery	Community Engagement, Cohesion & Wellbeing	Community Safety & Enforcement	Total	
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Fees, charges & other service income	0	(4,846)	(2,465)	(1,558)	(3,597)	(647)	(2,310)	(15,423)
Government grants	0	0	(14,398)	(66)	0	(866)	(296)	(15,626)
Total Income	0	(4,846)	(16,863)	(1,624)	(3,597)	(1,513)	(2,606)	(31,049)
Employee expenses	0	2,909	(3,241)	1,289	527	439	1,521	3,444
Other operating expenses	98	1,387	14,890	373	5,858	2,021	984	25,611
Support Service Recharges	36	2,516	2,117	1,375	1,009	854	1,384	9,291
Total Expenditure	134	6,812	13,766	3,037	7,394	3,314	3,889	38,346
Net Expenditure	134	1,966	(3,097)	1,413	3,797	1,801	1,283	7,297
Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement								£000s
Cost of Services in Service Analysis								7,297
Add: Amounts not reported to management								(309)
Net Cost of Services in Comprehensive Income and Expenditure Statement								6,988

	Portfolio Analysis	Amounts not reported to Management	Allocation of Recharges	Net cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(15,423)	25	(9,291)	(24,689)	(194)	(24,883)
Interest and investment income	0	83	0	83	(2,301)	(2,218)
Income from council tax	0	0	0	0	(6,719)	(6,719)
Government grants and contributions	(15,626)	48	0	(15,578)	(8,604)	(24,182)
Total Income	(31,049)	156	(9,291)	(40,184)	(17,818)	(58,002)
Employee expenses	3,444	0	0	3,444	0	3,444
Other service expenses	25,611	14	0	25,625	0	25,625
Support Service recharges	9,291	0	9,291	18,582	0	18,582
Depreciation, amortisation and impairment	0	(479)	0	(479)	(23)	(502)
Interest Payments	0	0	0	0	2,894	2,894
Precepts & Levies	0	0	0	0	1,166	1,166
Payments to Housing Capital Receipts Pool	0	0	0	0	1	1
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(287)	(287)
Total Expenditure	38,346	(465)	9,291	47,172	3,751	50,923
Surplus or deficit on the provision of services	7,297	(309)	0	6,988	(14,067)	(7,079)

9) Other Operating Expenditure

Exp £'000	Income £'000	2010/11 £'000		Exp £'000	Income £'000	2011/12 £'000
1,167	0	1,167	Precepts paid to Parish Councils	1,173	0	1,173
0	0	0	Gain(-)/Loss on the disposal of fixed assets	0	0	0
1	0	1	Amounts payable into the Housing Capital Receipts Pool	1	0	1
0	(287)	(287)	Disposal of Capital Interests	0	(173)	(173)
0	(170)	(170)	Income from VAT Shelter	0	(330)	(330)
209	(257)	(48)	Total net surplus(-)/deficit from Market Hall Trading Operation	188	(259)	(71)
1,377	(714)	663	Other Operating Expenditure	1,362	(762)	600

10) Financing & Investment Income and Expenditure

Exp £'000	Income £'000	2010/11 £'000		Exp £'000	Income £'000	2011/12 £'000
75	0	75	Interest payable (including finance leases)	75	0	75
0	(83)	(83)	Interest & investment income	0	(94)	(94)
601	0	601	Pensions Interest Costs & Expected Return on Assets	234	0	234
676	(83)	593	Financing & Investment Income & Expenditure	309	(94)	215

11) Taxation & Non-specific Grant Income

Exp £'000	Income £'000	2010/11 £'000		Exp £'000	Income £'000	2011/12 £'000
0	(691)	(691)	General Government Grants & Contributions	0	(1,726)	(1,726)
0	(3,154)	(3,154)	Capital Grant & Contribution	0	(1,220)	(1,220)
0	(4,759)	(4,759)	Non Domestic Rates	0	(3,190)	(3,190)
0	(6,719)	(6,719)	Council tax income	0	(6,717)	(6,717)
0	(15,323)	(15,323)	Taxation & Non-specific Grant Income	0	(12,853)	(12,853)

12) Property Plant & Equipment

	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation						
At 31 March 2011	20,660	1,695	382	1,990	3,009	27,736
Additions	208	413	13	41	1,104	1,779
Revaluation Increases/ (Decreases) recognised in Revaluation reserve	(213)	0	0	0	0	(213)
Revaluation Increases/ (Decreases) recognised in surplus on provision of services	0	0	0	0	0	0
Derecognition - Disposals	(30)	(344)	0	0	0	(374)
Reclassifications to / from held for sale	3,180	0	0	0	(3,180)	0
At 31 March 2012	23,805	1,764	395	2,031	933	28,928
Accumulated Depreciation and Impairment						
At 31 March 2011	(1,166)	(738)	(14)	(178)	0	(2,096)
Depreciation	(589)	(153)	(6)	(6)	0	(754)
Depreciation written out to Revaluation reserve	683	0	0	0	0	683
Impairment Losses	(32)	0	0	(21)	(922)	(975)
Reclassifications to / from held for sale	0	0	0	0	0	0
Revaluation requiring impairment	0	0	0	0	0	0
Derecognition - Disposals	0	344	0	0	0	344
At 31 March 2011	(1,104)	(547)	(20)	(205)	(922)	(2,798)
Net Book Value						
At 31 March 2012	22,701	1,217	375	1,826	11	26,130
At 31 March 2011	19,494	957	368	1,812	3,009	25,640

Comparative movements in 2010/11

	Other Land and Buildings £'000	Vehicles, Plant & Equipm ent £'000	Infrastructure Assets £'000	Community Assets £'000	Assets under construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation						
At 31 March 2010	20,627	1,699	358	1,872	18	24,574
Additions	198	82	24	118	2,991	3,413
Revaluation Increases/ (Decreases) recognised in Revaluation reserve	0	0	0	0	0	0
Revaluation Increases/ (Decreases) recognised in surplus on provision of services	0	0	0	0	0	0
Derecognition - Disposals	0	(86)	0	0	0	(86)
Reclassifications to / from held for sale	(165)	0	0	0	0	(165)
At 31 March 2011	20,660	1,695	382	1,990	3,009	27,736
Accumulated Depreciation and Impairment						
At 31 March 2010	(892)	(633)	(9)	(178)	0	(1,712)
Depreciation	(277)	(191)	(5)	0	0	(473)
Depreciation written out to Revaluation reserve	0	0	0	0	0	0
Impairment Losses	(2)	0	0	0	0	(2)
Reclassifications to / from held for sale	5	0	0	0	0	5
Revaluation requiring impairment	0	0	0	0	0	0
Derecognition - Disposals	0	86	0	0	0	86
At 31st March 2011	(1,166)	(738)	(14)	(178)	0	(2,096)
Net Book Value						
At 31 March 2011	19,494	957	368	1,812	3,009	25,640
At 31 March 2010	19,735	1,066	349	1,694	18	22,862

a) Depreciation

All assets which attract a charge for depreciation are depreciated using the straight line method, assuming no residual value. The valuers have assessed the remaining useful life of each asset as part of the valuation exercise. The Council has taken these estimated useful lives into account when calculating depreciation. For each category of asset, the useful lives used are as follows:

- Land and buildings – minimum 10 years, maximum 50 years;
- Vehicles plant and equipment – minimum 5 years, maximum 10 years;
- Infrastructure assets – Buildings 25 years.

Certain assets have not been depreciated for the following reasons:

- Community assets – mainly freehold land which is not depreciable;
- Land - in line with the Code and standard practice

b) Capital Commitments

There were significant capital commitments to the value of £247,430 at 31 March 2012 (£199,500 at 31 March 2011).

Scheme	Contracted Work	£
Repairs to Scraftoft Closed Churchyard Wall	Repairs to wall	53,000
Harborough Innovation Centre	Retention against construction contract	149,380
E-Fin Upgrade / Collaborative Planning	Software	47,050
		249,430

c) Valuation of Plant, Property and Equipment

The Council's policy with regard to the valuation of property, plant and equipment is that assets held in the balance sheet at current value are formally revalued every five years, although any material changes to valuations are adjusted in the interim period. The bases of valuation are set out in the Statement of Accounting Policies. More detail is provided in the statement below.

Land and Buildings – the latest independent valuation was undertaken by Mr. R.Smalley BSc. MRICS, of Lambert Smith Hampton, Nottingham as at 31 March 2009, in accordance with the Appraisal and Valuation Manual of RICS. The valuations were up-dated to 31 March 2010 & 31 March 2011 on the basis of a desk top valuation using information supplied by the valuer, who has advised that assets valued at depreciated replacement cost should be uplifted by 3.5% as at 31 March 2012.

Vehicles, Plant, etc. Infrastructure, Community & AUC Assets – based on historic cost.

	Other Land and Buildings	VPE, Infrastructure, Community, & AUC	Surplus Assets	Total
	£'000	£'000		£'000
Valued at Historic Cost:	0	3,896	0	3,896
Valued at Fair Value: 31 March 2012	23,098	0	165	23,263
	23,098	3,896	165	27,159

13) Leases

a) The Council as Lessee

i) Finance Leases

The Council as Lessee did not hold any finance leases in 2011/12.

ii) Operating Leases

The Council held the following operating leases in 2011/12:

Control Centre Operation

The Council has a lease agreement for floor space at Clover Court, Market Harborough for the Control Centre operation.

Waste Contract

The Council has a 7 year contract which commenced 1 April 2009 with Focsa Services UK Ltd for waste collection and recycling. The minimum lease payments include only payments for the lease of recycling vehicles and other plant and exclude payments for other elements in the arrangement (e.g. cost for services).

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

	31 March 2011	31 March 2012
	£'000	£'000
Minimum Lease Payments Due in future years are:		
Not later than one year	577	577
Later than one year and not later than five years	2,300	2,297
Later than five years	575	0
	3,452	2,874

The expenditure charged to the net cost of services line in the Comprehensive Income and Expenditure Statement during the year in relation to operating leases was:

	2010/11 £'000	2011/12 £'000
Minimum lease payments	577	577
Contingent rents	0	0
Sublease payments receivable	0	0
	577	577

b) The Council as Lessor

i) Finance Leases

The Council as lessor did not hold any finance leases in 2010/11.

ii) Operating Leases

The Council has leased out properties under operating leases for the following purpose:

- for the provision of community services, such as the library and sports facilities.
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31 March 2011 £'000	31 March 2012 £'000
Not later than one year	31	31
Later than one year and not later than five years	13	28
Later than five years	18	18
	62	77

14) Assets held for Sale

Surplus Assets	2010/11 £'000	2011/12 £'000
Cost or Valuation		
At 1 April	0	165
		0
Reclassifications from Property	165	0
At 31 March	165	165
Accumulated Depreciation and Impairment		
At 1 April	0	(5)
Depreciation	0	0
Reclassifications to / from held for sale	(5)	0
At 31 March	(5)	(5)
Net Book Value		
At 31 March	160	160

15) Intangible Assets

	Purchased Software Licences	Internally Generated	Total
	£'000	£'000	£'000
Original Cost	658	0	658
Amortisations to 1 April 2011	(451)	0	(451)
Carrying Value at 1 April 2011	207	0	207
Expenditure in Year	52	0	52
Revaluations in Year	0	0	0
Impairment in Year	0	0	0
Amortisation to Revenue for year	(93)	0	(93)
Balance at 31 March 2012	166	0	166

During the financial year the Council spent £52,016 on purchasing software licences in respect of its cash receipting, electronic document management & web site systems. The cost of these licences is amortised to revenue over 3 to 5 years in line with the estimated useful life of the software.

16) Financial Instruments Balances

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

	Long-Term		Current	
	31/03/2011 £'000	31/03/2012 £'000	31/03/2011 £'000	31/03/2012 £'000
Financial Liabilities (principal amount)	(1,490)	(1,490)	0	0
Financial Liabilities at Amortised Cost	(1,490)	(1,490)	(15)	(15)
Financial Liabilities at Fair Value through the Income & Expenditure Account	0	0	0	0
Total Borrowings	(1,490)	(1,490)	(15)	(15)
Loans & Receivables (principal amount)	0	0	2,000	4,000
Loans & Receivables	0	0	2,000	4,000
Available for Sale Financial Assets	0	0	0	0
Cash & Cash Equivalents	0	0	3,002	3,001
Financial Assets at Fair Value through the Income & Expenditure Account	0	0	0	0
Total Investments	0	0	5,002	7,001

The principal amounts for financial liabilities (loans) and loans and receivables (investments) have been included in the table above to show the actual figures borrowed and invested. The amortised cost figures include interest accrued.

a) Financial Instruments Gains & Losses

The gains and losses recognised in the Total Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows.

2011/12	Financial Liabilities	Financial Assets		Total
	Liabilities Measured at Amortised Cost £'000	Loans and Receivables £'000	Fair Value through the CIES £'000	£'000
Interest Expense	(75)	0	0	(75)
Losses on Derecognition	0	0	0	0
Impairment Losses	0	0	0	0
Interest Payable & Similar Charges	(75)	0	0	(75)
Interest Income	0	94	0	94
Gains on Derecognition	0	0	0	0
Interest & Investment Income	0	94	0	94
Gains on Revaluation	0	0	0	
Losses on Revaluation	0	0	0	
Impairment charged to Income & Expenditure Account	0	0	0	
Surplus arising on revaluation of Financial Assets	0	0	0	
Net Gain/(Loss) for the Year	(75)	94	0	

2010/11	Financial Liabilities	Financial Assets		Total
	Liabilities Measured at Amortised Cost £'000	Loans and Receivables £'000	Fair Value through the CIES £'000	£'000
Interest Expense	(75)	0	0	(75)
Losses on Derecognition	0	0	0	0
Impairment Losses	0	0	0	0
Interest Payable & Similar Charges	(75)	0	0	(75)
Interest Income	0	83	0	83
Gains on Derecognition	0	0	0	0
Interest & Investment Income	0	83	0	83
Gains on Revaluation	0	0	0	
Losses on Revaluation	0	0	0	
Impairment charged to Income & Expenditure Account	0	0	0	
Surplus arising on revaluation of Financial Assets	0	0	0	
Net Gain/(Loss) for the Year	(75)	83	0	

b) Fair Value of Assets & Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

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

The fair values calculated are as follows:

	31/03/2011		31/03/2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	1,505	1,789	1,505	2,132
Non-PWLB Debt	0	0	0	0
Total Debt	1,505	1,789	1,505	2,132
Creditors	1,104	1,104	1,414	1,414
Total Financial Liabilities	2,609	2,893	2,919	3,546
The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.				
Money Market Loans less than 1 Year	2,000	2,000	4,000	4,000
Money Market Loans greater than 1 Year	0	0	0	0
Trade Debtors	1,441	1,441	1,133	1,133
Short Term Loans	92	92	58	58
Long Term Debtors	144	144	69	69
Total Loans and Receivables	3,677	3,677	5,260	5,260

The differences are attributable to fixed interest instruments payable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair value for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

The fair values for loans and receivables have been determined by reference to the PWLB redemption rules which provide a good approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

17) Heritage Assets

A heritage asset is defined by the code as an asset with "historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

The Council has reviewed its asset register and heritage assets are considered to be immaterial and are therefore not shown separately in the split of Property, Plant and Equipment at note 12. There are no Intangible Heritage Assets.

The cost of valuing these assets outweighs the benefit to the user of these financial statements.

18) Inventories

Consumable Stores	2010/11 £'000	2011/12 £'000
Balance at start of year	94	110
Purchases	47	13
Recognised as an expense in the year	(30)	(43)
Written Off	(1)	0
Balance at end of year	110	80

19) Debtors

a) Short Term

2010/11				2011/12		
Debt £'000	Impairments £'000	Net £'000		Debt £'000	Impairments £'000	Net £'000
4,072		4,072	Government Departments	1,420		1,420
858		858	Other Local Authorities	677	(24)	653
2		2	NHS Bodies	153		153
0		0	Public Corporations	0		0
1,757	(1,029)	728	Other entities and individuals	3,076	(1,106)	1,970
6,689	(1,029)	5,660	Total	5,326	(1,130)	4,196

b) Long Term

	2010/11 £'000	2011/12 £'000
Mortgages Granted on Council House Sales	4	3
Car Loans to Employees	125	53
Leisure Trust Debtor	15	13
	144	69

Repayments of car loans due in the next year of £58k are included as short term loans within Debtors.

20) Cash and Cash Equivalents

	2010/11 £'000	2011/12 £'000
Cash held by the Authority	106	2
Bank Current Accounts	460	191
Short term deposits with Building Societies	3,002	3,002
Total	3,568	3,195

21) Creditors

	2010/11 £'000	2011/12 £'000
Government Departments	(170)	(134)
Other Local Authorities	(471)	(126)
NHS Bodies	(1)	0
Public Corporations	(27)	(31)
Other entities and individuals	(1,732)	(2,110)
Total	(2,401)	(2,401)

22) Unusable reserves

	Note	31 March 2011 £'000	31 March 2012 £'000
Financial Instruments Adjustment Account	23	29	16
Revaluation Reserve	24	(1,462)	(1,880)
Capital Adjustment Account	25	(22,397)	(22,466)
Deferred Capital Receipts Reserve	26	(4)	(3)
Collection Fund Adjustment Account	27	(77)	(17)
Pensions Reserve	28	12,644	17,428
Accumulated Absences Account	29	98	59
Total Unusable Reserves		(11,169)	(6,863)

23) Financial Instruments Adjustment Account

	2010/11 £'000	2011/12 £'000
Balance at 1 April	30	29
Amount by which finance costs charge to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	0
- Soft Loans	(1)	(13)
Balance at 31 March	29	16

24) Revaluation reserve

	2010/11 £'000	2011/12 £'000
Balance as at 1 April	(1,468)	(1,462)
Upward revaluation of assets	0	(470)
Downward revaluation of assets & impairment losses not charged to the surplus/deficit on the provision of services	2	0
Difference between fair value depreciation & historical cost depreciation	4	52
Balance as at 31 March	(1,462)	(1,880)

25) Capital Adjustment Account

	2010/11 £'000	2011/12 £'000
Balance as at 1 April	(19,439)	(22,397)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
General Fund Charges for depreciation & impairment of non-current assets	472	1,730
Amortisation of Intangible assets reversal	88	93
Revenue Expenditure funded from Capital under Statute	864	769
	1,424	2,592
Adjusting amounts written out of the Revaluation Reserve	(4)	(52)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(361)	(33)
Capital expenditure charged against the General Fund balances	(250)	(411)
Capital grants & contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing	(3,524)	(1,923)
Application of grants to capital financing from the Capital Grants Unapplied Account	0	0
Statutory provision for the financing of capital investment charged against the General Fund balances	(243)	(242)
	(4,378)	(2,609)
Balance as at 31 March	(22,397)	(22,466)

26) Deferred Capital Receipts

	2010/11 £'000	2011/12 £'000
Balance as at 1 April	(6)	(4)
Repayment of mortgage	2	1
Balance as at 31 March	(4)	(3)

27) Collection Fund Adjustment Account

	2010/11 £'000	2011/12 £'000
Balance at 1 April	(15)	(77)
Amount by which finance costs charge to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		
- Surplus on collection fund payable in future years	(62)	60
Balance at 31 March	(77)	(17)

28) Pension Reserve

	2010/11 £'000	2011/12 £'000
Balance as at 1 April	24,486	12,644
Actuarial (gains) or losses on pensions assets and liabilities	(7,879)	4,591
Reversal of items relating to retirement benefits credited to the Surplus of Provision of Services in the Comprehensive Income and Expenditure Statement	(3,147)	1,112
Employer's pensions contributions and direct payments to pensioners payable in the year	(921)	(1,036)
Reversal of accrual for Pension termination costs	105	117
Balance as at 31 March	12,644	17,428

29) Accumulated Absence Account

	2010/11 £'000	2011/12 £'000
Balance at 1 April	104	98
Amount by which finance costs charge to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		
- Change in Absence liability	(6)	(39)
Balance at 31 March	98	59

30) Cash Flow Statement – Operating Activities

	2010/11 £'000	2011/12 £'000
Interest received	73	81
Interest paid	(75)	(75)
	(2)	6

31) Cash Flow Statement – Investing Activities

	2010/11 £'000	2011/12 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(3,590)	(1,805)
Purchase of short-term and long-term investments	0	(2,000)
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	289	175
Proceeds from short-term and long-term investments	0	0
Other receipts from investing activities	2,286	1,184
Net cash flows from investing activities	(1,015)	(2,447)

32) Cash Flow Statement – Financing Activities

	2010/11 £'000	2011/12 £'000
Cash receipts of short and long-term borrowing	0	0
Other receipts from financing activities	0	0
Repayments of short and long-term borrowing	0	0
Other payments for financing activities	(3,671)	(2,040)
Net cash flows from financing activities	(3,671)	(2,040)

33) Discontinued Operations

There were no operations discontinued during the current or previous year.

34) Trading Operations – Market Hall, St Mary’s Place, Market Harborough

	2010/11 £'000	2011/12 £'000
Income from Stallholders: - rents and charges	(257)	(259)
Expenditure	209	188
(Surplus)/ Deficit	(48)	(71)

The Council provides a building where small businesses can rent a space in order to sell their goods and service's, this part of the Council's business operates as a business.

35) Members Allowances

Members of the Council received payments amounting to £304,000 during the financial year, compared with £306,000 in 2010/11.

	2010/11 £'000	2011/12 £'000
Salaries	0	0
Allowances	274	274
Expenses	32	30
	306	304

36) Remuneration of Senior Officers

In accordance with Regulation 7(2) of the Accounts and Audit Regulations 2003 the Council is required to disclose the number of officers whose remuneration in the year amounted to £50,000 or more, starting at that level and rising in bands of £5,000. For this purpose, remuneration is deemed to be the total of all sums paid to or receivable by an officer, sums due by way of expense allowances, and the monetary value of benefits received other than in cash. Pension contributions payable by either the employee or the Council are excluded. The following tables both include senior officers of the Council.

Remuneration Band	2010/11 No.	2011/12 No.
£50,000 to £54,999	6	3
£55,000 to £59,999	0	2
£60,000 to £64,999	0	0
£65,000 to £69,999	0	0
£70,000 to £74,999	0	0
£75,000 to £79,999	0	0
£80,000 to £84,999	1	1
£85,000 to £89,999	0	1
£90,000 to £94,999	0	0
£95,000 to £99,999	0	0
£100,000 to £104,999	1	0

The remuneration of Senior Officers whose salary was more than £50,000 is as follows:

Post Holder		Salary, Fees and Allowances £	Compensation for Loss of Office £	Expense Allowances £	Benefits in Kind £	Pension Contributions £	Total £
Chief Executive (Left 15/05/2011)	2011/12	13,384	0	419	79	2,267	16,149
	2010/11	98,480	0	2,622	594	18,096	119,792
Chief Executive (Started 09/05/2011)	2011/12	86,427	0	824	0	0	87,251
	2010/11	0	0	0	0	0	0
Deputy Chief Executive	2011/12	80,788	43,000	1,448	215	121,665	247,116
	2010/11	79,204	0	2,170	431	14,020	95,825
Strategic Director - Housing & Planning (Started 8/06/2009 & Left 3/10/2010)	2011/12	0	0	0	0	0	0
	2010/11	31,671	0	764	0	5,587	38,022
Head of Legal & Democratic Services (Formally Head of Legal Services)	2011/12	53,835	0	1,114	0	9,690	64,639
	2010/11	52,780	0	1,310	0	9,310	63,400
Head of Corporate & Development Services (Formally Head of Change Services)	2011/12	53,835	0	1,444	0	9,690	64,969
	2010/11	52,780	0	1,800	139	9,310	64,029
Head of Health & Enforcement Services	2011/12	53,835	0	963	0	9,690	64,488
	2010/11	52,780	0	1,170	0	9,310	63,260
Head of Environment & Leisure Services (Formally Head of Community Services)	2011/12	53,835	0	1,038	0	9,690	64,563
	2010/11	52,780	0	1,170	171	9,310	63,431
Head of Customer & Community Services (Formally Head of Customer Services)	2011/12	53,835	0	1,822	0	9,690	65,347
	2010/11	52,780	0	2,154	0	9,310	64,244
Head of Built Environment (Left 19/06/11)	2011/12	12,113	12,423	218	0	54,915	79,669
	2010/11	52,780	0	1,365	228	9,310	63,683
Head of Finance (Redeployed 12/05/2011) (On maternity leave for part of 2010/11)	2011/12	49,352	0	427	0	8,969	58,748
	2010/11	45,079	0	1,439	0	7,952	54,470
Total	2011/12	511,239	55,423	9,717	294	236,266	812,939
Total	2010/11	571,114	0	15,964	1,563	101,515	690,156

No amounts included in the above table are outside the Council's policies in respect of Salary, Benefits, Expenses, Redundancy or Pensions.

37) External Audit Cost

Harborough District Council incurred the following fees relating to external audit and inspection:

	2010/11 £'000	2011/12 £'000
Fees payable with regard to external audit services carried out by the appointed auditor (section 5 of the Audit Commission Act 1998)	115	84
Fees payable for the certification of grant claims and returns by the appointed auditor (section 28 of the Audit Commission Act 1998)	27	32
Fees payable in respect of any other services provided by the appointed auditor	2	0
	144	116

38) Grant Income

In 2011/12, Harborough District Council received the following grants and contributions.

	2010/11 £'000	2011/12 £'000
General		
NNDR Pool Contribution	(4,759)	(3,190)
Revenue Support Grant	(691)	(986)
Area Based Grants	(35)	0
New Homes Bonus	0	(508)
Council Tax Freeze Grant	0	(140)
Local Services Grant	0	(92)
Specific		
Rent Allowance Subsidy	(10,244)	(10,900)
Housing Benefit Admin Grant	(348)	(347)
Council Tax Benefit Subsidy	(3,548)	(3,548)
NNDR Collection Costs	(123)	(121)
DCLG	(152)	(33)
DWP	(33)	(1)
DCMS Free Swimming	(27)	0
Dept of Transport Concessionary Fares	(86)	0
Leicestershire County Council -	(621)	(585)
Other Specific grants	(44)	(9)
Revenue through CIES		
Decent Homes in the Private Sector	(144)	(85)
Disabled Facilities	(152)	(326)
Other REFCUS	(106)	(337)
Capital through CIES		
Other Capital Grant and contributions	(191)	(304)
EMDA Sub regional single programme/	(2,964)	(916)
	(24,268)	(22,428)

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

Capital Grants Receipts in Advance	31/03/2011	31/03/2012
	£'000	£'000
S.106 Developer Contributions	(2,154)	(1,648)
Other Capital Grant	(112)	(28)
Other Capital Contribution	0	
	(2,266)	(1,676)

39) Related Party Transactions

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.

- a) **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 (e.g. housing benefits). See note 38 Grant Income for further information.
- b) **Other public bodies** – The Council is responsible for parking enforcement for which it received £377k reimbursement from Leicestershire County Council and £910k from four Leicestershire District Councils on whose behalf it operates the off street function. The Council also made a payment of £74k to Rutland County Council in respect of its contribution towards the operating costs of the Welland Internal Audit Consortium, and for Emergency Planning, of which it is a member. The Council also paid Leicester City Council £21k for provision of payroll services and paid a contribution towards the Leicestershire Economic Partnership. The Council also paid a contribution to Hinckley and Bosworth Borough Council for its share of the Operation costs of the Revenues & Benefits Partnership of £906k
- c) **Members of the Council** have direct control over the Council's financial and operating policies. During 2011/12 there were no significant payments to or receipts from parties in which Members had an interest. All contracts were entered into in full compliance with the Council's Standing Orders. All transactions are recorded in the Register of Members' Interests which is open

to public inspection. The Council's elected members act as trustees to the H.W. Symington Memorial Charity. No remuneration is received by members in respect of their roles as trustees although travel and subsistence costs may be reclaimed as necessary. See note 35 for Member Allowance details.

d) Officers of the Council reported no related party transactions.

40) Capital Expenditure and Sources of Finance

The table below shows capital expenditure in the year on an accruals basis together with details of how that expenditure has been financed. The table also demonstrates the movement in the Capital Financing Requirement (underlying need to borrow) during the year.

	2010/11 £'000	2011/12 £'000
Opening Capital Financing Requirement	2,128	2,149
<u>Capital Expenditure:</u>		
Operational Assets	3,536	1,831
Revenue Expenditure Funded from Capital Under Statute	864	769
<u>Sources of Finance:</u>		
Capital Receipts	(361)	(33)
Government Grants & Other Contributions	(3,583)	(1,968)
Sums set aside from Revenue (including MRP)	(435)	(638)
Closing Capital Financing Requirement	2,149	2,110
Movement in Year	21	(39)
<u>Explanation of Movements in Year:</u>		
Increase in underlying need to borrow (supported by Government financial assistance)	0	0
Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	21	(39)
Increase/(Decrease) in Capital Financing Requirement	21	(39)

41) Termination Benefits

The Authority announced the termination of a number of contracts, which will take place in 2012/13 or took place during 2011/12. Termination benefits of £207k have been accrued covering 3 members of staff.

A number of employees were placed at risk of redundancy from the restructure within the Transformation review, of these the majority had been successful in redeployment to other positions, 2 had decided to take either early retirement or redundancy. The bands shown in the table below have been widened in order not to identify any individual.

Termination Benefits Band	2011/12 No.
£0 to £160,000	3

There are 4 individuals placed at risk whose outcome is unknown and therefore there is a risk that termination benefits could be paid in 2012/13, and at this stage cannot quantify the amounts involved. (see contingent liabilities note 43).

42) Local Government Pension Scheme

a) Participation in the Pension Scheme

Harborough District Council offers retirement benefits to its staff as part of their terms and conditions of employment. Though these benefits are not payable until employees reach retirement, the Council is committed to making the payments which need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council. This is a defined benefit pension scheme, which means that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pension liabilities with investment assets. In addition the Council has made arrangements for the payment of added years to certain retired employees outside the provisions of the scheme, the estimated outstanding liability for which was £1.099m at 31 March 2012 (£1.041m at 31 March 2011).

b) Transactions Relating to Retirement Benefits

The cost of retirement benefits is accounted for in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually 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 for the year. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Net Cost of Services:				
Current Service Cost	994	829		
Past Service Costs	(4,637)	0	(105)	0
Financing & Investment				
Interest Costs	2,757	2,191	62	57
Losses on Curtailments		166		
Expected return on employer assets	(2,218)	(2,014)		
Total benefit charged to the surplus or deficit on the provision of services	(3,104)	1,172	(43)	57
Other benefits charged - actuarial gains and losses	(10,767)	2,648	(80)	76
Total benefit charged to the Comprehensive Income & Expenditure Statement.	(13,871)	3,820	(123)	133
Movement in Reserves Statement:				
Reversal of net charges made for retirement benefits in accordance with IAS19	14,720	(2,848)	195	(58)
Actual amount charged against the General Fund Balance for pensions in year	849	972	72	75
Of which:				
Employers' contributions payable to the scheme	849	972		
Retirement benefits payable to pensioners			72	75

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 12 a loss of £16,560,000 and at 31 March 2011 was a loss of £11,969,000.

The Actuary has projected the total Pension Expense for the year to 31 March 2013 at £1.529m.

c) Assets & Liabilities in Relation to Retirement Benefits

The updated underlying assets and liabilities for retirement benefits attributable to Harborough District Council at 31 March are set out in the table below.

	31 March 2011 £'000	31 March 2012 £'000
Estimated liabilities in scheme (at present value)	(41,108)	(45,611)
Estimated assets in scheme	28,569	28,299
Net Pensions Asset/(Liability)	(12,539)	(17,312)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net pension liability of £17,312,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions to the scheme over the remaining working life of employees, in the light of the performance of the fund as assessed by the scheme actuary.

The Liabilities summarised above are calculated as follows:

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Opening Liability at 1 April	54,711	40,067	1,236	1,041
Current Service Cost	994	829		
Interest Cost	2,757	2,191	62	57
Contributions by Members	353	319		
Actuarial Losses (Gains)	(10,767)	2,648	(80)	76
Losses / (Gains) on Curtailments	0	166	0	
Past Service Costs	(4,637)	0	(105)	0
Estimated Unfunded benefits Paid			(72)	(75)
Estimated Benefits Paid	(3,344)	(1,708)		
Closing Balance at 31 March	40,067	44,512	1,041	1,099

The movement on Scheme Assets summarised above is shown below.

	2010/11 £'000	2011/12 £'000
Opening Value at 1 April	31,461	28,569
Expected return on Assets	2,218	2,014
Contributions by Members	353	319
Contributions by the Employer	849	972
Actuarial Gains (Losses)	(2,968)	(1,867)
Benefits Paid	(3,344)	(1,708)
Closing Value at 31 March	28,569	28,299

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 at the balance sheet date and returns on equities reflect long term real rates of return in the respective markets.

The actual return on scheme assets for the year is estimated at £2,321,000 (8.3%)

d) Basis for Estimating Assets & 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. This assessment has been undertaken by Hymans Robertson, an independent firm of actuaries, estimates being based on the latest full actuarial valuation of the scheme as at 31 March 2010.

The main assumptions used in their calculations are:

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2010/11	2011/12	2010/11	2011/12
Long term expected return on assets in the scheme				
Equity Investments	7.50%	7.50%		
Bonds	4.90%	4.90%		
Property	5.50%	5.50%		
Other	4.60%	4.60%		
Mortality assumptions				
Longevity at 65 for current pensioners				
Men	20.9	20.9	20.9	20.9
Women	23.3	23.3	23.3	23.3
Longevity at 65 for future pensioners				
Men	23.3	23.3		
Women	25.6	25.6		
Economic assumptions				
Rate of inflation	2.80%	2.50%	2.80%	2.50%
Rate of increase in salaries	5.10%	4.80%		
Rate of increase in pensions	2.80%	2.50%	2.80%	2.50%
Rate for discounting scheme liabilities	5.50%	4.80%	5.50%	4.80%
Take-up of option to convert annual pension into retirement grant	50.00%	50.00%		

Mortality assumptions are derived from the PFA92 and PMA92 life expectancy tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised above:

Under the projected unit method current service costs will increase for any scheme where the age profile of the active membership is significantly rising, as the members of the scheme approach retirement age. This is not currently the case in this Authority.

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the fund:

	31 March 2011 Proportion of Assets Held	31 March 2012 Proportion of Assets Held
Equity investments	81.60%	65.00%
Bonds	7.00%	16.00%
Property	11.00%	11.00%
Cash	0.40%	8.00%
	100.00%	100.00%

Scheme history

	2007/08	2008/09	2009/10	2010/11	2011/12
Present Value of Liabilities					
Local Government Pension Scheme	(35,419)	(34,433)	(54,711)	(40,067)	(44,512)
Discretionary Benefits	(1,109)	(1,016)	(1,236)	(1,041)	(1,099)
Fair value of Assets in the scheme	32,321	23,285	31,461	28,569	28,299
Surplus/(deficit) in the Scheme					
Local Government Pension Scheme	(3,098)	(11,148)	(23,250)	(11,498)	(16,213)
Discretionary Benefits	(1,109)	(1,016)	(1,236)	(1,041)	(1,099)
Total	(4,207)	(12,164)	(24,486)	(12,539)	(17,312)

The total contributions expected to be made to the Local Government Pension scheme by the council in the year to 31 March 2012 is £883,000.

Actuarial Gains & Losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at the balance sheet date:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Difference between the expected and actual return on assets	(16.96)%	(47.60)%	22.40 %	(10.39)%	(6.60)%
Experience gains and losses on liabilities	1.14 %	1.70 %	(9.00)%	10.53 %	(1.46)%

This has the effect of reducing the authority's liabilities in the 2010-11 Pension Fund by £4,742k and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

Further information can be found in Leicestershire County Council's Pension Fund Annual Report, which is available on request from Leicestershire County Council, Glenfield, Leicester.

43) Contingent Liabilities

There are no significant contingent liabilities, however there could be contingent liabilities in respect of termination benefits (see note 41).

44) The Nature and Extent of Risk Arising from Financial Instruments

a) 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.

b) 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 set out 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 approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures 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. 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.

These policies are implemented by the Finance Services team. 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 (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

This Council's treasury portfolio is not of a significant size to provide significant treasury risk.

c) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

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

Trade Debtors include amounts owing from Local Authorities of £219k relating to contractual arrangements. The Council allows 14 days credit for its customers, such that the amount of £664,000 (2010/11 £870,000) is past its due date for payment. The past due amount can be analysed by age as follows:

	2010/11 £'000s	2011/12 £'000s
Less than one year	210	59
Between one and two years	123	0
Between two and three years	263	74
More than three years	274	531
	870	664

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

d) Liquidity risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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 through cash flow management procedures required by the Code of Practice.

e) Refinancing and Maturity Risk

The approved prudential 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.

The maturity analysis of financial liabilities is as follows:

	2010/11 £'000s	2011/12 £'000s
Less than one year	0	0
Between one and two years	0	0
Between two and seven years	0	0
Between seven and 15 years	22	22
More than fifteen years	1,468	1,468
	1,490	1,490

The maturity analysis of financial assets is as follows:

	2010/11 £'000s	2011/12 £'000s
Less than one year	5,002	7,002
Between one and two years	0	0
Between two and three years	0	0
More than three years	0	0
	5,002	7,002

All trade and other payables are due to be paid in less than one year and trade debtors of £1.146m (2010/11 £1.441m) are not shown in the table above.

f) Market risk

- i) **Interest rate risk** - The Council has limited exposure to interest rate movements on its borrowings and investments.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other CIES. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and effect the General Fund Balance, subject to influences from Government grants.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Finance Services team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

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	0
Increase in interest receivable on variable rate investments	(114)
	<hr/>
Impact on Income and Expenditure Account	(114)

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

- ii) **Price risk** - The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.
- iii) **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.

45) Trust Funds

The Council acts as administrator and trustee for various trust funds. These funds do not represent assets of the Council and they have not been included in the Balance Sheet.

Howard Watson Symington Memorial Charity Fund

This is the largest trust for which the Council is responsible, and was created when the Council vacated Brooklands in Northampton Road, Market Harborough. Brooklands was donated to the Council in 1946 by W.Symington & Co. Ltd. for the benefit of the people of Market Harborough, and is one of the assets of the Charity. Leicestershire County Council occupies the building as office accommodation. The Charity is also the legal owner of the sheltered housing flats at Brooklands Gardens, and associated assets which were built in 1987 on land owned by the Charity. They are managed on the Charity's behalf by Seven Locks Housing. The elected Members of Harborough District Council are trustees of the Charity, and as such allocate funding to projects and / or individuals that meet the criteria laid down by the Charity.

The Council no longer administers the Charity's funds as the local authority. The Charity's funds are administered by the Area Committee through its own bank account.

For further details see the Annual Report and Accounts of the H.W.Symington Memorial Charity, available on the Charity Commission's web-site.

The Council also administers several smaller trust funds, mainly in the form of investments, which total £2,134. There has been no movement on these funds during the year.

46) Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure statement the code requires a separate note to provide information.

a)

	2010/11 £'000	2011/12 £'000
Expenditure		
Housing Services		
Includes an amount in relation to expenditure on Rent Allowances	10,271	10,964
Non-distributed Costs		
Includes an amount in relation to the change from RPI to CPI on past service costs.	(4,742)	0
Income		
Taxation and Non-specific Grant Income		
Includes Capital Grant in relation to the construction of the Harborough Innovation Centre.	(2,964)	(916)

47) Date of Authorisation

- i) The Statement of Accounts was authorised for issue by J Holden, Shared Section 151 Officer on 29 June 2012 after due consideration of any post balance sheet events.

COLLECTION FUND

2010/11		2011/12	Note
£'000		£'000	
	Income		
(45,415)	Income from Council Taxpayers	(45,706)	2
(3,501)	Transfer from General Fund:		
	- Council Tax Benefits	(3,517)	
(32,484)	Income from Business Ratepayers	(32,380)	3
(81,400)	Total Income	(81,603)	
	Expenditure		
48,180	Precepts and Demands from County and District Business Rates	48,992	4
32,361	- Payment to National Pool	32,259	
123	- Costs of Collection	121	
	Bad and Doubtful Debts/Appeals		
118	- Write offs	106	
117	- Provisions	0	
	Distribution of previous year's estimated Collection		5
52	Fund surplus	562	
80,951	Total Expenditure	82,040	
(109)	Collection Fund Balance at 1 April	(558)	
(449)	(Surplus)/Deficit for the year	437	
(558)	Collection Fund Balance at 31 March	(121)	

NOTES TO THE COLLECTION FUND

1. General

The Collection Fund shows the transactions of the billing authority in terms of Council Tax and Business Rates, and demonstrates how the income from these sources is distributed to precepting authorities and the General Fund. The surplus or deficit on the Collection Fund at the year end is distributed to, or made good by contributions from, the billing and precepting authorities on the basis of estimates of such outturn made on the 15 January preceding.

2. Council Tax Income and the Council Tax Base

Council Tax income is derived from charges according to the value of residential properties that have been classified into 8 valuation bands. Individual charges are determined by dividing the demands and precepts of the Council, the County Council, the Police Authority and the Fire Authority by the Council Tax base. The Council Tax base is the total number of properties in each valuation band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts. The Band D Council Tax for 2011/12 was £1,436.34 (£1,436.34 in 2010/11). The charge for all other bands is calculated by multiplying the Band D charge by the appropriate ratio for each band.

The Council Tax Base used for setting the 2011/12 Council Tax was calculated as follows:

Band	Dwellings in Banding List	Disabled Persons Adjustments No. of cases	Less Exemptions Properties Affected	Less Discounts	Adjusted Amount for Council Tax Band *	Applied Ratio to Band D Equivalent	Band D Equivalent (to one decimal place)
AR		6		(0.5)	5.5	5/9	3.1
A	4161	39	(256)	(583.5)	3,360.50	6/9	2240.3
B	7655	19	(209)	(764.3)	6,700.75	7/9	5211.7
C	7258	(13)	(165)	(564.8)	6,515.25	8/9	5791.3
D	5599	(7)	(92)	(331.8)	5,168.25	9/9	5168.3
E	5409	(19)	(79)	(230.3)	5,080.75	11/9	6209.8
F	3190	(6)	(41)	(116.8)	3,026.25	13/9	4371.3
G	2326	(6)	(37)	(72.5)	2,210.50	15/9	3684.2
H	222	(13)	(5)	(8.8)	195.25	18/9	390.5
				(2,673.0)	32,263		33070.5
				Add allowance for new properties			149.0
				Less 1% allowance for irrecoverables			33,219.5 (332.2)
				COUNCIL TAX BASE FOR 2011/2012			32,887.3

* - adjustments include Disabled Persons Exemptions, Exempt Properties and Discounts.

3. **Business Rate Income**

The Council collects business rates due from ratepayers in the District and pays the proceeds into the centrally administered NNDR Pool. The government then redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The rate multiplier set by the Government for 2011/12 was 43.3p or 42.6p for small businesses (in 2010/11 41.4p or 40.7p for small businesses)

The total rateable value as at 31 March 2012 was £85,409,602, the equivalent at 31 March 2011 being £84,410,810.

4. **Precepts and Demands on the Collection Fund**

	2010/11 £'000	2011/12 £'000
Harborough District Council	6,650	6,699
Leicestershire County Council	34,328	34,959
Leicestershire Police Authority	5,478	5,579
Leicestershire, Leicester & Rutland Fire Authority	1,724	1,755
	48,180	48,992

5. **Collection Fund Surpluses**

	2010/11 £'000	2011/12 £'000
Harborough District Council	7	78
Leicestershire County Council	37	400
Leicestershire Police Authority	6	64
Leicestershire, Leicester & Rutland Fire Authority	2	20
	52	562

The precepts above are shown net of the contribution towards previous years estimated surpluses, which comprise the following:

6. **Collection Fund Balances**

The balance carried forward on the Collection Fund at 31 March 2012 comprises a Council Tax surplus of £120,509 (£558,071 surplus at 31 March 2011). Any surplus or deficit relating to Council Tax must be shared between the Council and the major precepting authorities in proportion to the value of the precepts or demands which they each levy.

The share owed to major precepting authorities at 31 March 2012 is £103,953 and this appears as a debtor on the balance sheet (£481,042 debtor as at 31 March 2011). The Council's own share of the Council Tax surplus, £16,556 is shown in the net worth section of the balance sheet (£77,030 surplus at 31 March 2011).

GLOSSARY OF TERMS

ACCRUALS

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

ACQUIRED OPERATIONS

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. Acquired operations are those operations of the local authority that are acquired in the period.

ACTUARIAL GAINS AND LOSSES

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

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

AUC

Assets Under Construction – these are assets that are not yet available for use, for example a building that is in the process of being built and not yet able to be occupied.

CAPITAL EXPENDITURE

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

CASH EQUIVALENTS

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

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONSISTENCY

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

CONTINGENCY

A condition that 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.

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.

CURRENT SERVICE COSTS (PENSIONS)

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

CURTAILMENT

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:

- termination of an employees' services earlier than expected, for example as the result of closing a factory or discontinuing a segment of a business, and;
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all of the future service by current employees will no longer qualify for benefits or will only qualify for reduced benefits.

DEFINED BENEFIT SCHEME

A pension or 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).

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or a percentage of pay. The employer will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATION

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

DISCONTINUED OPERATIONS

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following statements are approved:

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period date on which the financial statements are approved.
- the activities related to the operation have ceased permanently.
- the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting from either its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations.

- the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all of the above conditions are classified as continuing.

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; the Local Government (Discretionary Payments and Injury Benefits) Regulations (Scotland) 1998; or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

EVENTS AFTER THE BALANCE SHEET DATE

Those events, whether favourable or unfavourable, that occur between the balance sheet date and the date on which the Statement of Accounts is authorized for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RATE OF RETURN ON PENSIONS 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.

EXTRAORDINARY ITEMS

Material items which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The fair value of a fixed asset is the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FINANCE LEASE

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the start of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

GOING CONCERN

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and the balance sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS

Assistance by the Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

IMPAIRMENT

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

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.

INVENTORIES

The amount of unused or unconsumed stock held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises, Inventories comprise the following categories:-

- Goods or assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long-term contract balances; and
- Finished goods.

INVESTED RIGHTS

In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would be unconditionally entitled to on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

Vested rights include where appropriate, the related benefits for spouses or other dependants.

INVESTMENTS (NON-PENSIONS FUND)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments other than those relating to the pensions fund, which do not meet the above criteria should be classified as current assets.

INVESTMENTS (PENSIONS FUND)

The investments of the pensions fund will be accounted for in the statements of that Fund. However, authorities (other than town parish councils, community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

INVESTMENT PROPERTIES

Interest in land and/or buildings:-

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

LIQUID RESOURCES

Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

NET BOOK VALUE

The amount at which fixed assets are included within the balance sheet, i.e. their historical cost or current value less 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.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits, and should not be apportioned to services.

NON-OPERATIONAL ASSETS

Fixed assets held by a local authority but not used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES

A lease other than a finance lease.

OPERATIONAL ASSETS

Fixed assets that are held and occupied, used or consumed by the local authority in the direct delivery of services for which it has either a statutory or discretionary responsibility.

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.

PRIOR YEAR ADJUSTMENTS

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

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:

- the benefits for pensioners and deferred pensioners (i.e. the individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- 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. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

PROPERTY, PLANT & EQUIPMENT (PPE)

Property, Plant and Equipment (used to be Tangible Fixed Assets) that yield benefits to the local authority and the services it provides for a period of more than one year.

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

RESEARCH AND DEVELOPMENT

Expenditure falling into one or more of the following broad categories:

- Pure (or Basic) Research:- experimental or theoretical work undertaken primarily to acquire new scientific or technical knowledge for its own sake rather than directed towards any specific aim or applications;
- Applied research:- original or critical investigations undertaken in order to gain new scientific or technical knowledge directed towards a specific practical aim or objective;
- Development:- use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the commencement of commercial

production or commercial applications, or to improve substantially those already produced or installed.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- An employer's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue Expenditure Funded from Capital under Statute (REFCUS) represents expenditure that may be capitalised under statutory provisions, but does not result in the creation of tangible assets.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

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

USEFUL LIFE

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARBOROUGH DISTRICT COUNCIL

Opinion on the financial statements

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

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

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

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

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

Basis of conclusion

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

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

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

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

Conclusion

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

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Neil Bellamy
District Auditor

Audit Practice
Audit Commission
Unit 10, Whitwick Business Centre
Whitwick Business Park
Stenson Road
Coalville, LE67 4JP

28 September 2012