Contents

Leicestershire County Council 2003/04 Statement of Accounts.

Copies of the Statement of Accounts and a large print version, are available from the Financial Services Division, Resources Department, Leicestershire County Council, County Hall, Glenfield, Leicester LE3 8RB. Tel: Leicester (0116) 2657643.

Explanatory Foreword

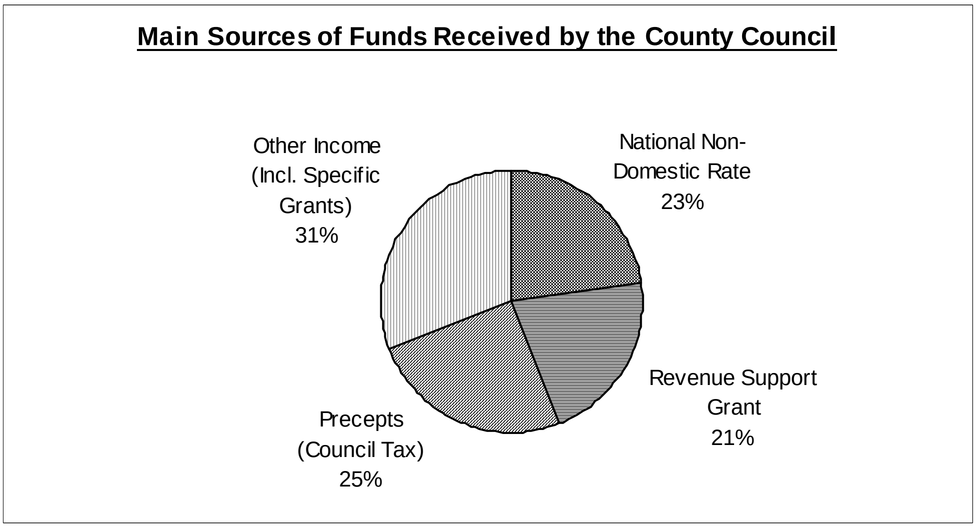
Introduction

This document sets out the published statement of accounts of the Authority for 2003/04. The accounts have been produced in line with the various regulations that govern local authority accounting.

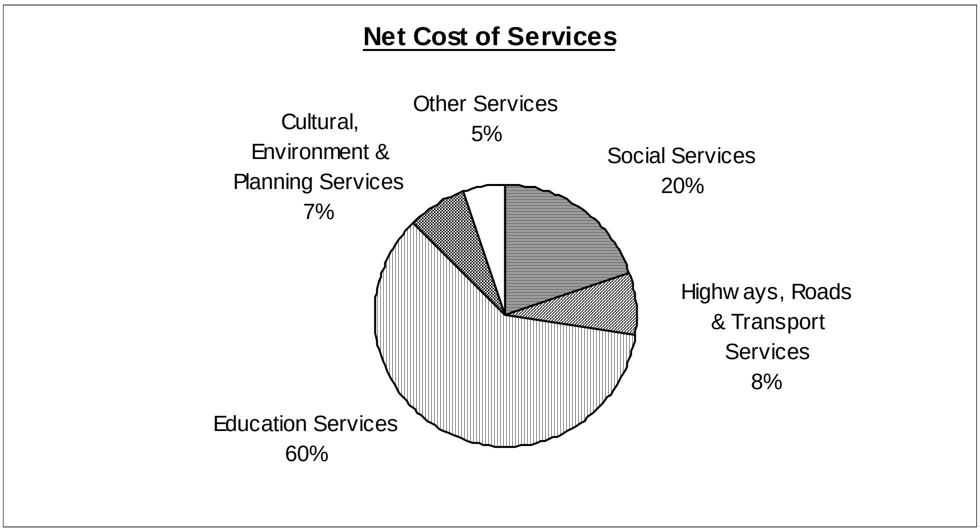
This foreword gives a brief summary of the overall financial position of the County Council, sets out how the County Council's budget is spent and financed and explains the purpose of the financial statements that are contained within the accounts.

Sources of revenue funding and services provided

The chart below details the main sources of funds received by the County Council.



This income is used to finance the various services provided by the County Council. As the chart below shows, the most significant in terms of expenditure are Education and Social Services.



Review of the Year - Revenue

In overall terms the County Council underspent against the original budget (updated for carry forwards) of £500.3m by £6.2m. This reduces to £2.3m when approved carry forwards into 2004/05 are taken into account. Variations between the budget and outturn occurred on the majority of service areas. The significant variations are set out below. Savings were made to mitigate the impact of a projected overspending on Education and Social Services earlier in the year.

Underspends

- Education (£3m). An underspend mainly occurred on nursery provision as the take up of places was lower than budgeted and there was some slippage on new nursery projects and mainstream transport as the demand was lower than previous years. A variety of service unit budgets underspent following efforts to limit the forecast overspending, also various standards fund programmes underspent, however their grant funding remains available until August 2004. These were offset by an overspend on SEN transport as a result of increased cost and demand.

- Highways and Transport (£0.42m). This was principally a result of savings on the concessionary travel scheme and a higher than expected surplus generated by the Highways DLO. These underspends were offset by increased expenditure on bus contracts.

- Waste Disposal (£0.97m). This was mainly due to reduced tonnages of waste received for disposal.

- Community Services (£0.58m). This was principally due to higher than budgeted income for a number of services including Snibston Discovery Park, a delay to the mineral plan local enquiry and a number of other savings on a variety of budgets which will be used to meet severence costs resulting from a departmental reorganisation.

- Other (£2.5m). This is mainly due to reduced expenditure financing capital expenditure as loans were take out later in the year at lower interest rates, increased interest income as bank balances were higher than forecast and rebates of electricity charges and business rates following over charges in previous years. There were also underspends on central departments mainly relating to higher than anticipated income.

Overspends

- Social Services (£1.4m). The net overspend mainly relates to independent home care as a result of a new contract and lower income caused by Fairer Charging. Children's residential care and residential care of adults with learning difficulties budgets both overspent as a result of increased demand and costs. These overspends were offset by a number of underspends many of which resulted from strong management action applied in the second half of the financial year.

Review of the Year - Capital

In 2003/04 the County Council spent £45.8m. on capital projects. The table below shows the main areas of expenditure, and how the expenditure was financed.

	Outturn £000
Education	20,807
Highways, Transportation and Waste Management	16,865
Social Services	914
Community Services	746
Resources	883
Chief Executive	138
Corporate	21
Other Capital Items	5,388
Total	**45,762**
Financed by:	
Credit Approvals	30,415
Capital Receipts	2,264
Government Grants & Contributions from external bodies	11,567
Revenue Funding	752
Reserves	764
Total	**45,762**

The Council's long term borrowings, used to finance the purchase of assets were £254m at 31st March 2004. The book value of assets was £666m.

The major projects undertaken and expenditure incurred in the year were:

	£000
Schools	
• Melton New Special – Replacement School	2,154
• Countesthorpe Greenfield Primary – Replacement of Temporary Accommodation	834
• Ibstock Community College – Additional Classrooms	748
• Coalville Broom Leys Primary – Replacement of Temporary Accommodation	703
• Desford Bosworth Upper – New Science Laboratories	642
• Braunstone Millfield Primary – Replacement of Temporary Accommodation	583
Roads	
• Loughborough Epinal Way – Developer Funded Extension to Existing Road	2,140
• Hinckley - Various Town Centre Improvements	799
• Street Lighting Column Replacements	552
• Rearsby Bypass – Preliminary Design Works	521

Future Prospects

In 2004/05 expenditure is budgeted to increase by 6.7% on a like for like basis. The vast majority of these extra resources are required to meet unavoidable increased costs and demands on services. Limited resources have been allocated to improve the quality of services mainly those which are priorities under the County Councils Medium Term Corporate Strategy. These indicate new facilities for people with learning difficulties, extending the Leicestershire 'RoadLine' initiative and making facilities more accessible to people.

The County Council continues to maintain balances to meet unforeseen eventualities. At 31st March 2004 these stood at £7.35m. They are budgeted to increase to £7.58m at the end of 2004/05.

In 2004/05 and beyond, the major influences on the County Council will be the Comprehensive Spending Review (CSR), spending pressures, the County Councils Medium Term Corporate Strategy and the pressure locally and nationally to restrict Council tax increases. Current forecasts show that the financial position will tighten significantly over the next few years.

On the capital side the key influences in the medium term will be the need to replace assets which have reached the end of their useful life, the Medium Term Corporate Strategy and the introduction of the new self-regulatory approach to the control of capital finance, based on prudential guidelines issued by CIPFA.

Change in Accounting Policies

These accounts comply with financial reporting standard 17 on accounting for pension liabilities. This has resulted in disclosure of the estimated pension liability onto the balance sheet whilst the additional charges to the consolidated revenue account are reversed out by an equivalent movement in the Pensions reserve.

Contents of the Statement of Accounts

- **Consolidated Revenue Account**

  Covers expenditure and income for all services (other than the Pension Fund) which is funded from a combination of Revenue Support Grant, National Non-Domestic Rate income and precepts upon collection funds maintained by District Councils.

- **Consolidated Balance Sheet**

  Sets out the financial position of the County Council on 31st March 2004. It incorporates all the funds of the Authority, both capital and revenue, with the exception of the Pension Fund and Trust Funds.

- **Statement of Total Movements in Reserves**

  Brings together all the recognised gains and losses of the Authority during the period and identifies those which have and have not been recorded in the consolidated revenue account. The statement separates the movements in revenue reserves and capital reserves.

- **Cash Flow Statement**

  Gives a summary of the inflows and outflows of cash arising from transactions with third parties during the financial year. Internal transfers are thus excluded from expenditure and income.

- **Trading Accounts**

  Shows the turnover, total expenditure and resulting surplus or deficit for major trading services, i.e. the Highways, Transportation and Waste Management Department's Highways DLO, and the Leicestershire County Catering Service.

- **Pension Fund**

  Shows the annual results of the Leicestershire County Council administered Local Government Pension Fund for Leicestershire covering both County Council employees and those of District Councils and other admitted bodies.

Euro Costs

Following the introduction of the Euro on 1 January 1999, it is unlikely that any significant costs will be incurred prior to a decision being made regarding United Kingdom membership of the Euro.

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 to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Director of Resources,
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets,
- approve the statement of accounts.

These accounts were approved at a meeting of the Constitution Committee on 24^{th} August 2004.

D R PARSONS
LEADER OF THE COUNTY COUNCIL AND CHAIRMAN OF THE CONSTITUTION COMMITTEE

DATE: 24^{th} August 2004

THE DIRECTOR OF RESOURCES' RESPONSIBILITIES

The Director of Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice').

In preparing this Statement of Accounts, the Director of Resources has:

- selected suitable accounting policies and then 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,
- taken reasonable steps for the prevention and detection of fraud and other irregularity.

I certify that the Statement of Accounts has been prepared in accordance with proper practices and presents fairly the financial position of the County Council and its income and expenditure for the year ended 31^{st} March 2004.

A D YOUD
DIRECTOR OF RESOURCES

DATE: August 2004

Statement on the system of Internal Control

1. SCOPE OF RESPONSIBILITY

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

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

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

The system of internal control has been in place at the authority for the year ended 31st March 2004 and up to the date of approval of the annual accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

The Council's Constitution provides the framework for its decision making processes and sets out the detailed procedures and codes of conduct by which Members and officers operate to achieve Council objectives.

Under the Constitution a Leader and Cabinet form the decision-making Executive. Their decisions must be in line with Council objectives, and are subject to examination by a number of overview and scrutiny committees.

The County Solicitor is designated as the Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by the Council, cabinet, its committees and officers, and providing support and advice on the maintenance of ethical standards.

The Director of Resources as Chief Financial Officer is responsible for the proper administration of the Council's financial affairs. The Director is developing the corporate risk management strategy through the operation of a corporate risk management group. This group has instigated a process of risk identification though risk assessments in service and project planning based on an agreed methodology, and is responsible for ensuring that all major risks encountered by the Council are identified, assessed and responded to at an appropriate level.

The effectiveness of the Council's internal controls is examined in detail through the work of the Internal Audit section of the Resources Department. The section's work plan is based on a needs and risk assessment process that focuses resources on higher risk areas. The section meets the professional standards required by CIPFA. Their work, and the wider financial aspects of corporate governance and performance management, are examined and validated each year by the Council's external auditors.

The Council has established a performance management framework which requires each Department to produce annual service plans setting out their objectives and targets in relation to Council policy priorities. These plans form the basis of the Council's annual Best Value Performance Plan which summarises progress against targets and sets out proposed improvements in performance and service standards. Progress against the Council's priorities is monitored and reported to Members on a quarterly basis. Where it is not already in place a process of identifying individual employee targets and development needs is currently being established, with the aim of having a comprehensive system in place by 2005.

The system of internal financial control is based on a framework of regular management information, financial procedure rules and standard financial instructions, administration arrangements (including segregation of duties), management supervision and a system of delegation and accountability.

4. REVIEW OF EFFECTIVENESS

The County Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates. The review is also informed by the work of the Chief Financial Officer and the Monitoring Officer in performing their statutory roles and the work of the Scrutiny Committees within the Authority.

The process by which the effectiveness of the system of internal control is reviewed is being developed. The process in existence for 2003/04 is not comprehensive as it does not cover in sufficient detail all aspects of internal control. For example further work is required to develop and embed risk management procedures within the Authority.

Internal financial control is reviewed on an ongoing basis by internal audit. The Chief Internal Auditor also produces a statement each year setting out any major weaknesses in financial control. Each Departmental Head of Finance is also required to identify any weaknesses in financial controls throughout the year. In addition, an annual statement is produced that highlights areas of concern. This information is reviewed by the Director of Resources along with other relevant information such as budget monitoring reports in compiling this statement.

5. INTERNAL CONTROL ISSUES

The review of financial control identified that general assurance can be given that internal financial controls are of a sufficient standard to provide for the proper administration of the County Council's financial affairs.

This is the first year the Authority has produced a statement of internal control and the national guidance that was issued in April 2004 states that it is unreasonable and unrealistic to expect authorities to be in a position to obtain the necessary assurances required to support the full statement for 2003/4.

Further work is required to develop a comprehensive annual review of the effectiveness of the internal control environment.

We have been advised on the implications of the results of the review and of the effectiveness of the system of internal controls.

Signed :-

……………………………………… J Sinnott
Chief Executive

……………………………………… D R Parsons
Leader of the County Council and
Chairman of the Constitution Committee

……………………………………… Date

Audit Opinion

To : Leicestershire County Council

We have audited the Statement of Accounts on pages 2 to 48 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 13 to 18 and the Pension Fund Accounts, on pages 48 to 55, which have been prepared in accordance with the accounting policies applicable to pension funds set out on page 48.

This report is made solely to Leicestershire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTOR OF RESOURCES AND AUDITORS

As described on page 7, the Director of Resources is responsible for the preparation of the Statement of Accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the Statement of Accounts presents fairly:

- the financial position of the Council and its income and expenditure for the year,
- the financial transactions of its Pension Fund during the year and the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

We review whether the statement on pages 8 to 10 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the Statement of Accounts. We are not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system on internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Statement of Accounts.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Statement of Accounts. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the Statement of Accounts, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Statement of Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of information in the Statement of Accounts.

OPINION

In our opinion the Statement of Accounts present fairly the financial position of Leicestershire County Council as at 31 March 2004 and its income and expenditure for the year then ended.

OPINION ON THE PENSION FUND ACCOUNTS

In our opinion the Statement of Accounts presents fairly the financial transactions of Leicestershire County Council Pension Fund during the year ended 31 March 2004, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

CERTIFICATE

We certify that we have completed the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Phil Jones **Date: ** 2004**
District Auditor

Statement of Accounting Principles & Estimation Techniques

1. General principles

The accounts have been prepared in accordance with the Statement of Recommended Practice on Local Authority accounts and the guidance notes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the application of accounting standards (FRS's and SSAP's).

2. Provisions

The County Council has established a number of provisions to meet known future liabilities.

The major Provisions are:

(i) Insurance
The insurance policies held by the County Council require a significant level of self insurance, the level of this being recommended by independent advisers. The monies set aside for self insurance are split between a provision representing outstanding, unsettled claims at 31 March 2004 and a reserve to meet future claims. The provision is expected to be used within the next seven years.

(ii) Leased Cars
Created to fund the end-loaded rental payments, in respect of leased cars, such payments falling due on the termination of the lease. The sum in the provision covers the next three years.

(iii) Landscape Projects
Sums received from mineral extraction companies to be utilised for the restoration of these sites in the future.

(iv) Magistrates Courts
Formed from Capital grants and Revenue monies to finance the restructuring of the Leicestershire Magistrates Courts Service, a part of the HM Court Service in the future.

(v) Social Services Mental Health: Refunds
Provides for refunds to people with mental health difficulties, who have been charged for residential and nursing care, for which a legal judgement has been made to repay the levy charged. All refunds should be made within the next 5 years.

3. Reserves

A number of reserves exist in addition to the County Fund to finance future capital and revenue expenditure. In addition to the Insurance Reserve referred to above, the significant reserves are:

REVENUE

(i) Renewal of Equipment and Vehicles
Resources for the funding of replacement vehicles and equipment and future service developments for the majority of departments.

(ii) Industrial Properties
Surpluses arising on the provision of Industrial Properties are credited to this reserve which is used to finance future capital expenditure, including development of the Industrial Estate.

(iii) Property - Central Maintenance Fund
Provides for landlord repairs to the majority of the council's establishments. A rolling programme of works can thus be undertaken which spans financial years. The balance represents uncompleted orders.

CAPITAL

In accordance with standard accounting practice for local authorities, two non-cash backed capital reserves exist as part of the system of capital accounting. These are:

(i) Fixed Asset Restatement Reserve
This reserve represents the surplus arising on the revaluation of fixed assets.

(ii) Capital Financing Reserve
This reserve represents amounts set aside from revenue resources, capital receipts and the capital reserve to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

4. Fixed assets

All expenditure on the acquisition and/or improvement of fixed assets is capitalised provided that the asset yields a benefit to the Authority for a period of more than one year. However, some relatively minor items may be financed from revenue. No accrual of capital expenditure is made as it is considered that such amounts are relatively insignificant.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS).

The basis of valuation of the various categories of assets is as follows:

- **land and operational buildings** are included in the balance sheet at open market value for existing use or, where because of the specialised nature this could not be assessed (there being no market for such an asset), at depreciated replacement cost.

  Valuation is carried out on a selective on-going basis such that all assets are revalued once every five years. The valuation is carried out by various Chartered Surveyors in the Property Services Division of the Resources Department.

The current asset values used in the accounts are based on a certificate issued by the Council's Head of Property Services Division as at 1 April 2003. Additions since that date are either included in the accounts at their cost of acquisition (if above £50,000), or written off to the fixed asset restatement reserve if the actual expenditure does not increase the asset valuation.

- **infrastructure assets** are included at the value of outstanding debt brought forward on 1 April 1994. Additions since that date are included at their original cost.

- **community assets** are assets that the authority is likely to keep in perpetuity for the benefit of local people, e.g. country parks and reclaimed land. Such assets are valued at historical cost or nominal values.

- **non-operational assets** cover investment properties, assets surplus to service requirements and assets under construction or refurbishment.
  Valuation of investment properties and assets surplus to requirements is based on open market value whilst valuation of assets under construction is based on actual payments made to date.

- **vehicles, plant, furniture and equipment;** valuation is based on depreciated historic cost for all assets with an original cost in excess of £10,000.

5. Leased Assets and Deferred Purchase Arrangements

Assets acquired under finance leases are reflected in the appropriate category of fixed asset, together with a deferred liability to pay future rentals. In addition assets financed by a deferred purchase arrangement are similarly reflected in fixed assets, with the liability to the merchant bank included in long term borrowings.

6. Deferred charges

Deferred charges represent expenditure which may be properly capitalised but which does not represent tangible fixed assets. In the majority of cases the County Council operates a policy of charging 100% of such expenditure to service revenue accounts.

7. Basis of charges for capital

a) Depreciation

Buildings are depreciated over their remaining useful economic lives as assessed by the property valuer, with no allowance for a residual value. No depreciation charge is made for the majority of land, community assets or assets under construction or refurbishment.

Where assets suffer impairment, then dependent upon the reason for that impairment, an accelerated depreciation charge may be made to the revenue account.

Where depreciation is provided for, assets are depreciated using the straight line method over the following periods:

- buildings - varies from asset to asset (the remaining useful economic life of each asset is reviewed at the same time as the revaluation is completed).
- infrastructure - 40 years.
- vehicles, plant, furniture and equipment - estimated useful life (averaging around 5 years).

b) Interest Charges

Notional interest charges are applied to all assets in the balance sheet, and are based on asset valuations at the beginning of the financial year. The notional rate of interest for assets carried at current value is 3.5% (6% 2002/03) and for those carried at historic cost it is 4.625% (6% 2002/03).

c) Assets acquired under Finance Leases

Service revenue accounts are charged with actual rentals paid to leasing companies.

Interest payable on external debt, together with depreciation, is charged to the asset management revenue account, which is credited with the capital charges made to services. The resultant balance is carried to the consolidated revenue account and thus the creation of these charges has a neutral impact on the overall expenditure of the Authority.

8. Capital receipts

Proceeds from the sale of assets are credited to the usable capital receipts reserve. All such receipts are available to the authority to enhance its programme of capital expenditure or to reduce external borrowing.

The County Council is unable to comply with FRS 3, as legislation on the use of capital receipts by local authorities does not permit gains or losses on the sale of fixed assets to be credited to the revenue account.

9. Basis of debtors/creditors included in the accounts

The revenue accounts of the County Council are maintained on an accruals basis. Thus, sums due to or amounts owing by the Council in respect of goods and services rendered but not paid for at 31 March are included in the accounts. The exceptions to this policy are as follows:

a) Payments covering a period, e.g. gas, telephone, rent, are brought into account in the year they become due and are not apportioned over the years to which they may relate.

b) Interest on staff car loans for the whole period of the loan is taken to the revenue account when the loan is granted.

10. Government grants

Government grants are accounted for on an accruals basis. Income in respect of revenue grants has been credited to the appropriate service revenue account, whilst the majority of capital grants are credited to the government grants and contributions deferred account; amounts are then released from this account to offset any depreciation on assets financed from such resources.

Education Devolved Formula Capital grants are released to schools through schools revenue accounts.

11. Stocks and work in progress

Stock accounts are normally only maintained for certain specified major items; other immaterial stocks, e.g. cleaning materials, books and stationery, are fully charged to revenue in the year of purchase. Stocks are valued at cost price with allowance for obsolescent or slow moving stocks where material.

Work in progress is shown at cost price.

12. Allocation of support service costs

The revenue accounts of the various services include a charge for all support services provided by the central departments of the Authority other than corporate management costs.

These charges are based upon various methods of allocation including staff time and volume of transactions. Office accommodation costs are based on floor areas occupied.

To expedite the preparation of the Statement of Accounts, Central Service internal recharges have been completed on latest forecast figures.

13. Pension costs

The Financial Reporting Standard FRS17 - Retirement Benefits, requires the recognition of the Council's share of the pension fund's assets and liabilities in its accounts, as well as requiring recognition in the Council's revenue account of the full cost of providing for future retirement benefits.

This standard has been implemented in full for the first time in 2003/04. Accounting requirements have necessitated the creation of a Pensions Reserve, from which appropriations have been made so that the additional costs of providing for retirement benefits in accordance with FRS17 do not impact on levels of local taxation.

This is a new estimation technique for 2003/04, as the authority provides information on current year employer contributions up to the end of December 2003 to the actuary, Hyman's Robertson, to prepare a full year's actuarial valuation as at 31st March 2004. The asset valuations used for the FRS17 certificate are based on valuations as at 29th February 2004.

Unfunded discretionary benefit calculations for employees are compiled in accordance with past CIPFA guidance.

Disclosure note 24 to the Consolidated Balance Sheet provides further details.

These accounting policies represent a change to those applied in prior years. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policies better reflect commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The change had the following effects on the results of the prior and current periods:

- The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 0.35% higher after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 1.4% higher than it would otherwise have been.