

Consolidated Balance Sheet as at 31 March 2005

31 March 2004 £000		Note	31 March 2005 £000	
0	FIXED ASSETS	1-7		
	Intangible Assets			194
	Tangible Assets			
522,427	Land and buildings		549,349	
2,148	Vehicles, plant, equipment		3,144	
124,079	Infrastructure		141,587	
8,838	Community assets		10,170	
657,492				704,250
	Non-Operational Assets			
2,837	Investment properties		3,083	
3,970	Assets under construction		3,175	
1,776	Surplus Assets, held for disposal		1,950	
8,583				8,208
1,324	Deferred charges	4		0
6,516	Deferred premium	9		6,638
52,267	Long term debtors	11		50,202
726,182	Total Long Term Assets			769,492
	CURRENT ASSETS			
726	Stocks and work in progress	12	688	
30,647	Debtors	11	31,833	
3,826	Other current assets		3,413	
86,041	Short term investments	13	106,004	
2,183	Cash in hand		5,563	
123,423				147,501
	CURRENT LIABILITIES			
(10,150)	Borrowing repayable on demand or within 12 months		(10,150)	
(60,108)	Creditors	14	(63,773)	
(7,942)	Cash overdrawn		(5,450)	
(7,347)	Receipts in advance		(10,715)	
(85,547)				(90,088)
37,876	Net Current Assets			57,413
764,058				826,905
	LONG TERM LIABILITIES			
(254,080)	Long term borrowing	16	(280,111)	
(491)	Deferred liabilities		(439)	
(5,292)	Provisions	18	(10,549)	
(112,563)	Defined benefit pension scheme	24	(203,460)	
(372,426)				(494,559)
391,632	Net Assets			332,346

31 March 2004 £000		<i>Note</i>	31 March 2005 £000	
	REPRESENTED BY:			
286,800	Fixed asset restatement account			284,577
129,429	Capital financing account			147,675
29,372	Grants and contributions deferred	17		43,504
16,677	Capital contributions unapplied	19		9,572
(112,563)	Pension reserve			(203,460)
3,869	Capital receipts unapplied			4,512
142	Other capital reserves			142
10,307	Revenue reserves	20		12,062
20,252	County fund: Earmarked sums	20	27,489	
7,347	Uncommitted balance	20	6,273	33,762
391,632				332,346

Notes to the Consolidated Balance Sheet

1. Movement of fixed assets during the year

	Intangible Assets £000	Land and Buildings £000	Vehicles Plant & Equipment £000	Infra- structure £000	Community Assets £000	Non- Operational Assets £000	Total £000
Net Book value as at 31 March 2004	0	522,427	2,148	124,079	8,838	8,583	666,075
Additions	194	33,601	4,238	20,971	1,487	1,265	61,756
Disposals	0	(1,507)	(32)	0	0	0	(1,539)
Transfers between asset categories	0	2,544	0	0	(159)	(2,385)	0
Impairment	0	(149)	0	0	0	0	(149)
Revaluations and restatements	0	21,067	100	0	4	745	21,916
Expenditure not increasing value	0	(20,002)	(2,599)	0	0	0	(22,601)
Book value as at 31 March 2005	194	557,981	3,855	145,050	10,170	8,208	725,458
Less: Depreciation this year	0	(8,580)	(711)	(3,463)	0	0	(12,754)
Less: Writing down leased assets	0	(52)	0	0	0	0	(52)
Net book value as at 31 March 2005	194	549,349	3,144	141,587	10,170	8,208	712,652

The table below breaks down the non-operational assets.

	Non-Operational Assets			Total £000
	Investment Properties £000	Assets Under Construction £000	Assets held for Disposal £000	
Net Book value as at 31 March 2004	2,837	3,970	1,776	8,583
Additions	0	1,265	0	1,265
Disposals	0	0	0	0
Transfers between asset categories	9	(2,394)	0	(2,385)
Impairment	0	0	0	0
Revaluations and restatements	237	334	174	745
Expenditure not increasing value	0	0	0	0
Book value as at 31 March 2005	3,083	3,175	1,950	8,208
Less: Depreciation this year	0	0	0	0
Less: Writing down leased assets	0	0	0	0
Net book value as at 31 March 2005	3,083	3,175	1,950	8,208

2. Valuations of fixed assets carried at current value

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The basis for valuation is set out in the statement of accounting policies in note 4. These values differ from note 1 above as these represent the gross values of the Fixed Assets as at the last revaluation whereas note 1 includes depreciation.

	Land and Buildings £000	Infra-Structure £000	Community Assets £000	Vehicles, Plant & Equipment £000	Non-Operational Assets £000	Total £000
Valued at historical cost	0	138,535	8,683	2,188	0	149,406
Valued at current value in:						
Current Year	225,213	0	0	0	1,765	226,978
Previous Years	330,468	0	0	0	3,279	333,747
Total	555,681	138,535	8,683	2,188	5,044	710,131

3. *Foundation, church and other schools*

Foundation schools remain vested in the Governing Bodies of the individual Foundation School, therefore these assets have not been included in the consolidated balance sheet. In this authority, there are four Foundation Schools with a fixed asset valuation of £14.220m as at 31 March 2005.

Church and other schools, which are not owned by the authority have not been included in the balance sheet, and therefore no capital charges will have been applied to the accounts.

4. *Deferred charges*

	£000
Balance at 31 March 2004	1,324
Net Expenditure	545
Amount charged to Revenue Account	(545)
Amount written off to capital financing account	(1,324)
Balance at 31 March 2005	0

5. *Financing of capital expenditure on fixed assets and deferred charges during the year*

	£000
Opening Capital Financing Requirement	273,541
Total Capital Expenditure	62,301
Financed by:	
Usable Capital Receipts	(5,568)
Government Grants & Contributions from external bodies	(31,555)
Reserves	(666)
Revenue Funding	(346)
Closing Capital Financing Requirement (excluding transferred debt)	297,707
Increase in underlying need to borrow:	
Supported by government financial assistance	23,738
Unsupported by government financial assistance	428
Increase in Capital Financing Requirement	24,166

6. *Leased assets*

The County Council has acquired industrial properties in the past, by means of finance leases. The capital value of assets acquired under such agreements, less accumulated depreciation, is as follows:

	Capital Value £000	Accumulated Depreciation £000	Net Value at 31 March 2005 £000
Land and buildings	1,291	852	439

7. *Capital commitments*

The County Council allocates and controls its available resources for capital expenditure via a rolling three year capital programme. The extent to which expenditure will be incurred in future years for schemes in the various annual programmes is as follows:

	2005/06 £000	2006/07 and later £000
2004/05 and earlier year schemes	28,484	5,328

Major contracts entered into during 2004/05 and earlier, where significant payments remain to be made to contractors, include:

	£000
Schools	
Ashby Ivanhoe College – Science Block	983
Coalville Castle Rock High – Replacement	8,732
Wigston Bushloe High – Replacement	11,072
South Wigston High - Sports Hall	2,242
Roads	
Rearsby Bypass	573
Community Services	
Ratby Library - Replacement	260

8. **Details of assets owned by the County Council**

31 March 2004		31 March 2005
4,621 ha	Land This figure excludes highways land	4,619 ha
	Number of properties held by services –	
	Education	
1	Nursery school	1
226	Primary schools	226
50	Secondary schools (excl 4 foundation schools)	50
7	Special schools	6
3	Outdoor pursuits centres	3
1	Teachers centres	1
5	Free standing youth and community centres	5
6	Client and Technical Support offices and depots	7
1	Common playing fields	1
	Social Services	
3	Children's homes and hostels	3
10	Homes for the elderly	10
6	Homes for adults with learning difficulties	6
1	Homes for the recovering mentally ill	1
3	Day nurseries and family centres	3
6	Day centres for people with learning difficulties	7
3	Day centres for the physically handicapped	2
4	Local offices	5
1	Training Centres	0
	Highways & Transport	
4,261 km	Principal and other roads	4,279 km
8	Highways/DLO depots	8
	Waste Disposal	
14	Household refuse & recycling sites and transfer stations (domestic and trade)	14
	Other Properties	
1	County Hall	1
4	Administrative offices	4
1	Castle House	1
84	County Farms	82
74	School Caretakers' Houses	67
61	Properties acquired in advance of future developments and properties awaiting disposal	66
229	Industrial units	228
2	Travellers sites	2
	Community Assets	
18	Country Parks	18
	Libraries and Information	
52	Libraries	52
	Heritage Services	
3	Museums	3
1	Record Office	1
1	Resources Centre	1
	Regulatory Services	
2	Offices for the Registration of Births, Deaths and Marriages	2
6	Magistrates Courts	6

9. *Deferred premium*

This represents the premiums payable upon the premature repayment of debt. This sum is charged to the revenue account over the lifetime of the replacement debt.

	£000
Balance at 31 March 2004	6,516
Premiums paid	333
Amounts charged to revenue account	(211)
Balance at 31 March 2005	6,638

10. *Related business, companies and consortia*

- a) The County Council is a member of the Eastern Shires Purchasing Organisation (ESPO) involved in the negotiation of contracts for supplies to its members and the provision of a central warehouse for the supply of items in common use. During 2004/05 a net surplus of £0.7m (2003/04 £0.8m) was reported on income, net of cost of sales, of £11.1m (2003/04 £10.4m).
- b) The County Council is a constituent member of Leicester, Leicestershire and Rutland Combined Fire Authority. During 2004/05 the estimated turnover is £29.1m (2003/4 actual turnover £25.2m).

11. *Debtors*

	31 March 2004 £000	31 March 2005 £000
Long Term Debtors (amounts falling Due after one year)		
Accommodation charges at Elderly Persons Homes	939	1,229
Car loans to employees	190	119
Outstanding debt relating to transferred services (e.g. Unitary Authority, Higher Education establishments, Police)	51,271	48,963
Other long term debtors	115	112
Less: Provision for bad debts	(248)	(221)
Total	52,267	50,202
Current Debtors		
Government departments:		
Customs and Excise	3,964	3,595
Other government departments	1,199	1,205
Sundry debtors	27,090	27,637
Less: Provision for bad debts	(1,606)	(604)
Total	30,647	31,833

12. *Stocks and work in progress*

	31 March 2004 £000	31 March 2005 £000
Stocks		
Highways	498	462
Client and Technical Support Service	65	75
Museums	49	37
Catering	43	54
Other items	31	31
Sub Total	686	659
Work in Progress		
Highways	40	29
Total	726	688

13. *Short term investments*

Surplus cash balances are invested in short term deposits with a range of banks and other financial institutions. Included within this amount is £2.714m which is invested on behalf of ESPO.

14. *Creditors*

	31 March 2004 £000	31 March 2005 £000
Government departments:		
Inland Revenue	5,075	5,597
Other government departments	9,023	9,663
Sundry creditors	46,010	48,513
Total	60,108	63,773

15. Operating Leases outstanding

The council has a liability to make payments during 2005/06 of the following:

	Total £000
Operating Leases which expire:	
Within 1 year	284
2 to 5 years	1,655
Over 5 years	43
Total	1,982

As at 31 March 2005, the County Council has a total commitment to meet operating lease rental payments of £4,471,000.

16. Long term borrowing

	Total Outstanding at 31 March	
	2004 £000	2005 £000
Lender		
Public Works Loan Board	221,330	217,511
Banks and building societies	32,750	62,600
Total	254,080	280,111
Analysis of maturity of these loans:		
Maturing -		
Between 1 and 2 years	150	150
Between 2 and 5 years	10,450	10,450
Between 5 and 10 years	150	0
Between 10 and 15 years	6,836	2,000
More than 15 years	236,494	267,511
Total	254,080	280,111

17. Grants and contributions deferred

	£000	£000
Balance at 31 March 2004		29,372
Grants and contributions received to finance capital expenditure	31,555	
Write off to Capital Financing Account – income received on assets not increasing value	(16,869)	
Release to Revenue Account	(554)	
Balance at 31 March 2005		43,504

18. Provisions - Movements during the year

	Balance at 31 March 2004 £000	Reclass-ification £000	Income £000	Expend-iture £000	Balance at 31 March 2005 £000
Employment Tribunal	0	0	4,500	0	4,500
Insurance	4,072	0	1,907	(2,262)	3,717
RSG Amending Report	0	0	1,200	0	1,200
Magistrates Courts					
Restructuring	481	0	19	(47)	453
Leased Car	0	461	1,108	(1,117)	452
Social Services Mental					
Health Refunds	391	0	0	(333)	58
Other	349	(149)	329	(360)	169
Total	5,293	312	9,063	(4,119)	10,549

Employment Tribunal

In December 2004 an Employment Tribunal held that the County Council had failed to consult Unison under the Trade Union and Labour Relations (Consolidation) Act 1992. The Employment Tribunal made a protective award against the County Council in respect of those groups of staff who were either downgraded or were previously in receipt of bonus or enhancements.

The County Council has received legal advice that there are grounds to appeal against the original judgement and have appealed to the Employment Appeal Tribunal.

A provision of £4.5m has been made to meet the estimated costs of this case. There is, however, uncertainty around the basis of calculating the protective award. The provision is based on a 'worst case' interpretation of the legislation. The award would be considerably less under the alternative interpretation.

RSG Amending Report

The government has indicated that a reduction will be made to the council's 2004/05 R.S.G, in 2006/07 arising from amendments to the population of some major cities.

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 2005 and a reserve to meet future claims. The provision is expected to be used within the next seven years.

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.

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.

19. Capital contributions unapplied

	£000	£000
Balance at 31 March 2004		16,677
Amount used to finance capital expenditure	(7,105)	
Balance at 31 March 2005		9,572

20. Reserves

General County Fund

The balance of the fund as at 31 March 2005, £33.762m, contains the following earmarked sums:

	£000
Delegated Funding for Schools	21,053
Other Education establishments with devolved budgets	(106)
Carry forward of underspendings across other services	6,410
Carry forward of resources for funding of Capital	132
Earmarked Reserves at 31 March 2005	27,489

Thus, the uncommitted balance is restricted to **£6.273m**.

Movements in other revenue reserves during the year

	Balance at 31 March 2004 £000	Appropriations		Balance at 31 March 2005 £000
		From Revenue £000	To Revenue / Capital £000	
Insurance	3,756	1,078	(152)	4,682
Renewals of vehicles and equipment	3,023	1,187	(845)	3,365
Industrial properties	824	241	0	1,065
Central Maintenance Fund	1,027	0	(65)	962
Job Evaluation Appeals	0	250	0	250
Shire Grants	822	164	(238)	748
Organisational Change	450	50	0	500
Other	405	211	(126)	490
TOTAL	10,307	3,181	(1,426)	12,062

Renewal of Vehicles and Equipment

Resources for the funding of replacement vehicles and equipment.

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.

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.

Shire Grants

Grants awarded to statutory and voluntary organisations that remain to be claimed by the recipients

The net movement on revenue reserves does not equal the amount shown as 'transfers to / from revenue reserves' in the consolidated revenue account due to the method of accounting for self-insurance and the financing of capital expenditure.

See the 'Statement of Total Movement in Reserves' and notes thereto for further details of reserves.

21. **Contingent Liabilities**

- a) Municipal Mutual Insurance Limited, the County Council's former insurers, ceased writing insurance business in September 1992. They have made a scheme of arrangements with creditors in the event of the company becoming insolvent. Claims are currently being paid in full and it is hoped that the Company's assets will enable all liabilities to be met. It should be noted that there is a contingent liability if the County Council is: a) unable to recover all of the outstanding claims in ensuing years, b) if a clawback arrangement has to be implemented.
- b) Independent Insurance Company Limited, the County Council's liability insurers for the period 1 November 1993 to 31 October 1998, went into provisional liquidation in June 2001. Claims to date, for this period have been financed from the Council's insurance reserve, however, further claims may arise in the future.
- c) Projects that have been awarded lottery funds; if the assets provided are withdrawn from public use before the end of the agreed term, repayment of grant may be necessary.
- d) In order to finance potential claims in respect of uninsured losses arising prior to Local Government Reorganisation in 1997, a contingent liabilities reserve was created in 1996/97 from which claims against the County Council could be financed.

22. **Self insurance**

Provisions and reserves are operated to meet the self-insured deductibles for the following policies, however, stop loss insurance applies to fire and public/employers' liability policies.

	Deductible per Claim
	£
Fire	500,000
Public/Employers' liability	150,000
Fidelity guarantee	100,000

Apart from Museums, the Authority has no general insurance cover for the theft of contents from buildings. Similarly the Authority has no insurance cover against storm damage, floods, burst pipes, malicious damage, impact, earthquake and accidental damage. Schools, however, have the option to join a group self insurance scheme to cover the above risks.

23. Trust funds (excluded from the balance sheet)

The County Council acts as trustee and/or administrator for approximately 20 prize funds, endowments, scholarships and bequests. The original bequests are invested in either the Council's trust fund pooling scheme or in a range of other direct external investments.

Trustees are nominated by Leicestershire County Council, Leicester City Council and the National Trust to the Bradgate Park and Swithland Wood charity. This is the largest Trust the County Council is involved with, and due to the timing of the production of Leicestershire County Council's Statement of Accounts, the figures shown below are compiled on an estimated basis.

To the extent that income from these investments has not been utilised for prizes etc., the surplus funds are invested in short term deposits with various financial institutions.

Under regulations issued under the Charities Act 1993, trust fund accounts where annual income exceeds £10,000, require an independent examination.

The main trust funds are as follows:

TRUST FUNDS	Balance at 31 March 2004 £000	Income £000	Expend- iture £000	Balance at 31 March 2005 £000
Ashby Upper School Mary Smith Bequest *	48.7	5.5	5.5	48.7
Barrow-on-Soar Humphrey Perkins Endowment	15.9	0.9	0.1	16.7
Longwill Bequest No. 2	25.1	1.5	0.0	26.6
Kibworth High School Endowment	190.0	15.4	32.7	172.7
Melton Schools Longwill Bequest No. 1	11.5	1.3	0.4	12.4
Loughborough Art and Technical Colleges :				
Thomson Trust	18.7	1.0	0.0	19.7
Loughborough Technical School	248.4	11.4	0.0	259.8
Lutterworth Upper School Endowments	10.8	1.0	2.2	9.6
Nailstone Primary School Maynards Charity *	17.9	0.8	0.7	18.0
Bradgate Park and Swithland Wood Charity *	504.1	696.8	688.9	512.0
Others	40.0	3.6	2.0	41.6
Total Trust Funds	1,131.1	739.2	732.5	1,137.8

* Not sole trustee. The authority administers the funds and is represented on the board of trustees.

24. Pension Assets and Liabilities

The underlying assets and liabilities of the County Council at 31st March are as follows:

	31 March 2004 £000	31 March 2005 £000
Share of assets in County Council Fund	511,670	567,694
Estimated liabilities in County Council Fund		
Funded Benefits	(592,700)	(735,184)
Unfunded Benefits	(31,533)	(35,970)
Net pensions liability	(112,563)	(203,460)

The liability shows the underlying commitment that the authority has in the long run to pay retirement benefits. This liability of £203m has a substantial impact on the net worth of the authority as recorded in the balance sheet. Statutory arrangements, for funding the deficit will result in the deficit being made good by increased contributions by the employer over the remaining working life of employees as assessed by the actuary. It should be noted, however that the net liability is particularly sensitive to fluctuations in the stock market.

The FRS17 figures above incorporate staff of the Eastern Shires Purchasing Organisation (ESPO) whose staff are employed by Leicestershire County Council.

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories:

	Long-term rate of return expected	31 March 2004 £000	Long-term rate of return expected	31 March 2005 £000
Equity investments	7.7%	362,050	7.7%	408,162
Bonds	5.1%	90,770	4.8%	87,455
Property	6.5%	47,690	5.7%	56,186
Cash	4.0%	11,160	4.8%	15,891
		511,670		567,694

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as of 31st March 2004 and updated for the following year, by Hymans Robertson the independent actuaries to the County Fund. The main assumptions used in the calculations are:

	31 March 2004	31 March 2005
Rate of inflation	2.9%	2.9%
Rate of increases in salaries	4.4%	4.4%
Rate of increase in pensions	2.9%	2.9%
Rate for discounting scheme liabilities	6.5%	5.4%

The movement in the pension deficit for the year to 31 March 2005 is as follows:

	31 March 2004 £000	31 March 2005 £000
Net (deficit) at beginning of year	(178,250)	(112,563)
Adjustment		(1,267)
<u>Movement in year</u>		
Current service costs	(17,370)	(19,650)
Contributions	16,396	18,515
Past service costs	(609)	(19)
Impact of settlements and curtailments	(200)	(500)
Finance income	(6,980)	1,520
Actuarial gain / (loss)	74,450	(89,496)
Net deficit at end of year	(112,563)	(203,460)

25. 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.