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Leicestershire County Council 2006/07 Statement of Accounts.

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Copies of the Statement of Accounts and a large print version, are available from the Financial Services Division, Corporate Resources Department, Leicestershire County Council, County Hall, Glenfield, Leicester LE3 8RB. Tel: Leicester (0116) 2657643 or (0116) 3057643. Alternatively, the accounts can be viewed on the County Council's website by visiting [www.leics.gov.uk](http://www.leics.gov.uk).

# Explanatory Foreword

## Introduction

This document sets out the published statement of accounts of the Authority for 2006/07.

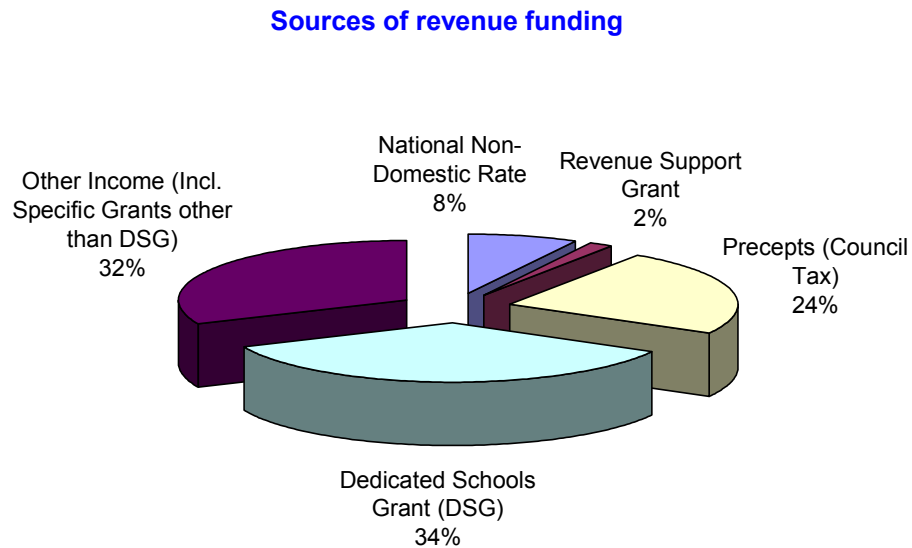
This foreword gives a brief summary of the overall financial position of the County Council, sets out how the County Council's budget is spent and financed and explains the purpose of the financial statements that are contained within the accounts.

## Income and expenditure

The following three charts show where the Council's revenue funding comes from, what services it provides and what the revenue money was spent on.

- **Sources of revenue funding**

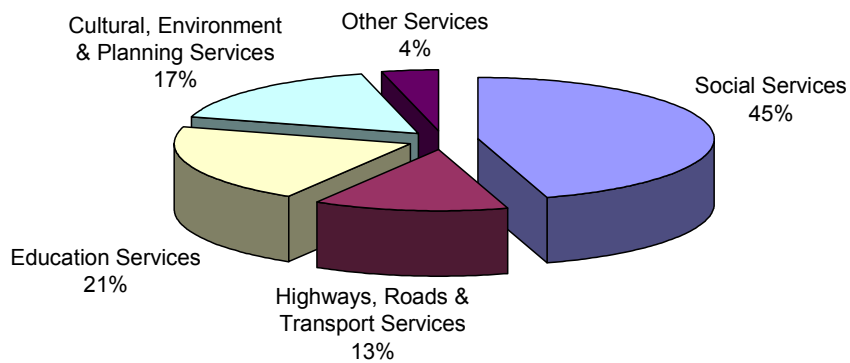
The chart below details the main sources of revenue funding received by the County Council.



▫ **Cost of services (net of specific grants including DSG)**

The above revenue funding is used to finance the various services provided by the County Council shown below:

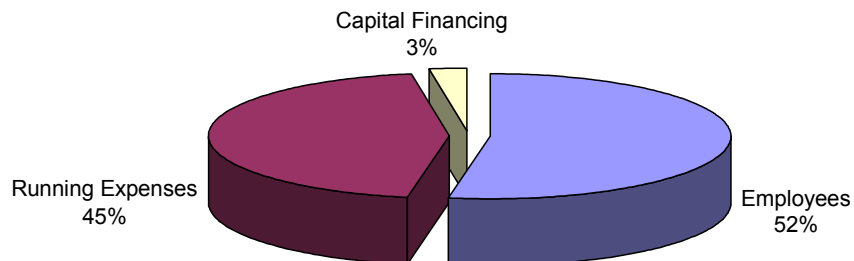
**Cost of services (net of specific grants including DSG)**



▫ **What the money was spent on**

The County Council services are made up of employee costs, running expenses including costs of premises, transport, supplies and services, third party payments etc., and capital financing which includes the cost of borrowing (interest and repayments). These are shown below.

**What the money was spent on**



### **Review of the Year - Income and expenditure**

In overall terms the County Council underspent against the original budget by £6.4m net of carry forwards (£10.3m gross). The significant underspends against the updated budget are set out below:-

#### **Underspends**

- Children & Young People (£3.2m)

The underspend mainly reflects the steps taken by the Authority to minimise underspending in the Local Area Agreement (LAA) grant funding that is subject to claw back arrangements by Central Government. Within education, staff vacancies particularly within human resources and school improvement & performance resulted in underspends in these areas. The main underspends in relation to children's social care were within residential care mainly as a result of additional income and foster care due to lower than anticipated number of placements. There were offsetting overspends in some areas including premature retirement costs as a result of increased numbers of redundancies and legal expenses relating to children's social care cases.

- Adult Social Care (£2.4m)

The residential care for older people budget along with the residential care budget for adults with physical disabilities underspent mainly as a result of increased income and reduced demand. In addition, the IT equipment budget underspent as a result of slippage in the electronic social care records project and the independent home care and meal service budgets underspent as a result of demand and a reduction in contract price. These underspends were partially offset by overspends on transport, mainly due to increased demand and direct payments, due to increased take up.

- Waste Disposal (£2.4m)

This was mainly due to the growth in waste tonnage being lower than anticipated, slippage on waste strategy projects and lower than expected disposal costs for fridges, tyres and electrical equipment.

- Bank and Other Interest (£2.3m)

This is a result of higher than forecast cash balances.

- Passenger Transport Unit (£1.1m)

The main underspend related to the achievement of efficiency savings arising from the review of the operation of mainstream, special educational need and contracted public bus services.

#### **Other**

- Two other significant financial transactions were entered into by the County Council that were not reflected in the original budget. Firstly, the Council agreed a final package of £5.2m to assist the Leicestershire & Rutland Primary Care Trust. The County Council will recoup the funding from the PCT in the financial year 2007/08. Secondly, to achieve efficiency savings early retirement costs of £1.6m that were previously spread over five years have been funded in full in 2006/07.

Readers of the accounts should note that the underspend reported in the explanatory foreword cannot be directly compared to that reported in the income and expenditure account. This is because the financial accounts comply with various reporting standards whereas the management accounts are compiled on slightly different basis. The key differences relate to the way in which reserves, provisions and carry forwards have been reported.

### **Review of the Year - Capital**

In 2006/07 the County Council spent £77.048m on capital projects. The table below shows the main areas of expenditure.

<b>Department</b>	<b>Outturn £000</b>
Children & Young People's	43,606
Highways, Transportation and Waste Management	25,468
Adult Social Care	1,187
Community Services (Libraries, Museums, Country Parks, Regeneration)	3,157
Resources (ICT, County Farms, Access for the Disabled, Risk Management)	1,561
Chief Executive (Various Grants for Rural Services)	118
Corporate (Change Management)	1,249
Other Capital Items	702
<b>Total</b>	<b><u>77,048</u></b>

The above expenditure was financed through several sources, the details of which appear in disclosure note 11.

The Council's long term borrowings, used to finance the purchase of assets were £362m at 31<sup>st</sup> March 2007. The book value of assets was £844m.

The most significant items of expenditure are set out below. Some of these projects represent work in progress and will be completed within the next two years.

	<b>£000</b>
<b>Schools</b>	
<i>Replacement of High Schools</i>	
□ Coalville Castle Rock	1,404
□ Wigston Bushloe	3,083
□ Oadby Gartree	8,369
□ Shepshed	8,121
□ Enderby Brockington – Contribution to replacement aided school	700
<b>Other</b>	
□ Hinckley Area Special School / Dorothy Goodman Special School	2,218
□ Coalville Warren Hills – Children's Centre	407
□ Loughborough Cobden – Children's Centre	845
<b>Highways &amp; Transport</b>	
□ Melton Junction Improvement	391
□ Desford Junction Improvement	253
□ Quorn Bridge	273
□ A6 Quorn to Loughborough – Major resurfacing	992
<b>Waste Management</b>	
□ Oadby Household Waste & Recycling Site	1,303

### **Future Prospects**

The relatively low increases in Central Government funding along with the objective to deliver reasonable council tax increases, means that the County Council will operate within a very tight financial environment over the medium term. Although Central Government has calculated that the 'like for like' increase in formula grant is 2.7% in 2007/08 the cash increase in 2007/08 is only 0.8%. It is unlikely that the 2007 comprehensive spending review will improve the outlook in later years, particularly given the recent announcement on the efficiency savings requirement.

The main demand and cost pressures over the medium term are within Adult Social Care and Waste Management. In Adult Social Care they relate to learning disabilities, home care and residential and nursing placements. The main pressure in Waste Management relates to landfill tax and recycling costs. Other pressures include capital financing and pension costs. In addition the Council continues to invest in service reconfiguration to both improve services and generate efficiency savings.

The County Council, to balance the medium term financial position and at the same time delivering reasonable council tax increases and investment in service improvements, will need to deliver significant savings. These will be generated from a combination of efficiency, disinvestment from lower priority services and increased charges.

The Corporate Strategy priorities have been factored into the financial plan. The most significant financial investments are likely to be in waste, learning disability services, children's services, and libraries.

The medium term financial strategy (MTFS) was approved by the County Council in February and it will be updated following the publication of the Comprehensive Spending Review 2007. This strategy sets out in more detail the medium term financial outlook and is available on the County Council's website at [www.leics.gov.uk](http://www.leics.gov.uk).

### **Changes in Accounting Policies**

Under the 2006 CIPFA SORP there has been the following change to accounting policies:

- The notional interest element of capital charges is no longer required to be charged to the income and expenditure account.

Due to this change the 2005/6 comparative figures in the Income and Expenditure account have been restated.

### **Contents of the Statement of Accounts**

#### **Income and Expenditure Account**

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

▫ ***Statement of Movement on the General County Fund Balance***

Shows the adjustments to the Income and Expenditure Account for statutory accounting requirements, to align with the accounting basis by which the authority set its council tax level.

▫ ***Statement of Total Recognised Gains and Losses***

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in net worth. In addition to the surplus generated on the income and expenditure account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

▫ ***Balance Sheet***

Sets out the financial position of the County Council on 31<sup>st</sup> March 2007. It incorporates all the funds of the Authority, both capital and revenue, with the exception of the Pension Fund and Trust Funds.

▫ ***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.

▫ ***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.

***Date of Authorisation of Accounts***

The accounts were authorised for issue **XX** *September 2007*, by the Director of Resources. This was the last date when events after the balance sheet date have been considered.

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