

## Notes to the Accounts

### 1. Income and Expenditure Account comparative figures for 2005/06

Statement showing a comparison between the Income and Expenditure account for 2005/6 with the corresponding consolidated revenue account disclosed in the 2005/6 Statement of Accounts.

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000s	Removal of capital financing charges £000s	Relocation of gov. grants deferred credits £000s	Interest on transferred debt £000s	Income and Expenditure Account 2005/06 comparatives £000s
Education Services	359,543	(18,347)	(534)		340,661
Social Services	119,774	(882)	(8)		118,884
Highways, Roads and Transport Services	44,350	(7,110)	(163)		37,077
Cultural, Environmental & Planning Services	44,166	(1,986)	(70)		42,112
Central Services to the Public	1,230	(16)			1,214
Courts Services	460				460
Housing Services	105	(16)			89
Corporate & Democratic Core	6,692	(447)			6,244
Non Distributed Cost	1,043				1,043
<b>Net Cost of Services</b>	<b>577,363</b>	<b>(28,804)</b>	<b>(775)</b>	<b>0</b>	<b>547,784</b>
Asset management revenue account / Interest payable and similar charges	(14,282)	28,953	775	3,387	18,833
Flood defence levies	236				236
Net (surplus) / deficit on trading a/c's	(313)	(149)			(462)
Interest and investment income	(5,239)				(5,239)
Pensions – Interest cost & expected return on assets	2,100				2,100
Principal & Interest on transferred debt	(2,158)			(3,387)	(5,545)
<b>Net Operating Expenditure</b>	<b>557,707</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>557,707</b>

## 2. *Dedicated Schools Grant*

For 2006/07, the arrangements for government support for funding of schools changed. Previously funds were provided as part of the authority's overall Revenue Support Grant. In 2006/7 the authority has received a specific grant – the Dedicated Schools Grant (DSG) from the DfES. The Education service outturn in the Income and Expenditure Account has been credited with £298m that would previously have been treated as part of the Revenue Support Grant in corporate income. The difference in Education spending between 2005/06 and 2006/07 is largely related to this change.

DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget. The schools budget includes elements for a restricted range of services provided on an authority-wide basis and for the individual schools budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. The council is able to supplement the schools budget from its own resource.

**Details of the deployment of DSG receivable for 2006/07 are as follows:**

	<b>Schools Budget Funded by DSG</b>		
	<b>Central Exp £000</b>	<b>Individual Schools Budget £000</b>	<b>Total £000</b>
Original grant allocation to school budget for the current year in the authority's budget	33,209	265,217	298,426
Adjustment to finalised grant allocation	(379)	0	(379)
DSG receivable for the year	32,830	265,217	298,047
Actual expenditure for the year	(32,099)	(266,073)	(298,172)
(Over)/underspend for the year	731	(856)	(125)
Planned top-up funding of individual schools budget from authority's resources	0	75	75
Use of schools balances b/fwd	0	0	0
(Over)/underspend from prior year	858	20,929	21,787
(Over)/underspend c/fwd	1,589	20,148	21,737

### 3. East Midlands Regional Assembly

East Midlands Regional Assembly (EMRA) is one of eight regional assemblies in England outside London. It was launched in 1999 and comprises 111 Members, with 2/3 being representatives of the region's local authorities, and 1/3 nominations from the wider social, environmental and business community.

The Regional Assembly has three main roles:

- Scrutiny of the East Midlands Development Agency (EMDA)
- Coordination and Regeneration of Regional Policies
- Undertaking the role of the Regional Housing, Planning and Transport Advisory Body

EMRA separated from the East Midlands Local Government Association with effect from 1<sup>st</sup> April 2006 and the County Council became employer and accountable body with effect from that date.

The accounts for EMRA are included within the Income and Expenditure Account under the heading of Cultural, Environmental & Planning Services.

#### *Income and Expenditure*

	<b>2006/07 £000</b>
Income	(2,488)
Transfer From Reserve	(91)
Expenditure	2,579
(Surplus)/Deficit	0

Current Service pension costs under FRS17 are excluded from the expenditure above, but total £33,045.

#### 4. *Trading accounts*

##### *Operations*

During the year the authority operated two separate accounts, which undertake trading activities of a material nature.

##### *a) Leicestershire Highways*

Leicestershire Highways is a business unit of the Highways, Transportation and Waste Management Department and its principal activities cover the maintenance and improvement of principal and county roads, the maintenance and erection of street lighting and the operation and maintenance of vehicles and plant.

##### *b) County Catering*

The Leicestershire County Catering Service provides a catering service to staff within County Hall.

##### *Income and Expenditure*

	<b>Leicester- shire Highways £000</b>	<b>County Catering £000</b>	<b>TOTAL £000</b>
Income	(28,111)	(1,039)	(29,150)
Expenditure	27,577	1,055	28,632
(Surplus)/Deficit in 2006/07	(534)	16	(518)
(Surplus)/Deficit in 2005/06	(450)	(12)	(462)

In order to satisfy the requirements of competition, recharges for all work done by a trading operation in competition with the private sector have been priced to include a cost of capital recovery. The SORP does not permit charges for cost of capital to be debited to trading accounts. If the cost of capital had been charged to Leicestershire Highways the surplus would be have been £400k

The County Catering service owns no fixed assets, therefore their accounts remain as above.

## 5. Pensions - Revenue Costs

### a) Local Government Pension Scheme

The cost of retirement benefits in the Net Cost of Services represents the cost of benefits earned during the year and past service costs which represent the estimated liability of discretionary benefits awarded in year, by the employer. The charge to Council Tax is based, however, upon the employers contribution paid in year to the Pension Fund, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General County Fund.

The following transactions have been made in the Income and Expenditure Account.

	2005/06 £000	2006/07 £000
Net Cost of Services		
current service cost	25,100	33,700
past service cost	500	2,900
Net Operating Expenditure		
interest cost	40,900	44,900
expected return on assets	(38,800)	(47,300)
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(6,398)	(7,170)
	21,302	27,030
Actual amount charged against the General Fund		
Balance for Pensions in the year		
Employers contributions	18,817	24,364
Unfunded benefits	2,485	2,666
	21,302	27,030

### b) Pension Assets and Liabilities

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

	31 March 2006 £000	31 March 2007 £000
Share of assets in County Council Fund	695,000	769,400
Estimated liabilities in County Council Fund		
Funded Benefits	(865,600)	(881,000)
Unfunded Benefits	(39,100)	(41,100)
Net pensions liability	(209,700)	(152,700)

The liability shows the underlying commitment that the authority has in the long run to pay retirement benefits. This liability of £152.7m 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.

The FRS17 figures above incorporate staff of the Eastern Shires Purchasing Organisation (ESPO) whose staff are employed by Leicestershire County Council but whose costs are excluded from these accounts.

The significant reduction in the deficit has arisen from improved investment returns and an increase in the discount rate applied to liabilities.

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 2006 £000	Long-term rate of return expected	31 March 2007 £000
Equity investments	7.4%	509,500	7.8%	546,900
Bonds	4.6%	104,700	4.9%	129,500
Property	5.5%	60,100	5.8%	65,800
Cash	4.6%	20,700	4.9%	27,200
		695,000		769,400

Liabilities of the fund have been based on the following assumptions

	31 March 2006	31 March 2007
Rate of inflation	3.1%	3.2%
Rate of increases in salaries	4.6%	4.7%
Rate of increase in pensions	3.1%	3.2%
Proportion of employees opting to take a commuted lump sum	0.0%	25.0%
Rate for discounting scheme liabilities	4.9%	5.4%

The movement in the pension deficit for the year to 31 March 2007 is as follows:

	31 March 2006 £000	31 March 2007 £000
Net (deficit) at beginning of year	(203,460)	(209,700)
Adjustment to opening balance		
Magistrates Courts Pension deficit transferred to HM Court Service	4,760	0
<b><i>Movement in year</i></b>		
Current service costs	(25,100)	(33,700)
Contributions	21,302	27,030
Past service costs	(300)	(700)
Impact of settlements and curtailments	(200)	(2,200)
Net return on assets	(2,100)	2,400
Actuarial (loss)/gain	(4,602)	64,170
Net deficit at end of year	(209,700)	(152,700)

**c) Movement on the Pensions Reserve**

The actuarial gains/losses identified as movements on the Pensions Reserve for the last five years are analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities.

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£000	%	£000	%	£000	%	£000	%	£000	%
Difference between the expected and actual return on assets	(133,666)	(32.9)	76,630	15.0	19,270	3.4	96,200	13.8	14,000	1.8
Difference between actuarial assumptions about liabilities and actual experience	(268)	(0.3)	(2,180)	(0.3)	16,204	2.1	(902)	(0.1)	(2,330)	(0.2)
Changes in the demographic and financial assumptions used to estimate liabilities					(124,970)	(16.2)	(99,900)	(11.0)	52,500	5.7
Gain / (Loss)	<b>(133,934)</b>		<b>74,450</b>		<b>(89,496)</b>		<b>(4,602)</b>		<b>64,170</b>	

**d) Teachers and Lecturer**

In 2006/07 the County Council paid £23.812m (2005/06 £22.673m) to the Teachers Pensions Agency in respect of teachers' pension costs, which represents 13.65% (2005/06 13.5%) of teachers' pensionable pay. In addition, the County Council is responsible for all pension payments relating to pension enhancements for added years service it has awarded together with the related increases. In 2006/07 these amounted to £1.8m (2005/06 £1.564m), representing 0.95% (2005/06 0.84%) of pensionable pay.



6. *Movement of fixed assets during the year*

	<b>Intangible Assets (Software Licences) £000</b>	<b>Land and Buildings £000</b>	<b>Vehicles Plant &amp; Equipment £000</b>	<b>Infrastructure £000</b>	<b>Community Assets £000</b>	<b>Non Operational Assets £000</b>	<b>Total £000</b>
<b>Net Book value as at 31 March 2006</b>	<b>798</b>	<b>596,899</b>	<b>3,609</b>	<b>155,856</b>	<b>9,966</b>	<b>12,021</b>	<b>779,149</b>
Revaluations & restatements	0	37,232	26	0	797	1,218	39,273
Additions	305	28,621	5,496	19,727	468	16,553	71,170
Disposals	0	(2,332)	0	0	0	0	(2,332)
Transfers between asset categories	0	4,809	0	0	0	(4,809)	0
Impairment	0	0	0	0	0	0	0
Expenditure not increasing value	(305)	(19,233)	(4,247)	0	0	0	(23,785)
<b>Book value as at 31 March 2007</b>	<b>798</b>	<b>645,996</b>	<b>4,884</b>	<b>175,583</b>	<b>11,231</b>	<b>24,983</b>	<b>863,475</b>
Less: Depreciation this year	(167)	(13,160)	(974)	(4,444)	0	0	(18,745)
Less: Writing down leased assets	0	(52)	0	0	0	0	(52)
<b>Net book value as at 31 March 2007</b>	<b>631</b>	<b>632,784</b>	<b>3,910</b>	<b>171,139</b>	<b>11,231</b>	<b>24,983</b>	<b>844,678</b>

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 2006	3,301	5,704	3,016	12,021
Revaluations and restatements	(291)	0	1,509	1,218
Additions	0	16,553	0	16,553
Disposals	0	0	0	0
Transfers between asset categories	91	(3,506)	(1,394)	(4,809)
Impairment	0	0	0	0
Expenditure not increasing value	0	0	0	0
<b>Net book value as at 31 March 2007</b>	<b>3,101</b>	<b>18,751</b>	<b>3,131</b>	<b>24,983</b>

#### 7. 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 6 above as these represent the gross values of the Fixed Assets as at the last revaluation whereas note 6 includes depreciation.

	Land and Buildings £000	Infra-Structure £000	Community Assets £000	Vehicles, Plant & Equipment £000	Non-Operational Assets £000	Total £000
<b>Valued at historical cost</b>	0	177,763	11,756	4,185	0	193,704
<b>Valued at current value in:</b>						
Current Year	320,159	0	0	0	3,021	323,180
Previous Years	310,938	0	0	0	3,211	314,149
<b>Total</b>	<b>631,097</b>	<b>177,763</b>	<b>11,756</b>	<b>4,185</b>	<b>6,232</b>	<b>831,033</b>

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

	31 March 2006	31 March 2007
<b>Land</b>		
This figure excludes highways land	4,612 ha	4,597 ha
<b>Number of properties held by services – Education (incl Voluntary Aided &amp; Controlled)</b>		
Nursery school	1	1
Primary schools	226	225
Secondary schools (excl 4 foundation schools)	50	50
Special schools	6	7
Outdoor pursuits centres	3	3
Teachers centres	1	1
Free standing youth and community centres	5	9
Client and Technical Support offices and depots	8	8
Common playing fields	1	1
<b>Social Services</b>		
Children's homes and hostels	3	3
Homes for the elderly	10	10
Homes for adults with learning difficulties	6	5
Homes for the recovering mentally ill	1	1
Day nurseries and family centres	3	3
Day centres for people with learning difficulties	5	5
Day centres for the physically handicapped	2	2
Local offices	4	4
<b>Highways &amp; Transport</b>		
Principal and other roads	4,294 km	4,306 km
Highways/DLO depots	9	8
<b>Waste Disposal</b>		
Household refuse & recycling sites and transfer stations (domestic and trade)	14	14
<b>Other Properties</b>		
County Hall	1	1
Administrative offices	5	5
Castle House	1	1
County Farms	85	83
School Caretakers' Houses	62	54
Properties acquired in advance of future developments and properties awaiting disposal	72	78
Industrial units	228	226
Travellers sites	2	2
<b>Community Assets</b>		
Country Parks	18	17
<b>Libraries and Information</b>		
Libraries	52	52
<b>Heritage Services</b>		
Museums	3	3
Record Office	1	1
Resources Centre	1	1
<b>Regulatory Services</b>		
Offices for the Registration of Births, Deaths and Marriages	3	3

### 9. *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 balance sheet. In this authority, there are four Foundation Schools with a fixed asset valuation of £26.980m as at 31<sup>st</sup> March 2007 (2005/6 £15.140m). The main reason for the significant increase this year is due to the rebuild of Bushloe High School, Wigston.

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.

### 10. *Deferred charges*

	2005/06 £000	2006/07 £000
Balance at 31 March	0	0
Gross Expenditure	8,889	5,878*
Income received	(574)	(1,448)
Amount charged to Income and Expenditure Account	(8,315)	(4,430)
Amount written off to Capital Financing Account	0	0
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

\* includes capital expenditure of £2.94m on the replacement of a foundation school.

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

	<b>2005/06 £000</b>	<b>2006/07 £000</b>
Total Capital Expenditure	88,686	77,048
Financed by:		
Usable Capital Receipts	(5,967)	(5,968)
Government Grants & Contributions from external bodies	(28,140)	(33,057)
Reserves	(345)	(514)
Revenue Funding	(1,187)	(206)
Balance representing borrowing requirement	53,047	37,303
Opening Capital Financing Requirement	286,227	325,864
Add: Borrowing Requirement	53,047	37,303
Less: Minimum Revenue Provision	(11,798)	(13,399)
Other Movements	(1,612)	(201)
Closing Capital Financing Requirement	325,864	349,567
Increase in underlying need to borrow:		
Supported by government financial assistance	46,617	26,808
Unsupported by government financial assistance	6,430	10,495

## 12. 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:

	2007/08 £000	2008/09 and later £000
2006/07 and earlier year schemes	20,470	17,794

Major contracts entered into during 2006/07 and earlier, where significant payments remain to be made to contractors, include:

	£000
<b>Schools</b>	
Oadby Gartree High – Replacement	3,592
Shepshed High – Replacement	2,098
Hinckley Dorothy Goodman – Adaptations to Special School	162
<b>Community Services</b>	
Bosworth Battlefield Visitor Centre	463
Mountsorrel Library	582
Braunstone Library	485

## 13. Grants and contributions deferred

	2005/06 £000	2006/07 £000
Balance at 31 March	43,504	52,195
Transfer of Magistrates Courts assets to HMCS	(1,627)	0
Grants and contributions received to finance capital expenditure	25,697	36,517
Transfer from Capital Contributions unapplied	2,443	(3,460)
Write off to Capital Financing Account – income received on assets not increasing value	(16,472)	(22,060)
Release to Income & Expenditure Account	(775)	(923)
Income relating to expenditure on Deferred Charges	(575)	(1,449)
<b>Balance at 31 March</b>	<b>52,195</b>	<b>60,820</b>

**14. Publicity**

Section 5 of the Local Government Act 1986 requires the Authority to maintain a separate account of expenditure on a wide range of publicity activities.

This expenditure is included within service totals and is given below:

	2005/06 £000	2006/07 £000
Staff advertising	1,438	1,237
Other advertising	289	244
Public relations	360	426
Other publicity (including tourism)	1,087	1,188
<b>Total</b>	<b>3,174</b>	<b>3,095</b>

**15. Agency work**

The County Council acts as agent to the various Primary Care Trusts in the County for the payment of the nursing care element of accommodation charges in care homes. Payments reimbursed total £3.3m (2005/06 £3.2m).

**16. Local Authorities Goods and Services Act 1970**

The Council provides services to other local authorities and public bodies under the Local Authorities (Goods and Services) Act 1970. The services provided consist of financial, forestry and arboriculture, agricultural planning appraisals and caretaking. The organisations to whom these activities are provided, together with the income generated, are listed below. Charges for these services are set at a level to ensure the full recovery of cost.

	2005/06 £000	2006/07 £000
Services to Leicestershire Police Authority	11	0
Services to Combined Fire Authority	97	101
Services to Probation Board	92	88
Property Services to other bodies	155	173
<b>Total</b>	<b>355</b>	<b>362</b>

The Council also administers the Concessionary Travel Fees Scheme for areas covered by the Leicester City Council and the District Councils in Leicestershire for which income and expenditure is shown below:

	2005/06 £000	2006/07 £000
Income	(1,751)	(7,288)
Expenditure	1,751	7,322
Net Cost	0	34

### 17. Pooled Budgets

The Council's Adult and Social Care department participates in two pooled budget arrangements with health authorities as set out below:

- a) The supply of aids for daily living with Leicester City Council, Rutland County Council and the six primary care trusts. Leicester City West P.C.T acts as the host authority. This authority contributed £0.716m (2005/06 £0.624m) to the pool.
- b) The provision of services for adults with learning difficulties, commenced in December 2005. The other members of the pool are the four County primary care trusts and Rutland County Council. This authority acts as host to the arrangement.

The memorandum account shows total expenditure of £46.297m and gross income of £45.411m. The overspend will be recovered from the various partners. The County Council's share of this overspend is £549,000 which has been incorporated in the accounts.

### 18. Officers Emoluments

The number of employees (including teachers) whose remuneration, excluding pension contributions was £50,000 or more in bands of £10,000 is detailed below, together with last year's comparative figures:

Remuneration Band	Number of Employees 2005/06	Number of Employees 2006/07
£50,000 - £59,999	78	97
£60,000 - £69,999	38	43
£70,000 - £79,999	7	8
£80,000 - £89,999	6	5
£90,000 - £99,999	4	6
£100,000 - £109,999	1	3
£110,000 - £119,999	0	2
£120,000 - £129,999	0	0
£130,000 - £139,999	1	1
<b>Total</b>	<b>135</b>	<b>165</b>