

Contents

Leicestershire County Council 2007/08 Statement of Accounts.

	Page
Explanatory Foreword	2
Primary Statements	
Income and Expenditure Account	8
Statement of Movement on the General County Fund Balance	9
Statement of Total Recognised Gains and Losses	11
Balance Sheet	12
Cash Flow Statement	14
Notes to the Accounts	15
Statement of Responsibilities for the Statement of Accounts	51
Summary Annual Governance Statement	52
Statement of Accounting Policies and Estimation Techniques	54
Pension Fund	62
- Fund Account	64
- Net Assets Statement	65
- Notes to the Accounts	66
Audit Opinion	Awaited
Glossary of Terms	79

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) 3057643. Alternatively, the accounts can be viewed on the County Council's website by visiting www.leics.gov.uk.

Explanatory Foreword

Introduction

This document sets out the published statement of accounts of the Authority for 2007/08.

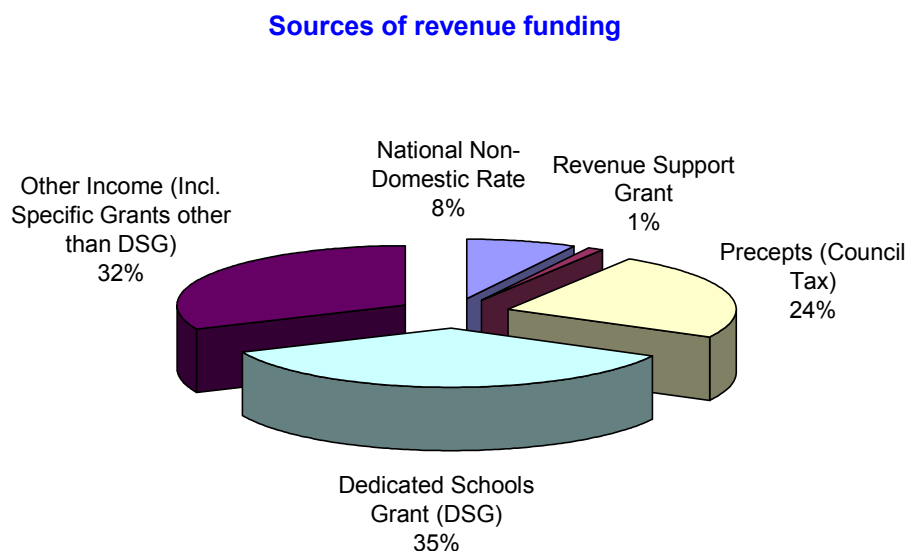
The foreword gives a brief summary of the overall financial position of the County Council, sets out how the County Council's budget is spent and financed and explains the purpose of the financial statements that are contained within the accounts.

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

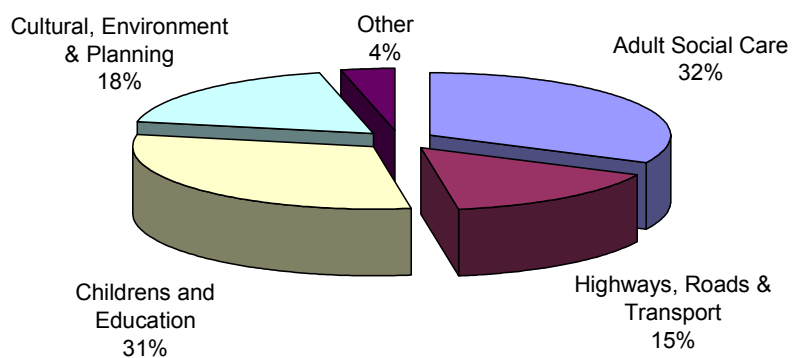
The chart below details the main sources of revenue funding received by the County Council.



▫ **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:

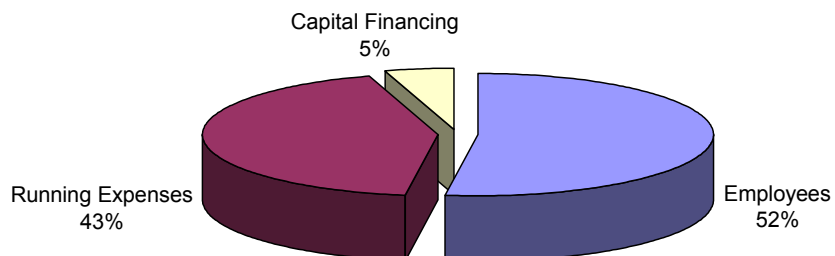
Cost of services (net of specific grants including DSG)



▫ **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

Overall the County council under spent against the original budget by £10.28m net of carry forwards (£16.28m gross). The significant underspends against the budget are set out below:-

Underspends

Children and Young People (£2.0m net)

The underspend mainly reflects the utilisation of Local Area Agreement (LAA) funding for Children's and Young People in order to minimise the underspend in LAA grant funding that is subject to claw back arrangements with Central Government. In addition underspends related to staff vacancies across the department, additional early years income, decrease in the number of foster placements and accounting adjustments. These were partially offset by an increase in the number of children's residential placements and additional support staff costs associated with Job Evaluation.

Adult Social Care (£0.08m net)

The residential care budget for adults with physical disabilities, meals service and home care underspent due a reduction in demand. However, these were offset by additional demand for direct payments and transport. In addition, some slippage arose in projects relating to a) the modernisation of in-house residential and day services for people with learning disabilities and b) IT developments.

Waste Management (£3.09m net)

The underspend was mainly due to higher diversion from landfill and implementation of the Waste Electrical and Electronic Equipment (WEEE) regulations resulting in reduced costs. Other savings arose from additional income, staff vacancies and slippage in waste minimisation projects.

Highways and Transportation (£1.09m net)

The majority of the underspend relates to the transfer of highways expenditure to capital to utilise funding from the 2006/07 PCT arrangements. Other underspends arose from staff vacancies and energy savings which were offset by overspends in safety and street lighting maintenance.

Central Items (£3.6m net)

Additional income on bank and other interest (£2.0m) arose from higher than forecast balances and higher interest rates. Capital financing costs reduced by (£1.3m) due to statutory regulations and lower long term interest rates on new loans.

Passenger Transport (£0.52m net)

The underspend relates to continuing savings from revised contracts and increased income on mainstream schools, special educational needs and student support transport. This offsets an increase in costs in Adult Social Care Transport.

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 a slightly different basis. The key differences relate to the way which reserves, depreciation, impairment of fixed assets and carry forwards are reported.

Review of the Year - Capital

In 2007/08 the County Council spent £72.5m on capital projects. The table below shows the main areas of expenditure.

Department	Outturn £m
Children & Young People	33.6
Highways, Transportation and Waste Management	26.4
Adult Social Care	2.1
Community Services (Libraries, Museums, Country Parks, Regeneration)	3.9
Resources (ICT, County Farms, Access for the Disabled, Risk Management)	1.7
Chief Executive (Various Grants for Rural Services)	0.6
Corporate (Change Management)	3.4
Other Capital Items	0.8
Total	72.5

The above expenditure was financed through several sources, the details of which appear in disclosure note 10.

The Council's long term borrowing used to finance the purchase of assets was £371m at 31st March 2008. The book value of fixed assets was £900m.

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.

	£m
Schools	
<i>Replacement of High Schools</i>	
▫ Shepshed Hind Leys	0.6
▫ Enderby Brockington – Contribution to replacement aided school	1.1
<i>Other</i>	
▫ New Area Special School - Coalville	3.3
▫ Oadby Brocks Hill – Major Refurbishment	0.7
Highways & Transport	
▫ Melton Junction Improvement	0.8
▫ Thurmaston – A607 Bus Corridor	0.3
▫ Earl Shilton By-Pass	0.3
▫ A6 Hathern – Major resurfacing	5.5

Future Prospects

The magnitude of spending pressures faced by the County Council coupled with the relatively low increases in Central Government funding and the objective to deliver reasonable council tax increases, means that the County Council will continue to operate within a very tight financial environment over the medium term. The Comprehensive Spending Review 2007 indicated formula grant settlement figures for the next three years, 2008/9 – 2010/11 averaged an increase of 4.5% and included a 3% cashable savings requirement.

The main costs and risks over the medium term continue to come from waste disposal (landfill costs, diversion from landfill and recycling costs) and Adult and Children's Social Care costs (home care, placements and learning disabilities). There is significant pressure to deliver planned efficiency savings and the Council will need to continue to invest in service reconfiguration both to improve both services and generate greater efficiency savings.

The Sustainable Community Strategy and the Local Area Agreement have been factored into the financial plan. The most significant investments are likely to be in Waste and Adult Social Care, including home care and residential learning disabilities.

The medium term financial strategy (MTFS) was approved by the County Council in February 2008 and will be updated during the autumn 2008. This strategy is available on County Councils website at www.leics.gov.uk.

Changes in Accounting Policies

Under the 2007 SORP there has been the following changes to accounting policies:

□ Financial Instruments

FRS 25, 26 & 29 have been incorporated into the SORP, which has resulted in a revised measurement and reporting of borrowings and financial investments. This has been reflected in note 13 to the accounts.

Statutory regulations were introduced in 2007/8 in order to avoid these accounting changes impacting upon council tax; this has resulted in the creation of a new Financial Instruments Adjustment account in the Balance Sheet.

Accrued interest on both borrowing and investments are now included in the carrying amount of the loan rather than as creditors/debtors as in the past.

□ Revaluation of Assets

The SORP has introduced a fully Generally Accepted Accountancy Principles (GAAP) compliant Revaluation Reserve with effect from 1st April 2007, resulting in the demise of the Fixed Asset Restatement Account and Capital Financing Accounts and have been replaced with the Revaluation Reserve and Capital Adjustment Account.

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***

This 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 deficit arising 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 31st March 2008. 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 (Awaited)

The accounts were authorised for issue on _____, by the Director of Corporate Resources. This was the last date when events after the balance sheet date have been considered.

B ROBERTS
DIRECTOR OF CORPORATE RESOURCES

DATE: