

# Notes to the Accounts

## 1. Dedicated Schools Grant

In 2007/8 the authority received a specific grant – the Dedicated Schools Grant (DSG) from the Department for Children, Schools and Families (DCSF). The Education service outturn in the Income and Expenditure Account has been credited with £313.5m (2006/07 £298m).

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 resources.

Details of the deployment of DSG receivable for 2007/08 are as follows:

	Schools Budget Funded by DSG					
	2006/07			2007/08		
	Central Exp £m	Individual Schools Budget £m	Total £m	Central Exp £m	Individual Schools Budget £m	Total £m
Original grant allocation to school budget for the current year in the authority's budget	33.2	265.2	298.4	32.7	281.2	313.9
Adjustment to finalised grant allocation	(0.4)	0	(0.4)	(0.4)	0	(0.4)
DSG receivable for the year	32.8	265.2	298.0	32.3	281.2	313.5
Actual expenditure for the year	(32.1)	(266.1)	(298.2)	(32.6)	(277.3)	(309.9)
(Over)/underspend for the year	0.7	(0.9)	(0.2)	(0.3)	3.9	3.6
Planned top-up funding of individual schools budget from authority's resources	0	0	0	0	0	0
Use of schools balances b/fwd	0	0	0	0	0	0
(Over)/underspend from prior year	0.9	21.0	21.9	1.6	20.1	21.7
(Over)/underspend c/fwd	1.6	20.1	21.7	1.3	24.0	25.3

## 2. 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 Local Government East Midlands (LGEM) 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*

	2006/07 £m	2007/08 £m
Income	(2.5)	(2.9)
Transfer (from) / to Reserve	(0.1)	0
Expenditure	2.6	2.9
(Surplus)/Deficit	0	0

Current Service pension costs under FRS17 are less than £0.1m and are excluded from the expenditure above for both financial years.

### 3. Trading accounts

#### Operations

During the year the authority operated three 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.

#### c) Industrial Properties

Leicestershire County Council property services provides direct services to the local economy through the letting of Industrial units to local businesses.

#### Income and Expenditure

	<b>Leicester- shire Highways £m</b>	<b>County Catering £m</b>	<b>Industrial Properties £m</b>	<b>TOTAL £m</b>
Income	27.8	1.0	1.7	30.5
Expenditure	27.5	1.0	1.2	29.7
(Surplus)/Deficit in 2007/08	(0.3)	0.0	(0.5)	(0.8)
(Surplus)/Deficit in 2006/07	(0.5)	0.0	(0.6)	(1.1)

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 £0.2m (2006/07 £0.4m).

The County Catering service owns no fixed assets, therefore their accounts remain as above, whilst Industrial Properties are charged with debt charges (based on financing costs of past capital expenditure).

#### 4. 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 figures in the accounts have been compiled by an Actuary, based largely on a roll forward of data utilised in the last full valuation of the Pension Fund as at 31st March 2007. 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.

	2006/07 £m	2007/08 £m
Net Cost of Services		
current service cost	33.7	31.0
past service cost	2.9	2.3
Net Operating Expenditure		
interest cost	44.9	50.0
expected return on assets	(47.3)	(54.3)
	34.2	29.0
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(7.2)	0.7
	27.0	29.7
Actual amount charged against the General Fund		
Balance for Pensions in the year		
Employers contributions	24.3	26.9
Unfunded benefits	2.7	2.8
	27.0	29.7

##### 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 2007 £m	31 March 2008 £m
Share of assets in County Council Fund	769.4	747.7
Estimated liabilities in County Council Fund		
Funded Benefits	(881.0)	(846.3)
Unfunded Benefits	(41.1)	(41.0)
Net pensions liability	(152.7)	(139.6)

The liability shows the underlying commitment that the authority has in the long run to pay retirement benefits. This liability of £139.6m 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 figures in this note 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 as these costs are included in ESPO's own accounts.

The overall deficit has reduced by 9% due largely to improved investment returns as reflected in the yield on corporate bonds in 2007/8 which reduces overall scheme 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 2007 £m	Long-term rate of return expected	31 March 2008 £m
Equity investments	7.8%	546.9	7.7%	553.4
Bonds	4.9%	129.5	5.7%	122.4
Property	5.8%	65.8	5.7%	60.1
Cash	4.9%	27.2	4.8%	11.8
		769.4		747.7

Liabilities of the fund have been based on the following assumptions

	31 March 2007	31 March 2008
Rate of inflation	3.2%	3.6%
Rate of increases in salaries	4.7%	5.1%
Rate of increase in pensions	3.2%	3.6%
Proportion of employees opting to commute part of their pension to a lump sum	25.0%	50.0%
Rate for discounting scheme liabilities	5.4%	6.9%

The movement in the pension deficit for the year to 31 March 2008 is as follows:

	31 March 2007 £m	31 March 2008 £m
Net (deficit) at beginning of year	(209.7)	(152.7)
<b><i>Movement in year</i></b>		
Current service costs	(33.7)	(31.0)
Contributions	27.0	29.7
Past service costs	(0.7)	(1.2)
Impact of settlements and curtailments	(2.2)	(1.1)
Net return on assets	2.4	4.3
Actuarial (loss)/gain	64.2	12.4
Net deficit at end of year	(152.7)	(139.6)

**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.

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£m	%	£m	%	£m	%	£m	%	£m	%
Difference between the expected and actual return on assets	76.6	15.0	19.3	3.4	96.2	13.8	14.0	1.8	(92.6)	(12.4)
Difference between actuarial assumptions about liabilities and actual experience	(2.2)	(0.3)	16.2	2.1	(0.9)	(0.1)	(2.3)	(0.3)	(53.8)	(6.0)
Changes in the demographic and financial assumptions used to estimate liabilities			(125.0)	(16.2)	(99.9)	(11.0)	52.5	5.7	158.6	17.9
Gain / (Loss)	<b>74.4</b>		<b>(89.5)</b>		<b>(4.6)</b>		<b>64.2</b>		<b>12.2</b>	

**d) Teachers and Lecturers**

In 2007/08 the County Council paid £25.5m (2006/07 £23.8m) to the Teachers Pensions Agency in respect of teachers' pension costs, which represents 14.1% (2006/07 13.65%) 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 2007/08 these amounted to £1.8m (2006/07 £1.8m), representing 0.95% (2006/07 0.95%) of pensionable pay.

**5. Movement of fixed assets during the year**

	<b>Land and Buildings</b>	<b>Vehicles Plant &amp; Equipment</b>	<b>Intangible Assets (Software Licences)</b>	<b>Infra-structure</b>	<b>Community Assets</b>	<b>Non Operational Assets</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Net Book value as at 31 March 2007	632.8	3.9	0.6	171.1	11.2	25.0	844.6
Adjustments to Asset Lives & previous year	(5.9)	0	0	0	0	0	(5.9)
Additions	29.4	8.8	0.6	22.2	0.3	8.0	69.3
Disposals	(4.9)	0	0	0	0	0	(4.9)
Transfers between asset categories	18.3	0	0	0	0.5	(18.8)	0
Revaluations & Restatements	55.3	0	0	0	0	0.2	55.5
Capital expenditure not increasing value	(18.5)	(7.5)	(0.1)	0	0	0	(26.1)
Impairment (downward valuations)	(12.7)	0	0	0	0	(0.2)	(12.9)
<b>Book value as at 31 March 2008</b>	<b>693.8</b>	<b>5.2</b>	<b>1.1</b>	<b>193.3</b>	<b>12.0</b>	<b>14.2</b>	<b>919.6</b>
Less: Depreciation this year	(13.8)	(1.1)	(0.2)	(4.9)	0	0	(20.0)
Less: Writing down leased assets	0	0	0	0	0	0	0
<b>Net book value as at 31 March 2008</b>	<b>680.0</b>	<b>4.1</b>	<b>0.9</b>	<b>188.4</b>	<b>12.0</b>	<b>14.2</b>	<b>899.6</b>



The table below breaks down non-operational assets.

	Non-Operational Assets			Total £m
	Investment Properties £m	Assets Under Construction £m	Assets held for Disposal £m	
Net Book value as at 31 March 2007	3.1	18.8	3.1	25.0
Adjustments to Asset lives & previous year	0	0	0	0
Additions	0.3	7.7	0	8.0
Disposals	0	0	0	0
Transfers between asset categories	0	(18.8)	0	(18.8)
Revaluations and restatements	0.2	0	0	0.2
Capital Expenditure not increasing value	0	0	0	0
Impairment	(0.2)	0	0	(0.2)
<b>Net book value as at 31 March 2008</b>	<b>3.4</b>	<b>7.7</b>	<b>3.1</b>	<b>14.2</b>

## 6. 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 5 above as these represent the gross values of the Fixed Assets as at the last revaluation whereas note 5 includes depreciation.

	Land and Buildings £m	Infra-Structure £m	Community Assets £m	Vehicles, Plant & Equipment £m	Non-Operational Assets £m	Total £m
<b>Valued at historical cost</b>	0.0	197.5	11.7	4.8	0.0	214.0
<b>Valued at current value in:</b>						
Current Year	268.9	0.0	0.0	0.0	0.3	269.2
Previous Years	231.2	0.0	0.0	0.0	3.0	234.2
<b>Total</b>	<b>500.1</b>	<b>197.5</b>	<b>11.7</b>	<b>4.8</b>	<b>3.3</b>	<b>717.4</b>

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

	31 March 2007	31 March 2008
<b>Land</b>		
This figure excludes highways land	4,597 ha	4,894 ha
<b>Number of properties held by services – Children &amp; Young People’s Service (incl Voluntary Aided &amp; Controlled)</b>		
Nursery school	1	1
Primary schools	225	225
Secondary schools (excl 4 foundation schools)	50	50
Special schools	7	7
Outdoor pursuits centres	3	3
Teachers centres	1	1
Free standing youth and community centres	9	9
Client & Technical Support offices and depots	8	4
Common playing fields	1	1
Children’s homes and hostels	3	3
Day nurseries and family centres	3	3
<b>Adult Social Care</b>		
Homes for the elderly	10	10
Homes for adults with learning difficulties	5	5
Homes for the recovering mentally ill	1	1
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	4,306 km	4,303 km
Highways/DLO depots	8	8
Former Client & Technical Support offices and depots	0	4
<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	83	83
School Caretakers’ Houses	54	45
Properties acquired in advance of future developments and properties awaiting disposal	78	90
Industrial units	228	228
Travellers sites	2	2
<b>Community Assets</b>		
Country Parks	17	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

## 8. *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 valuation of £24.0m as at 31<sup>st</sup> March 2008 (2006/7 £27.0m). The main reason for the decrease this year is due to the valuation of Wigston Bushloe High School, against the capital rebuild cost.

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.

## 9. *Deferred charges*

	2006/07 £m	2007/08 £m
Balance brought forward	0	0
Gross Expenditure	5.9	3.2*
Income received	(1.5)	(1.4)
Amount charged to Income and Expenditure Account	(4.4)	(1.8)
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

\*includes capital expenditure of £1.1m for Brockington Community College which is now an aided school.

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

	2006/07 £m	2007/08 £m
Total Capital Expenditure	77.0	72.5
Financed by:		
Usable Capital Receipts	(6.0)	(5.0)
Government Grants & Contributions from external bodies	(33.0)	(44.0)
Reserves	(0.5)	(0.5)
Revenue Funding	(0.2)	(2.3)
Balance representing borrowing requirement	37.3	20.7
Opening Capital Financing Requirement	325.4	349.2
Add: Borrowing Requirement	37.3	20.7
Less: Minimum Revenue Provision	(13.4)	(14.1)
Other Movements	(0.1)	(0.2)
Closing Capital Financing Requirement	349.2	355.6
Increase in underlying need to borrow:		
Supported by government financial assistance	26.8	20.4
Unsupported by government financial assistance	10.5	0.3

**11. 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:

	2008/09 £m	2009/10 and later £m
2007/08 and earlier year schemes	23.5	5.8

Major contracts entered into during 2007/08 and earlier, where significant payments remain to be made to contractors, include:

	<b>£m</b>
<b>Schools</b>	
North West Leics Area Special School	4.9
<b>Children Centres</b>	
Ashby Woodcote	0.2
Thurmaston Eastfield	0.3
Other	0.6
<b>Community Services</b>	
Oadby Library	0.5
Ashby Canal land purchase	0.9
<b>Highways</b>	
Earl Shilton Bypass	10.1

## 12. Grants and contributions deferred

	<b>2006/07 £m</b>	<b>2007/08 £m</b>
Balance brought forward	52.2	60.8
Grants and contributions received in year to finance capital expenditure	36.5	45.3
Grants and contributions received not yet applied	(3.4)	(1.3)
Write off to Income & Expenditure Account – income received on assets not increasing value	(22.1)	(14.9)
Release to Income & Expenditure Account to match depreciation	(0.9)	(1.2)
Income relating to expenditure on deferred charges charged to Income and Expenditure Account	(1.5)	(1.4)
<b>Balance at 31 March</b>	<b>60.8</b>	<b>87.3</b>

### 13. Financial Instruments

The borrowings and investments disclosed in the balance sheet consist of the following categories of financial instrument:

	Long Term		Current	
	31 March 2007 £m	31 March 2008 £m	31 March 2007 £m	31 March 2008 £m
<b>Financial Liabilities: (Borrowings)</b>				
at Amortised Cost	301.0	313.9	0.7	0.7
at Fair Value	62.1	62.7	-	-
<b>Total Borrowings</b>	<b>363.1</b>	<b>376.6</b>	<b>0.7</b>	<b>0.7</b>
<b>Financial Assets: (Investments)</b>				
at Amortised Cost	65.0	60.0	76.6	107.1
at Fair Value	0	0.2	-	-
<b>Total Investments</b>	<b>65.0</b>	<b>60.2</b>	<b>76.6</b>	<b>107.1</b>

Gains and Losses recognised in the Income and Expenditure Account:

	2006/7		2007/8	
	At Amortised Cost £m	At Fair Value £m	At Amortised Cost £m	At Fair Value £m
<b>Financial Liabilities</b>				
Interest Paid	17.0	2.7	16.1	2.7

	2006/7		2007/8	
	Loans and Receivables £m	At Fair Value £m	Loans and Receivables £m	At Fair Value £m
<b>Financial Assets</b>				
Interest Received	9.0	-	10.3	0.2

### ***Fair Value of Assets and Liabilities carried at amortised cost***

Financial liabilities and financial assets represented by Borrowings and Investments are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- PWLB and Market debt; estimated interest rates at 31<sup>st</sup> March 2008 for new debt with the same maturity date from comparable lenders.
- Investments; long term – estimated interest rates at 31<sup>st</sup> March 2008 for equivalent loans.
- Investments; short term – carrying amounts in the balance sheet approximate to fair value.

The fair values calculated are as follows:

	31st March	
	Carrying Amount £m	At Fair Value £m
Financial Liabilities	377.3	449.6
Financial Assets	167.1	192.2

The fair value of financial liabilities is more than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lenders requested or agreed to early repayment of the loans.

Financial assets - fair value is higher than the carrying amount because the authority holds investments where the interest rate is higher than current market rate.

### ***Disclosure of nature and extent of risks arising from financial instruments***

The authority's activities expose it to a variety of financial risks:

- (i) Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- (ii) Liquidity – the possibility that the authority might not have funds available to meet its commitments to make payments
- (iii) Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Corporate Resources department, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

**(i) Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

Banking institutions must have the highest possible short term credit rating as assessed by the credit-rating agency Fitch, or be a wholly-owned subsidiary of that bank, to qualify as counterparty for deposits. Building Societies similarly need to attain an appropriate credit rating as assessed by Moody's (another credit-rating agency) with a minimum of £2.5bn of assets to be acceptable. Maximum limits for funds on loan and maturity dates exist for each institution and vary according to credit rating. The highest limit for any counterparty is £25m.

Customers are not assessed for credit risk other than for tenancy agreements and major contracts.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	<b>Amount at 31 March 2008</b>	<b>Historical experience of default</b>	<b>Historical experience adjusted for market conditions at 31 March 2008</b>	<b>Estimated maximum exposure to default and uncollectability £m</b>
	<b>£m</b>	<b>%</b>	<b>%</b>	
Deposits with banks and financial institutions	167.1	0	0	0
Sales ledger	10.2	0.18	0	0.1

The authority does not expect any losses from non-performance by any of its counterparties in relation to deposits, with financial institutions.

Credit limits are not generally imposed on customers and clients of County Council services.

The sales ledger debt is £10.2m of which £0.9m is secured debt for residential care charges. The sales ledger debt can be analysed by age as follows:

	<b>£m</b>
Less than three months	7.7
Three to six months	0.7
Six months to one year	0.7
More than one year	1.1
<b>Total</b>	<b>10.2</b>



## (ii) Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates. The strategy is to ensure that not more than 50% of loans are due to mature within any rolling five-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	Total Principal Outstanding At 31 March	
	2007 £m	2008 £m
<b>Lender</b>		
Public Works Loan Board	288.8	264.8
Banks and building societies	72.3	105.7
<b>Total by Lender</b>	<b>361.1</b>	<b>370.5</b>
<b>Analysis of maturity of these loans:</b>		
Maturing -		
Between 1 and 2 years	0.6	0.7
Between 2 and 5 years	1.7	1.5
Between 5 and 10 years	2.5	4.5
Between 10 and 15 years	4.5	2.5
More than 15 years	351.8	361.3
<b>Total by Maturity</b>	<b>361.1</b>	<b>370.5</b>

In addition to the principal outstanding, as above, there are year-end accruals of £3.4m and a LOBO adjustments of £2.7m, making the total of Long Term Borrowing £376.6m as disclosed in the balance sheet.

All trade and other payables are due to be paid in less than one year.

## (iii) Market risk

### Interest rate risk

The authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse charges to be accommodated.

According to this assessment strategy, at 31 March 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£m</b>
Increase in interest payable on variable rate borrowings	N/A
Increase in interest receivable on variable rate investments	-
Increase in government grant receivable for financing costs	-
Impact on Income and Expenditure Account	-
Decrease in fair value of fixed rate investment assets	(1.8)
Decrease in fair value of fixed rate borrowings liabilities	(71.9)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### **Price Risk**

The authority does not hold any equity shares, thus there is no price risk to the authority.

### **Foreign exchange risk**

The authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

#### 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:

	2006/07 £m	2007/08 £m
Staff advertising	1.2	1.4
Other advertising	0.3	0.2
Public relations	0.4	0.5
Other publicity (including tourism)	1.2	1.2
<b>Total</b>	<b>3.1</b>	<b>3.3</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 £3.5m (2006/07 £3.3m).

#### 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.

	2006/07 £m	2007/08 £m
Services to Combined Fire Authority	0.1	0.1
Services to Probation Board	0.1	0.1
Property Services to other bodies	0.2	0.2
<b>Total</b>	<b>0.4</b>	<b>0.4</b>

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

	2006/07 £m	2007/08 £m
Income	(7.3)	(7.4)
Expenditure	7.3	7.8
Net Cost	0	0.4

### 17. Pooled Budgets

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

- The supply of aids for daily living with Leicester City Council, Rutland County Council and the two primary care trusts. Leicester City P.C.T acts as the host authority. This authority contributed £0.7m (2006/07 £0.7m) to the pool. The Memorandum account shows total expenditure of £5.3m and gross income of £5.3m.
- The provision of services for adults with learning difficulties. The other members of the pool is the County primary care trust and Rutland County Council. This authority acts as host to the arrangement.

The memorandum account shows total expenditure of £49.4m and gross income of £47.0m. The overspend will be recovered from the various partners. The County Council's share of this overspend is £1.4m which has been incorporated in the accounts.

### 18. Officers Remuneration

The number of employees (including teachers) whose remuneration, taxable expenses and severance (if applicable), was £50,000 or more is detailed below:

Remuneration Band	Number of Employees 2006/07	Number of Employees 2007/08
£50,000 - £59,999	191	250
£60,000 - £69,999	43	64
£70,000 - £79,999	33	25
£80,000 - £89,999	7	13
£90,000 - £99,999	4	7
£100,000 - £109,999	7	1
£110,000 - £119,999	2	5
£120,000 - £129,999	1	2
£130,000 - £139,999	0	1
£140,000 +	1	1
<b>Total</b>	<b>289</b>	<b>369</b>

The number of employees for 2006/07 has been amended to 289 from 165 (as reported in the 2006/07 statement of accounts). This is due to a change in the method of calculation, as required by the SORP.