

Contents

Leicestershire County Council 2001/02 Statement of Accounts.

	<i>Page</i>
Foreword by the Director of Resources	2
Statement of Responsibilities for the Statement of Accounts	6
Audit Opinion	Awaited (7)
Statement of Accounting Principles	9
Consolidated Revenue Account	14
Notes to the Consolidated Revenue Account	16
Consolidated Balance Sheet	21
Notes to the Consolidated Balance Sheet	22
Statement of Total Movements in Reserves	33
Notes to the Statement of Total Movements in Reserves	34
Cash Flow Statement	36
Notes to the Cash Flow Statement	37
Trading Accounts	38
Pension Fund	39
- Fund Account	40
- Net Assets Statement	41
- Notes to the Accounts	42
Glossary of Terms	47

Copies of the Statement of Accounts and a large print version, are available from the Financial Services Division, Leicestershire County Council, County Hall, Glenfield, Leicester LE3 8RB. Tel: Leicester (0116) 2657643.

Foreword by the Director of Resources

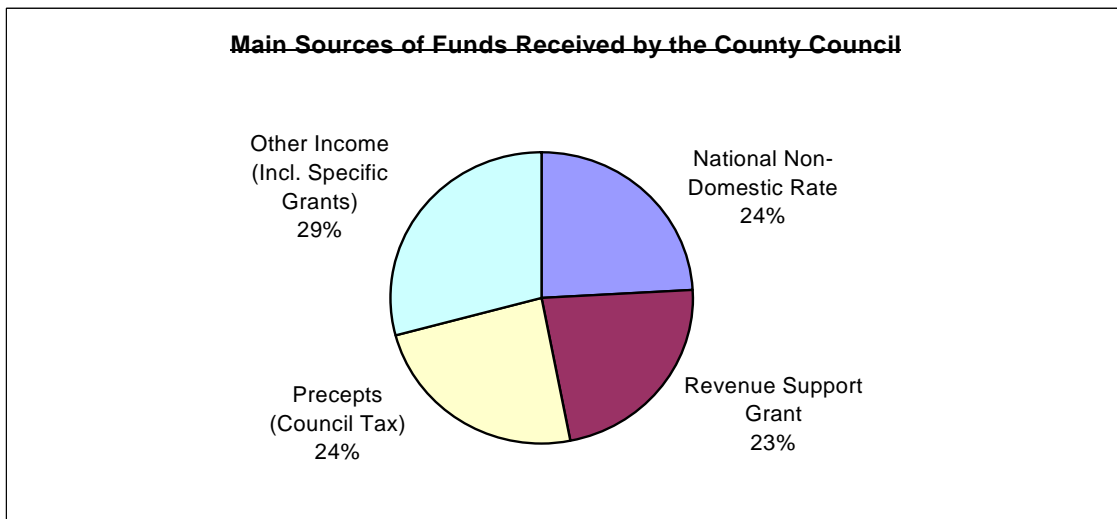
Introduction

This document sets out the published statement of accounts of the Authority for 2001/02. The accounts have been produced in line with the various regulations that govern local authority accounting.

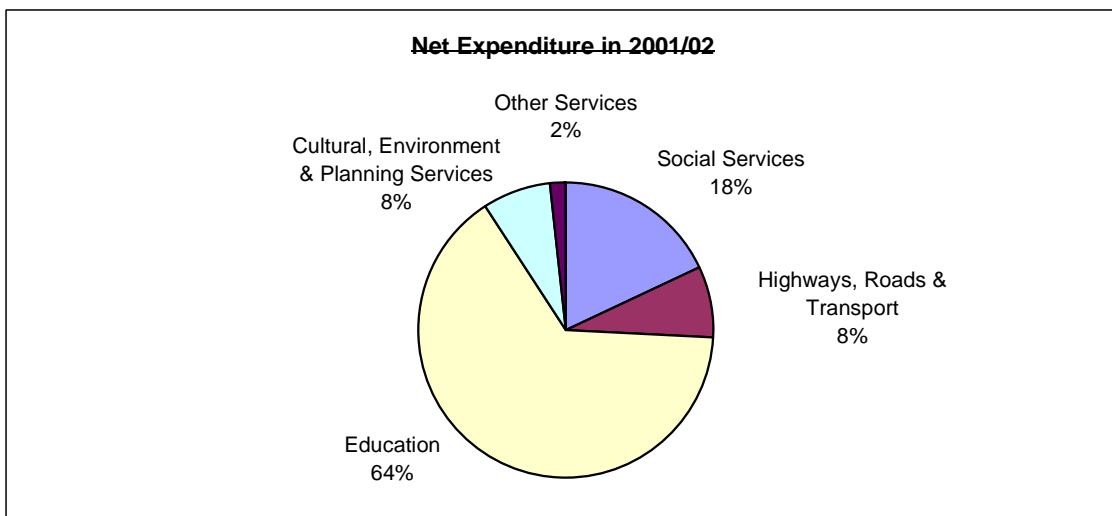
This foreword gives a brief summary of the overall financial position of the County Council, sets out how the County Council's budget is spent and financed and explains the purpose of the financial statements that are contained within the accounts.

Sources of revenue funding and services provided

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



This income is used to finance the various services provided by the County Council. As the chart below shows, the most significant in terms of expenditure are Education and Social Services.



Review of the Year - Revenue

In overall terms the County Council underspent against the original budget (updated for carry forwards) of £440m by £1.8m. Variations between the budget and outturn occurred on the majority of service areas. The significant variations were:

Underspends

- Education (£797,000). This arose principally because of lower than anticipated expenditure on centrally managed budgets, which were partly offset by a net overspend on Special Needs Statementing.
- Libraries and Information (£231,000). This was due to delayed expenditure on the book fund, delays to the start of new projects and higher than anticipated staff turnover.
- Maintenance of Buildings (£505,000). This was a result of projects originally intended to be financed from the Central Maintenance Fund being funded by the New Deal for Schools Capital grant.

Overspends

- Transport, Roads and Planning (£65,000). Expenditure was higher than budgeted as a result of the increased take up of tokens due to changes to the concessionary travel scheme and the continued rise in the cost of contract bus services. This was partially offset by underspends and higher than anticipated income elsewhere in the budget.
- Central Items (£64,000). A shortfall on bank and other interest as a result of lower than anticipated rates in the second half of the year was partially offset by underspends elsewhere in central items.

Review of the Year - Capital

In 2001/02 the County Council spent £41.7m on capital projects. The table below shows the main areas of expenditure, and how the expenditure was financed.

	Outturn £000
Education	12,869
Transportation	19,514
Social Services	865
Other	8,422
Total	41,670
Financed by:	
Credit Approvals	20,104
Capital Receipts	2,293
Government Grants & Contributions from external bodies	16,589
Revenue Funding	1,922
Reserves & Provisions	762
Total	41,670

The Council's long term borrowings, used to finance the purchase of assets were £253m at 31st March 2002. The book value of assets was £561m.

The major projects undertaken in the year were:

	£000
• Completion of Ashby Bypass	6,207
• Thurmaston Roundhill High School – Replacement of Science Laboratories	968
• Thurnby St Lukes Primary School – Additional Classroom and New Hall	842
• County Hall Corporate Data Network	774
• Ibstock Community College – Replacement Science Laboratories	694
• Loughborough Limehurst High School – Replacement Annex	668
• Fleckney CE Primary School – Additional Classrooms	566

Future Prospects

In 2002/03 expenditure is budgeted to increase by 8%. Most of these extra resources are required to meet unavoidable increased costs and demands on services, and will enable services to be maintained at existing levels.

The County Council continues to maintain balances to meet unforeseen eventualities. At 31st March 2002 these stood at £6.2m. They are budgeted to fall to £4m at the end of 2002/03.

In 2003/04 and beyond the major influences in the budget will be the Comprehensive Spending Review (CSR) and the outcome of the Local Government Formula review.

The CSR provides for an annual 6.7% cash increase in resources for local government over the period 2003/04 to 2005/06. It is difficult to forecast the impact on Leicestershire County Council finances due to uncertainty arising from the formula grant review. This review has put forward a number of options, which could either increase or decrease the County Council's resources substantially. In late November / early December 2002 the final proposals will be published and the County Council will be in a position to assess the financial impact for the next 3 years.

On the capital side the key influence in the medium term will be the introduction of the new self-regulatory approach to the control of capital expenditure, based on prudential guidelines to be issued by CIPFA and backed by a Code of Professional Conduct. The Government plan to put forward proposals on how capital investment will be supported under this system later this year.

Other Accounting Issues

In accordance with the first year transitional arrangements under Financial Reporting Standard 17 – Retirement Benefits, only a disclosure note is required, and this is included under balance sheet note 24. The net pension liability shown for retirement benefit obligations is not required to be included within the Authority's balance sheet at this stage.

Contents of the Statement of Accounts

- **Consolidated Revenue Account**

Covers expenditure and income for all services (other than the Pension Fund) which is funded from a combination of Revenue Support Grant, National Non-Domestic Rate income and precepts upon collection funds maintained by District Councils.

- **Consolidated Balance Sheet**

Sets out the financial position of the County Council on 31st March 2002. It incorporates all the funds of the Authority, both capital and revenue, with the exception of the Pension Fund and Trust Funds.

- **Statement of Total Movements in Reserves**

Brings together all the recognised gains and losses of the Authority during the period and identifies those which have and have not been recorded in the consolidated revenue account. The statement separates the movements in reserves and capital reserves.

- **Cash Flow Statement**

Gives a summary of the inflows and outflows of cash arising from transactions with third parties during the financial year. Thus internal transfers are excluded from expenditure and income.

- **Trading Accounts**

Shows the turnover, total expenditure and resulting surplus or deficit for each of the direct service organisations, i.e. the Planning and Transportation Department's DLO, and the Leicestershire County Catering Service.

- **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.

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.

A D YOUD
DIRECTOR OF RESOURCES

DATE:

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Director of Resources,
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets,
- approve the statement of accounts.

THE DIRECTOR OF RESOURCES' RESPONSIBILITIES

The Director of Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice').

In preparing this Statement of Accounts, the Director of Resources has:

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with the Code of Practice,
- kept proper accounting records which were up to date,
- taken reasonable steps for the prevention and detection of fraud and other irregularity.

Audit Opinion

To : Leicestershire County Council

We have audited the Statement of Accounts on pages 9 to 38 and the Pension Fund Accounts on pages 39 to 46, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 9 to 13.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTOR OF RESOURCES AND THE DISTRICT AUDITOR

As described on page 6, the Director of Resources is responsible for the preparation of the Statement of Accounts. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the Statement of Accounts presents fairly the financial position and results of operations of the Council.

BASIS OF THE OPINION

We carried out our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards.

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Statement of Accounts. It also included an assessment of the significant estimates and judgements made by the Authority in the preparation of the Statement of Accounts and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the Statement of Accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the statement of accounts.

OPINION ON THE AUTHORITY'S ACCOUNTS

In our opinion the Statement of Accounts of Leicestershire County Council presents fairly its financial position at 31 March 2002 and its income and expenditure for the year then ended.

OPINION ON THE PENSION FUND ACCOUNTS

In our opinion the Statement of Accounts presents fairly the financial transactions of Leicestershire County Council Pension Fund during the year ended 31 March 2002, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

CERTIFICATE

We certify that we have completed the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Trevor Croote
District Auditor

Date:

Statement of Accounting Principles

1. General principles

The accounts have been prepared in accordance with the Statement of Recommended Practice on Local Authority accounts and the guidance notes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the application of accounting standards (FRS's and SSAP's).

2. Provisions

The County Council has established a number of provisions to meet known future liabilities.

The major Provisions are:

(i) Insurance

The insurance policies held by the County Council require a significant level of self insurance, the level of this being recommended by insurers and independent advisers. The monies set aside for self insurance are split between a provision representing outstanding, unsettled claims at 31 March 2002 and a reserve to meet future claims.

(ii) Property and Schools Maintenance

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.

(iii) DLO Future Liabilities and Losses

Provides for possible future losses or reduced profits on uncompleted works, remedial works, replacement of uninsured losses and future leased car payments.

(iv) Leased Cars

Created to fund the end-loaded rental payments, in respect of leased cars, such payments falling due on the termination of the lease.

(v) Landscape Projects

Sums received from mineral extraction companies to be utilised for the restoration of these sites.

(vi) 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.

(vii) Social Services Mental Health: Refunds

Provides for refunds to people with mental health problems, who have been charged for residential and nursing care.

3. Reserves

A number of reserves exist in addition to the County Fund to finance future capital and revenue expenditure. In addition to the Insurance Reserve referred to above, the significant reserves are:

REVENUE

(i) **Renewal of Equipment and Vehicles**

Resources for the funding of replacement vehicles and equipment and future service developments.

(ii) **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.

(iii) **BLN (Bardon Aggregates, Leicestershire and Nottinghamshire Direct Labour Organisations)**

The DLO is a partner within the BLN consortium, which is contracted to the Highways Agency for trunk road maintenance within Leicestershire and Nottinghamshire. The balance on the reserve represents a prepayment under the terms of the contract.

CAPITAL

In accordance with standard accounting practice for local authorities, two non-cash backed capital reserves exist as part of the system of capital accounting. These are:

(i) **Fixed Asset Restatement Reserve**

This reserve represents the surplus arising on the revaluation of fixed assets.

(ii) **Capital Financing Reserve**

This reserve represents amounts set aside from revenue resources, capital receipts and the capital reserve to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

4. **Fixed assets**

All expenditure on the acquisition and/or improvement of fixed assets is capitalised provided that the asset yields a benefit to the Authority for a period of more than one year. However, some relatively minor items may be financed from revenue. No accrual of capital expenditure is made as it is considered that such amounts are relatively insignificant.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS).

The basis of valuation of the various categories of assets is as follows:

- **land and operational buildings** are included in the balance sheet at open market value for existing use or, where because of the specialised nature this could not be assessed (there being no market for such an asset), at depreciated replacement cost.

Valuation is carried out on a selective on-going basis such that all assets are revalued once every five years. The valuation is carried out by various Chartered Surveyors in the Property Services Division of the Resources Department.

The current asset values used in the accounts are based on a certificate issued by the Council's Head of Property Services Division as at 1 April 2001. Additions since that date are either included in the accounts at their cost of acquisition (if above £50,000),

or written off to the fixed asset restatement reserve if the actual expenditure does not increase the asset valuation.

- **infrastructure assets** are included at the value of outstanding debt brought forward on 1 April 1994. Additions since that date are included at their original cost.
- **community assets** are assets that the authority is likely to keep in perpetuity for the benefit of local people, e.g. country parks and reclaimed land. Such assets are valued at historical cost or nominal values.
- **non-operational assets** cover investment properties, assets surplus to service requirements and assets under construction or refurbishment.

Valuation of investment properties and assets surplus to requirements is based on open market value whilst valuation of assets under construction is based on actual payments made to date.

- **vehicles, plant, furniture and equipment;** valuation is based on depreciated historic cost for all assets with an original cost in excess of £10,000.

5. Leased Assets and Deferred Purchase Arrangements

Assets acquired under finance leases are reflected in the appropriate category of fixed asset, together with a deferred liability to pay future rentals. In addition assets financed by a deferred purchase arrangement are similarly reflected in fixed assets, with the liability to the merchant bank included in long term borrowings.

6. Deferred charges

Deferred charges represent expenditure which may be properly capitalised but which does not represent tangible fixed assets. In the majority of cases the County Council operates a policy of charging 100% of such expenditure to service revenue accounts.

7. Basis of charges for capital

a) Depreciation

Buildings are depreciated over their remaining useful economic lives. No depreciation charge is made for the majority of land, community assets or assets under construction or refurbishment.

Where depreciation is provided for, assets are depreciated using the straight line method over the following periods:

- buildings - varies from asset to asset (the remaining useful economic life of each asset is reviewed at the same time as the revaluation is completed).
- infrastructure - 40 years.
- vehicles, plant, furniture and equipment - estimated useful life (averaging around 5 years).

b) Interest Charges

Notional interest charges are applied to all assets in the balance sheet, and are based on asset valuations at the beginning of the financial year. The notional rate of interest for assets carried at current value is 6% (6% 2000/1) and for those carried at historic cost it is 6% (6% 2000/1).

c) Assets acquired under Finance Leases

Service revenue accounts are charged with actual rentals paid to leasing companies.

Interest payable on external debt, together with depreciation, is charged to the asset management revenue account, which is credited with the capital charges made to services. The resultant balance is carried to the consolidated revenue account and thus the creation of these charges has a neutral impact on the overall expenditure of the Authority.

8. Capital receipts

Proceeds from the sale of assets are credited to the usable capital receipts reserve. All such receipts are available to the authority to enhance its programme of capital expenditure or to reduce external borrowing.

The County Council is unable to comply with SSAP 6, as legislation on the use of capital receipts by local authorities does not permit gains on the sale of fixed assets to be credited to the revenue account.

9. Basis of debtors/creditors included in the accounts

The revenue accounts of the County Council are maintained on an accruals basis. Thus, sums due to or amounts owing by the Council in respect of goods and services rendered but not paid for at 31 March are included in the accounts. The exceptions to this policy are as follows:

- a) Payments covering a period, e.g. gas, telephone, rent, are brought into account in the year they become due and are not apportioned over the years to which they may relate.
- b) Interest on staff car loans for the whole period of the loan is taken to the revenue account when the loan is granted.

10. Government grants

Government grants are accounted for on an accruals basis. Income in respect of revenue grants has been credited to the appropriate service revenue account, whilst capital grants are credited to the government grants and contributions deferred account; amounts are then released from this account to offset any depreciation on assets financed from such resources.

11. Stocks and work in progress

Stock accounts are normally only maintained for certain specified major items; other immaterial stocks, e.g. cleaning materials, books and stationery, are fully charged to revenue in the year of purchase. Stocks are valued at cost price with allowance for obsolescent or slow moving stocks where material.

Work in progress is shown at cost price.

12. Allocation of support service costs

The revenue accounts of the various services include a charge for all support services provided by the central departments of the Authority other than corporate management costs.

These charges are based upon various methods of allocation including staff time and volume of transactions. Office accommodation costs are based on floor areas occupied.