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Leicestershire County Council 2009/10 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) 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 2009/10.

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.

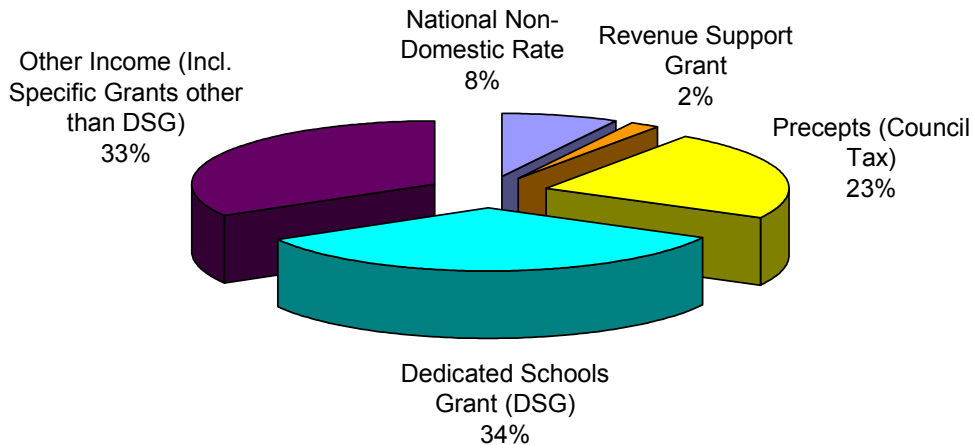
Income and expenditure

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.

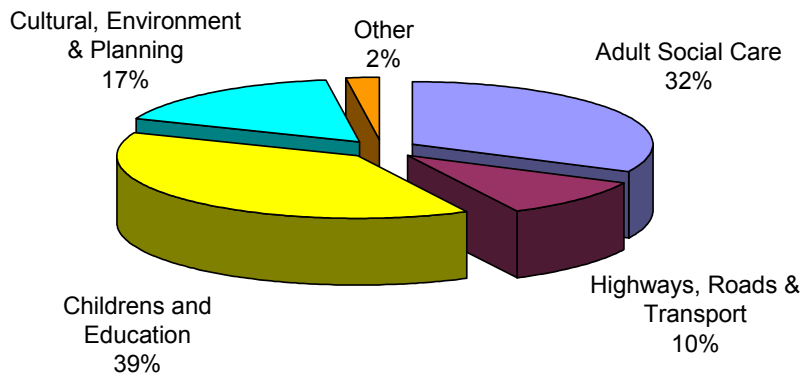
Sources of revenue funding



□ **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:

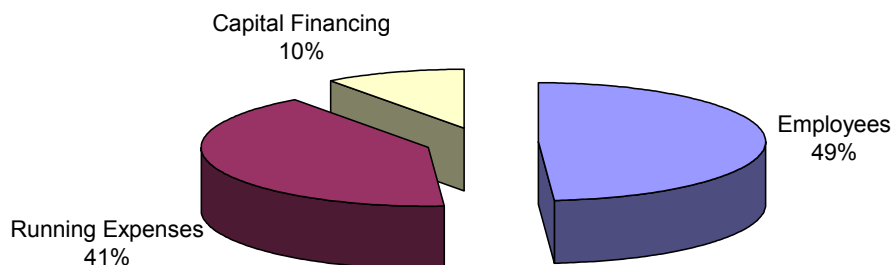
Cost of services (net of specific grants including DSG)



□ **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 spend on



Review of the Year - Income and Expenditure

In overall terms the County Council underspent against the original budget by £6.7m net of carry forwards (£9.2m gross). The significant underspends against the budget are set out below:-

Underspends

Children and Young People's (£0.7m gross, £0.1m net)

The underspend mainly reflects the number of staff vacancies across the department, partially offset by an increase in the number of children's residential placements and increased demand for other Children's Social Care services.

Adult Social Care (£0.8m gross, £0.2 net)

The residential care budget for older people underspent due to reduced placements and additional income and there were also underspends on other residential budgets and supported living. However, these were offset by additional demand for independent home care and day care.

Waste Management (£2.4m gross and net)

This was mainly due to falling volumes of waste and slippage in waste minimisation projects.

Chief Executives (£0.8m gross, £0.2m net)

This mainly relates to additional external funding and staff vacancies.

Corporate Resources (£0.9m gross, £0.3m net)

The underspend mainly relates to staff vacancies, additional income and slippage on learning and development expenditure.

Contingencies for inflation (£2.3m, gross and net)

The original budget included a number of contingencies relating to pay, energy and fuel inflation, some of which were not required.

Central Items (£1.9m gross, £1.8m net)

This mainly relates to an underspend on capital financing following a debt rescheduling exercise, higher rates of interest received and a VAT reimbursement following a successful claim.

Overspends

Highways and Transportation (£1.0m gross, £0.7m net)

The majority of the overspend relates to extra gritting required during the prolonged period of winter weather and the additional costs of dealing with winter damage to road surfaces.

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 depreciation, impairment, reserves, provisions and carry forwards are reported.

Review of the Year - Capital

In 2009/10 the County Council spent £94.6m on capital projects. The table below shows the main areas of expenditure.

Department	Outturn £m
Children & Young People's	55.2
Highways, Transportation and Waste Management	27.7
Adult Social Care	2.0
Community Services (Libraries, Museums, Country Parks, Regeneration)	2.8
Resources (ICT, County Farms, Access for the Disabled, Risk Management, County Hall)	3.4
Chief Executive (Various Grants for Rural Services)	0.3
Corporate (Change Management)	1.5
Other Capital Items	1.7
Total	94.6

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 £321m at 31st March 2010. The book value of fixed assets was £970m.

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	
□ Melton John Ferneley High School – replacement	9.7
□ Melton Longfield High School – major refurbishment and extension	5.2
□ Melton 6 th Form Centre – new build	2.5
□ Quorn St Barthomolews Primary School – major refurbishment and extension	2.1
□ Bottesford Belvoir High School – major refurbishment and extension	1.8
□ Hinckley Richmond Primary School – major refurbishment and extension	1.4
□ Shepshed St. Botolphs Primary School – major refurbishment	0.9
Highways & Transport	
□ Enderby Park and Ride	5.1
□ Leicester and Leicestershire Transport Model	0.9
Adult Social Care	
□ Wigston Carlton Drive Respite Centre	1.0
Corporate Resources	
□ Office Accommodation Strategy	1.4
Other Corporate	
□ Barwell Community Centre	0.9

Review of the Year – Pension Fund Assets & Liabilities

The valuation of the pension fund under FRS 17 has reported a significant increase in the net liability of the fund. While assets have increased due to improved investment markets, this is outweighed by a substantial increase in the value of liabilities due to both an increase in life expectancy assumptions and more significantly a decrease in the discount rate used to value pension fund benefits, caused by a fall in corporate bond yields over the year. Overall the net liability on the fund has increased to £654m. This has led to a negative net worth on the balance sheet of £71m. The net worth excluding FRS 17 would be net assets of £583m.

Future Prospects

The state of public finances is likely to mean very tight funding settlements for local government in the foreseeable future. Coupled with the objective to deliver reasonable council tax increases including (subject to Government assistance in 2011/12 and 2012/13) a freeze for the three years from 2011/12 to 2013/14, this means that the County Council will continue to operate within an extremely tight financial environment over the medium term. The Comprehensive Spending Review in 2007 indicated formula grant settlement figures for the next three years and for 2010/11 this was an increase of 4.3%. There is also a 4% cashable efficiency saving requirement for 2010/11.

The new coalition Government has announced reductions in overall local government 2010/11 grant funding of £1.2m and much greater reductions are expected in future years.

The main costs and risks over the medium term continue to be in Adult Social Care, largely the result of an ageing population with increasing care needs, and in Waste, regarding increased Landfill Tax and the costs of using alternative, more sustainable methods of waste disposal.

A significant pressure is the delivery of planned efficiency savings and the Council will need to continue to invest in service reconfiguration both to improve services and generate greater efficiency savings.

Balancing the medium term financial position will require significant savings. The medium term financial strategy (MTFS) includes reductions to services in addition to efficiency savings.

The latest MTFS was approved by the County Council in February 2010 and will be updated during the autumn of 2010. This strategy is available on the County Council's website at www.leics.gov.uk.

From 2010/11 local authorities' accounts will be prepared under the International Financial Reporting Standards (IFRS) based code of practice on local authority accounting. This is part of a wider public sector move to international standards to provide benefits in comparability and consistency between financial reports in the global economy and to follow private sector best practice. The first set of IFRS accounts for the County Council in 2010/11 will include comparative prior year figures restated on an IFRS basis for 2008/9 and 2009/10.

Changes in Accounting Policies

From 1 April 2009 the SORP requires that Council Tax income included in the Income and Expenditure Account shall be the accrued income for the year. The difference between accrued income for the year and the amount required by regulation to be credited the General Fund will be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance. Any balances owed to or from each billing authority will be shown as a creditor or debtor in the Council's accounts. A prior period adjustment has been made to reflect the changes in 2008/9.

Changes in Legislation

The Accounts and Audit regulations has introduced additional disclosure requirements in the Statement of Accounts for senior officers remuneration. In the past the numbers of staff with salaries greater than or equal to £50,000 were shown in bands of £10,000 in a note to the accounts. This will continue but in bands of £5,000. The regulations also require the disclosure of a new note to the accounts to show remuneration details by job title for all employees who have the power to direct or control the major activities of the County Council. Employees whose salary is equal to or greater than £150,000 are required to be disclosed by name.

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 2010. 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 income and expenditure.

▫ ***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 on the 28th June 2010, by the Director of Corporate Resources. This was the last date when events after the balance sheet date have been considered.

**B D ROBERTS
DIRECTOR OF CORPORATE RESOURCES**

Date: