

Notes to the Accounts

1. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2009/10 are as follows:

	Schools Budget Funded by DSG					
	2008/09			2009/10		
	Central Exp £m	Individual Schools Budget £m	Total £m	Central Exp £m	Individual Schools Budget £m	Total £m
Final DSG for year	(34.2)	(291.1)	(325.3)	(37.2)	(298.9)	(336.1)
Brought forward from previous year *	(0.3)	(0.9)	(1.2)	(0.6)	(1.4)	(2.0)
Carry forward agreed in advance *	0	(0.1)	(0.1)	1.4	0	1.4
Agreed budgeted distribution	(34.5)	(292.1)	(326.6)	(36.4)	(300.3)	(336.7)
Actual central expenditure	32.6	0	32.6	34.1	0	34.1
Actual ISB deployed to schools	0	292.0	292.0	0	300.3	300.3
Local Authority Contribution	0	0	0	0	0	0
Carry Forward	(1.9)	(0.1)	(2.0)	2.3	0	2.3

*Within the 2009/10 accounts the brought forward/carry forward figures totalling £1.3m has in total been transferred between central expenditure and the Individual Schools Budget. This money was allocated in the original Schools budget.

2. East Midlands Regional Assembly / Local Government East Midlands

(a) **East Midlands Regional Assembly (EMRA)** is one of eight regional assemblies in England outside London. It was launched in 1999 and comprises of 111 Members, with two thirds being representatives of the region's local authorities, and one third nominated 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

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

(b) **Local Government East Midlands (LGEM)** is a body established and managed by local government in the East Midlands, which provides services to all East Midlands Councils. It is managed by an executive committee of councillors and is accountable, through them, to all its member authorities (currently all authorities in the East Midlands). It was originally formed through the amalgamation of three former bodies which delivered employment, planning and training services to the regions 46 local authorities.

LGEM joined Leicestershire County Council with effect from the 1st April 2009 and the County Council became employer and accountable body with effect from that date.

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

Income and Expenditure

	EMRA		LGEM	
	2008/09 £m	2009/10 £m	2008/09 £m	2009/10 £m
Income	(3.3)	(3.2)	N/A	(1.3)
Transfer (from) / to Reserve	0.1	0.0	N/A	0.4
Expenditure	3.2	3.2	N/A	0.9
(Surplus)/Deficit	0	0	N/A	0

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

With effect from 1st April 2010 EMRA and LGEM have merged to form a new organisation, East Midlands Councils.

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

	Leicester-shire Highways £m	County Catering £m	Industrial Properties £m	TOTAL £m
Income	(28.3)	(0.9)	(1.7)	(30.9)
Expenditure	27.9	1.1	1.5	(30.5)
(Surplus)/Deficit in 2009/10	(0.4)	0.2	(0.2)	(0.4)

(Surplus)/Deficit in 2008/09	(0.5)	0.0	(0.1)	(0.6)
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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 (2008/09 £0.3m).

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 – A defined benefit scheme

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme for employees, administered locally by Leicestershire County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions in to a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

The value of pension assets assessed under FRS17 as at 31st March 2010 has increased due to improved investment markets. However this is outweighed by a substantial increase in the value of liabilities due to both an increase in life expectancy assumptions (an increase of 1.5 years at age 65 compared with 2008/09) 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 £654.3m.

The County Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge we are required to make against council tax is based on the cash payable in year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General County Fund balance.

The following transactions have been made in the income and expenditure account and the statement of movement in the General County Fund balance during the year:

	2008/09 £m	2009/10 £m
Income and Expenditure Account		
Net Cost of Services		
current service cost	22.9	20.5
past service cost	9.3	1.7
Net Operating Expenditure		
interest cost	61.6	60.6
expected return on assets	(54.2)	(36.9)
Net charge to Income and Expenditure Account	39.6	45.9
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(7.1)	(9.3)
	32.5	36.6
Actual amount charged against the County Fund		
Balance for Pensions in the year		
Employers contributions	29.6	33.7
Unfunded benefits	2.9	2.9
	32.5	36.6

b) Pension Assets and Liabilities

The present value of the liabilities of the County Council at 31st March is as follows:

	2008/09 £m	2009/10 £m
As at 1 st April	(887.3)	(878.3)
Current service costs	(22.9)	(20.5)
Interest Cost	(61.6)	(60.6)
Contributions by scheme participants	(11.9)	(12.6)
Actuarial (Losses) / Gains	81.6	(490.3)
Benefits paid	33.1	36.4
Past service costs	(8.8)	(0.1)
(Losses) / Gains on curtailments	(0.5)	(1.6)
As at 31 st March	(878.3)	(1,427.6)

The present value of the assets of the County Council at 31st March is as follows:

	2008/09 £m	2009/10 £m
As at 1 st April	743.7	552.3
Expected rate of return	54.2	36.9
Actuarial Gains / (Losses)	(257.1)	170.3
Employer contributions	30.0	34.6
Contributions by scheme participants	11.9	12.6
Benefits paid	(33.1)	(36.4)
Contributions in respect of unfunded benefits	2.7	3.0
As at 31 st March	552.3	773.3

The scheme history of the pension fund is as follows:

	2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m
Present value of liabilities:	(904.7)	(922.1)	(887.3)	(878.3)	(1,427.6)
Fair value of assets:	695.0	765.3	743.7	552.3	773.3
Surplus / (Deficit)	(209.7)	(156.8)	(143.6)	(326.0)	(654.3)

The liability shows the underlying commitment that the authority has in the long run to pay retirement benefits. This liability of £654.3m 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 total contributions expected to be made to the Local government Pension Scheme by the council in the year to 31st March 2011 is £33.9m.

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.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method. An estimate of the pensions that will be payable in future years are dependent upon the assumptions listed below. The authority's fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council fund being based largely on a roll forward of data utilised in the last full valuation of the Pension Fund as at 31st March 2007.

	Long-term rate of return expected 31 Mar 09	Long-term rate of return expected 31 Mar 10
Equity investments	7.0%	7.8%
Bonds	5.4%	5.0%
Property	4.9%	5.8%
Cash	4.0%	4.8%

	31 March 2009	31 March 2010
Mortality assumptions (in years):		
Longevity at 65 for current pensioners:		
Men	19.6	20.8
Women	22.5	24.1
Longevity at 65 for future pensioners:		
Men	20.7	22.3
Women	23.6	25.7
Rate of inflation	3.1%	3.8%
Rate of increases in salaries	4.6%	5.3%
Rate of increase in pensions	3.1%	3.8%
Proportion of employees opting to commute part of their pension to a lump sum	50.0%	50.0%
Rate for discounting scheme liabilities	6.9%	5.5%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2009	31 March 2010
Equity investments	79%	78%
Bonds	9%	10%
Property	12%	11%
Cash	0%	1%

c) *History of experience gains and losses*

These are events that have not coincided with actuarial assumptions. Experience gains and losses, are a component of the annual actuarial gain or loss calculated by the actuary.

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

	2005/06* %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Difference between the expected and actual return on assets	13.8	1.3	(11.0)	(46.5)	22.0
Experience gains and (losses) on liabilities	0.1	(0.3)	(7.2)	0.1	(0.1)

d) *Teachers and Lecturers*

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by the Education. It provides teachers with defined benefits upon their retirement. The authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2009/10 the County Council paid £27.6m (2008/09 £26.6m) to the Teachers' Pensions Agency in respect of teachers' pension costs, which represents 14.1% (2008/09 14.1%) 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 2009/10 these amounted to £2.0m (2008/09 £1.8m), representing 0.96% (2008/09 0.92%) of pensionable pay.

The Scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. The benefits are fully accrued in the pensions liability described in note 4b.

5. Movement of fixed assets during the year

	Land and Buildings £m	Vehicles Plant & Equipmt £m	Intangible Assets (Software Licences) £m	Infra-structure £m	Community Assets £m	Non Operat-ional Assets £m	Total £m
Net book value as at 31 March 2009	704.6	3.9	0.8	213.5	11.7	10.1	944.6
Adjustments to Asset Lives & previous year	0	0	0	0	0	0	0
Additions	33.1	5.5	0.5	26.6	0	13.8	79.5
Disposals	(5.6)	0	0	0	0	0	(5.6)
Transfers between asset categories	6.0	0	0	0	0	(6.0)	0
Revaluations & Restatements	67.9	0	0	0	0	0	67.9
Capital expenditure not increasing value	(23.5)	(5.0)	(0.5)	0	0	0	(29.0)
Impairment (downward valuations)	(62.9)	0	0	0	0	(0.1)	(63.0)
Book value as at 31 March 2010	719.6	4.4	0.8	240.1	11.7	17.8	994.4
Less: Depreciation this year	(16.6)	(1.1)	(0.3)	(6.2)	0	0	(24.2)
Less: Writing down leased assets	(0.1)	0	0	0	0	0	(0.1)
Net book value as at 31 March 2010	702.9	3.3	0.5	233.9	11.7	17.8	970.1

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 2009	2.9	3.8	3.4	10.1
Adjustments to Asset lives & previous year	0	0	0	0
Additions	0	13.8	0	13.8
Disposals	0	0	0	0
Transfers between asset categories	(2.9)	0	(3.1)	(6.0)
Revaluations and restatements	0	0	0	0
Capital Expenditure not increasing value	0	0	0	0
Impairment	0	0	(0.1)	(0.1)
Net book value as at 31 March 2010	0	17.6	0.2	17.8

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 and estimation techniques in section 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	Assets held for sale £m	Total £m
Valued at historical cost	0.0	250.3	11.7	6.3	0.0	268.3
Valued at current value in:						
Current Year	505.2	0.0	0.0	0.0	0.2	505.4
Previous Years	218.9	0.0	0.0	0.0	0.0	218.9
Total	724.1	250.3	11.7	6.3	0.2	992.6

7. Details of assets owned by the County Council

	31 March 2009	31 March 2010
Land		
This figure excludes highways land	4,715 ha	4,694 ha
Principal and Other Roads	4,330 km	4,341 km
<u>Operational Assets</u>		
Other Land And Buildings		
Nursery Schools	1	1
Primary Schools (excluding aided)	192	191
Secondary Schools (excluding foundation schools and a Trust School included in note 8)	49	49
Special Schools (includes split sites)	7	6
Other Education	29	28
Housing (caretakers)	43	42
Libraries (including 4 public libraries within schools)	47	45
Children and Family Centres	3	3
Children's Community Homes	3	2
Day Care - Learning Difficulties	5	5
Day Care - Mental Health	2	2
Residential - Elderly Persons	10	10
Residential - Learning Difficulties	4	3
Residential - Mental Health	2	2
Properties in support of Residential Services	1	1
Admin Offices and Registrars	18	19
Museums	5	5
Industrial (units) (in 21 Estates)	197	197
Household refuse and recycling sites	14	14
Highway Depots	10	9
Travellers Sites	2	2
Community Assets		
Country Park landholdings	17	17
Farms and Smallholdings (in 36 estates)	80	79
<u>Non Operational</u>		
Non Operational General		
Land in Advance	63	55
Corporately managed	18	17
Surplus Property		
Land and Buildings declared surplus and those released by services and awaiting alternative use	24	24

8. *Foundation, Trust, church and other schools*

Foundation and Trust schools remain vested in the Governing Bodies of the individual Schools, therefore these assets have not been included in the balance sheet. The following table shows the number of schools and valuation as at 31st March.

	31 March No	31 March £m	31 March No	31 March £m
Foundation schools	4	23.1	4	23.8
Trust Schools	1	3.3	2*	16.1
Total	5	26.4	6	39.9

* Loughborough, Burleigh Community College included as a trust school for 2009/10

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. *Revenue expenditure funded from capital under statute*

	2008/09 £m	2009/10 £m
Balance brought forward	0	0
Gross Expenditure*	8.4	15.3
Income received	(6.3)	(7.4)
Amount charged to Income and Expenditure Account	(2.1)	(7.9)
Balance at 31 March	0	0

* includes capital expenditure of £2.0 in 2009/10 (£4.9m for 2008/09) for Bottesford Belvoir High which is a trust school.

10. Financing of capital expenditure on fixed assets and revenue expenditure funded from capital under statute during the year

	2008/09 £m	2009/10 £m
Total Capital Expenditure	86.3	94.6
Financed by:		
Usable Capital Receipts	(1.4)	(3.1)
Government Grants & Contributions from external bodies	(48.9)	(63.0)
Reserves/Revenue Funding	(9.5)	(2.0)
Balance representing borrowing requirement	26.5	26.5
Opening Capital Financing Requirement	355.6	367.8
Add: Borrowing Requirement	26.5	26.5
Less: Minimum Revenue Provision	(14.2)	(14.7)
Other Movements	(0.1)	(0.2)
Closing Capital Financing Requirement	367.8	379.4
Increase in underlying need to borrow:		
Supported by government financial assistance	25.3	26.5
Unsupported by government financial assistance	1.2	0

A minor change has been made to prior year figures to reflect capital expenditure previously written out to the income and expenditure account as not increasing value.

11. Capital commitments

The County Council allocates and controls its available resources for capital expenditure via a rolling four year capital programme. The extent to which expenditure will be incurred in future years for schemes in the various annual programmes is as follows:

	2010/11 £m	2011/12 and later £m
2009/10 and earlier year schemes	49.2	8.9

Major contracts entered into during 2009/10 and earlier, where significant payments remain to be made to contractors, include:

	£m
Schools	
Melton Sixth Form Centre	9.0
Glenfield Primary School	4.2
Hinckley Richmond Primary School	2.9
Quorn St Bartholomew's Primary School	0.9
Melton John Ferneley	0.5
Billesdon Primary School	0.5
Children's Centres	
Huncote Children's Centre	0.4
Transportation	
Earl Shilton Bypass (Outstanding Land Payment)	0.7
Enderby Park and Ride	0.6
Corporate Resources	
Barwell Community Centre	0.9
County Hall – Generators	0.3

12. Grants and contributions deferred

	2008/09 £m	2009/10 £m
Balance brought forward	87.3	107.9
Grants and contributions received in year to finance capital expenditure	49.1	60.4
Grants and contributions received not yet applied	(0.3)	2.6
Write off to Income & Expenditure Account – income received on assets not increasing value	(20.3)	(23.1)
Release to Income & Expenditure Account to match depreciation	(1.6)	(2.2)
Income relating to expenditure on revenue expenditure funded from capital under statute charged to Income and Expenditure Account	(6.3)	(7.4)
Balance at 31 March	107.9	138.2

13. Financial Instruments

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

	Long Term	Current	Long Term	Current
	31 March 2009 £m	31 March 2009 £m	31 March 2010 £m	31 March 2010 £m
Financial Liabilities: (Borrowings)				
at Amortised Cost	276.7	35.0	264.9	0.5
at Fair Value	63.0	0	63.1	0
Total Borrowings	339.7	35.0	328.0	0.5
Financial Assets: (Investments)				
at Amortised Cost	66.5	92.2	21.3	78.7
at Fair Value	0.1	0	0.1	0
Total Investments	66.6	92.2	21.4	78.7

Gains and Losses recognised in the Income and Expenditure Account:

	2008/9		2009/10	
	At Amortised Cost £m	At Fair Value £m	At Amortised Cost £m	At Fair Value £m
Financial Liabilities				
Interest Paid	17.2	2.7	14.2	2.7

	2008/9		2009/10	
	Loans and Receivables £m	At Fair Value £m	Loans and Receivables £m	At Fair Value £m
Financial Assets				
Interest Received	11.3	0	5.2	0

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 31st March 2010 for new debt with the same maturity date from comparable lenders.
- Investments; long term – estimated interest rates at 31st March 2010 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 2010	
	Carrying Amount £m	At Fair Value £m
Financial Liabilities	328.5	402.9
Financial Assets	98.0*	100.9

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.

*The value of financial assets shown in this table excludes investments of residents in care.

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.

The Council considers credit ratings assigned by both Fitch and Moody's and will only lend to institutions which have extremely high ratings with both of the agencies, and are also domiciled in a country which has the highest possible sovereign government rating.

Banks that are at least one third owned by the UK Government and maintain a support rating of '1' on the Fitch ratings can be included on the list of acceptable counterparties for an amount of £30m for up to 1 year, as long as their long-term ratings do not fall below F1+ (Fitch) and Aa3 (Moody's), and their short term ratings are maintained at least at AA- (Fitch) and P-1 (Moody's).

Maximum limits for funds on loan and maturity dates exists for each acceptable counterparty and vary according to the credit rating, with a maximum limit of £40m for UK and £10m for overseas institutions. At the year end all of the County Council's investments were held in UK domiciled institutions.

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

The credit criteria in respect of financial assets held by the authority are as detailed below:

Matrix for UK Banks and Building Societies

Maximum Sum Outstanding	£40m	£30m	£15m
Maximum Loan Period	3 years	3 years	2 years
Minimum Fitch Support Rating	1	1	1
Must at least match all of the following:			
Fitch Short Term Rating	F1+	F1+	F1+
Moody's Short Term Rating	P-1	P-1	P-1
Fitch Long Term Rating	AA	AA-	AA-
Moody's Short Term Rating	Aa2	Aa3	Aa3
Fitch Individual Rating	B/C	B/C	C
Moody's Financial Strength Rating	C+	C+	C

Matrix for Overseas Banks

Maximum Sum Outstanding	£10m	£5m
Maximum Loan Period	1 year	1 year
Minimum Fitch Sovereign Rating	AAA	AAA
Minimum Fitch Support Rating	1	1
Must at least match all of the following:		
Fitch Short Term Rating	F1+	F1+
Moody's Short Term Rating	P-1	P-1
Fitch Long Term Rating	AA+	AA
Moody's Short Term Rating	Aa1	Aa2
Fitch Individual Rating	B	B
Moody's Financial Strength Rating	B	B

Maximum Country exposure: AAA sovereign rating = £15m

Money Market Funds

AAA-rated only

Maximum amount in any single fund = £25m

Maximum amount in all Money Market Funds = £75m

Debt Management Office (DMO) (Executive Agency of HM Treasury)

No restriction on loan amounts or periods. In the event that the maximum loan length is extended beyond the current 6 month period, no loan will have a maturity above 3 years.

Exposure to Credit Risk

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.

	Amount at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31 March 09	Estimated maximum exposure to default and uncollectability	Amount at 31 March 2010
	£m	%	%	£m	£m
Deposits with banks and financial institutions	149.4	0	0	0	98.0
Sales ledger	14.8	0.28	0	0.1	14.4

The authority does not expect any losses from non-performance by any of its counterparties in relation to deposits, with financial instruments. The County Council had no investments in Icelandic banks.

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

The sales ledger debt is £14.4m (2008/9 £14.8m) of which £1.3m (2008/9 £1.0m) is secured debt for residential care charges. The sales ledger debt can be analysed by age as follows:

	2008/9 £m	2009/10 £m
Less than three months	12.2	11.7
Three to six months	0.9	0.6
Six months to one year	0.4	0.7
More than one year	1.3	1.4
Total	14.8	14.4

(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	
	2009 £m	2010 £m
Lender		
Public Works Loan Board	227.7	215.6
Banks and building societies	105.5	105.5
Total by Lender	333.2	321.1
Analysis of maturity of these loans:		
Maturing -		
Between 1 and 2 years	0.5	12.5
Between 2 and 5 years	37.5	33.0
Between 5 and 10 years	4.5	12.0
Between 10 and 15 years	2.5	7.3
More than 15 years	288.2	256.3
Total by Maturity	333.2	321.1

In addition to the principal outstanding, as above, there are year-end accruals of £3.8m (2008/9 £3.5m) and LOBO adjustments of £3.1m (2008/9 £3.0m), making the total of Long Term Borrowing £328.0m (2008/9 £339.7m) 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 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£m
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	(1.3)
Decrease in fair value of fixed rate borrowings liabilities	(57.0)

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:

	2008/09 £m	2009/10 £m
Recruitment advertising	1.3	0.8
Other advertising	0.3	0.3
Public relations	0.3	0.3
Other publicity	0.8	1.0
Tourism	0.3	0.3
Total	3.0	2.7

15. *Agency work*

The County Council has completed no agency work during the financial year 2009/10.

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.

	2008/09 £m	2009/10 £m
Services to Combined Fire Authority	0.1	0.1
Services to Probation Board	0.1	0.1
Property Services to other bodies	0.1	0.1
Total	0.3	0.3

The County 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:

	2008/09 £m	2009/10 £m
Income	(12.1)	(13.3)
Expenditure	12.1	13.3
Net Cost	0.0	0.0

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 two primary care trusts. Leicester City P.C.T acts as the host authority. This authority contributed £1.2m (2008/09 £1.0m) to the pool. The draft memorandum account shows total expenditure of £3.8m (2008/09 £3.4m) and gross income of £3.8m (2008/09 £3.4m).
- b) The provision of services for adults with learning difficulties. The other members of the pool are the Leicestershire County and Rutland NHS and Rutland County Council. This authority acts as host to the arrangement.

The memorandum account shows total expenditure of £54.7m (2008/09 £53.6m) and gross income from the partners of £54.9m (2008/09 £53.6m). The small net underspend will be returned to the Partners through revised contributions to the pool. This will be reflected in the 2010/11 accounts.

18. Officers Remuneration

a) All Employees (including teachers)

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

Remuneration Band	Number of Employees 2008/09	Number of Employees 2009/10
£50,000 - £54,999	202	233
£55,000 - £59,999	97	110
£60,000 - £64,999	45	65
£65,000 - £69,999	26	28
£70,000 - £74,999	12	21
£75,000 - £79,999	13	16
£80,000 - £84,999	17	10
£85,000 - £89,999	9	17
£90,000 - £94,999	-	6
£95,000 - £99,999	4	5
£100,000 - £104,999	2	3
£105,000 - £109,999	1	2
£110,000 - £114,999	-	1
£115,000 - £119,999	3	3
£120,000 - £124,999	-	1
£125,000 - £129,999	2	-
£130,000 - £134,999	1	3
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-
£145,000 - £149,999	1	1
£150,000 - £154,999	-	-
£155,000 - £159,999	-	-
£160,000 - £164,999	-	-
£165,000 - £169,999	-	-
£170,000 - £174,999	-	-
£175,000 - £179,999	-	1
£180,000 - £184,999	-	-
£185,000 - £189,999	-	-
£190,000 - £194,999	1	1
Total	436	527

b) Senior Officers Remuneration

The following tables set out the remuneration details for senior officers of the County Council.

Post holder Information (Post title)	Salary £000	Compensation for loss of office £000	Benefits in kind £000	Total Remuneration Excl Pension contribution £000	Employers Pension Contributions £000	Total Remuneration Incl Pension contribution £000
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2009/10

Chief Executive – John Sinnott	188	0	5	193	38	231
Director of Corporate Resources	144	0	3	147	29	176
Director of Children & Young People’s Service	128	0	4	132	26	158
Director of Environment & Transport	128	0	3	131	26	157
Director of Adults & Communities	128	0	3	131	26	157
Director of Community Services	124	53	2	179	65	244
County Solicitor	113	0	3	116	23	139
Assistant Chief Executive	95	0	1	96	19	115
Executive Director (East Midlands Councils)	90	0	1	91	18	109
Head of Youth Justice & Safer Communities	75	0	0	75	15	90
Total	1,213	53	25	1,291	285	1,576

2008/09

Chief Executive – John Sinnott	186	0	5	191	35	226
Director of Corporate Resources	143	0	3	146	27	173
Director of Children & Young People’s Service	127	0	4	131	24	155
Director of Adults & Communities	122	0	3	125	23	148
Director of Environment & Transport	122	0	3	125	23	148
Director of Community Services	115	0	3	118	21	139
County Solicitor	112	0	4	116	21	137
Assistant Chief Executive	96	0	1	97	18	115
Executive Director (East Midlands Councils)	74	0	1	75	14	89
Head of Youth Justice & Safer Communities	74	0	0	74	13	87
Total	1,171	0	27	1,198	219	1,417

There were no payments made for bonuses, expense allowances or other payments.