

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 £69m. The net worth excluding FRS 17 would be net assets of £585m.

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 £6.2bn 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 to the General Fund is 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.