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Leicestershire County Council 2010/11 Statement of Accounts and Annual Governance Statement.

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Copies of the Statement of Accounts and Annual Governance Statement, and a large print version, are available from the Corporate Resources Department, Leicestershire County Council, County Hall, Glenfield, Leicester LE3 8RB. Tel: Leicester (0116) 3057644. 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 and Annual Governance Statement of the County Council for 2010/11.

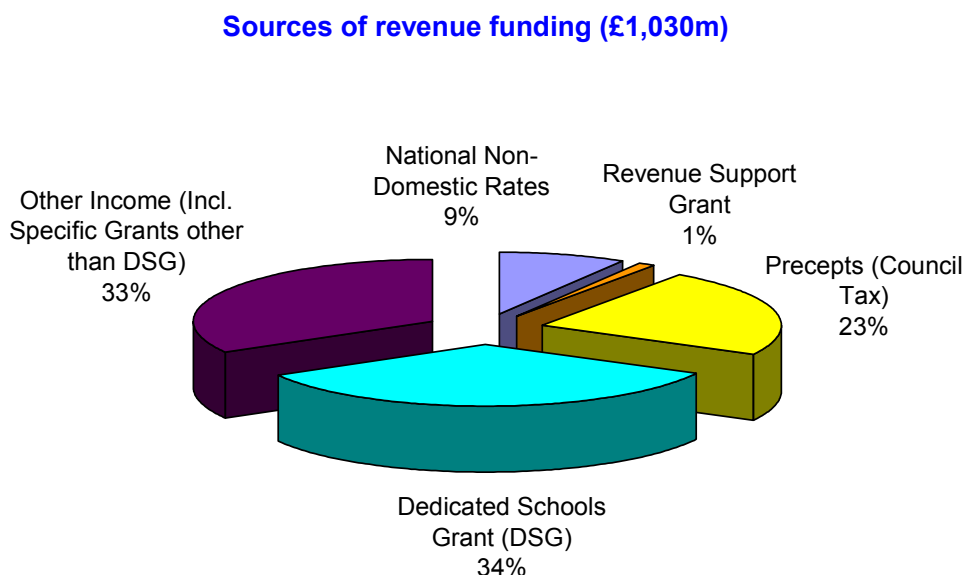
The foreword gives a brief summary of the overall financial position of the County Council, sets out how the County Council's budget is spent and financed and explains the purpose of the financial statements that are contained within the accounts.

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

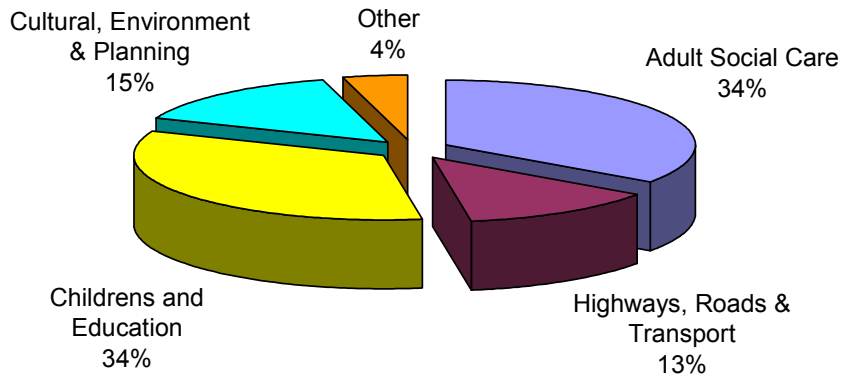
The chart below details the main sources of revenue funding received by the County Council.



□ **Cost of services (net of specific grants including DSG)**

Revenue funding is used to finance the various services provided by the County Council shown below:

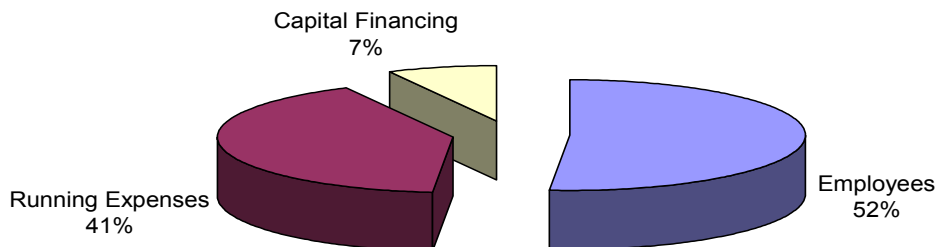
Cost of services (net of specific grants including DSG) (£372m)



□ **What the money was spent on**

The County Council's 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 (£1,068m)



Review of the Year - Income and Expenditure

In overall terms the County Council underspent against the updated budget by £0.8m net of carry forwards (£5.1m) and approved transfers (£16.5m). The significant underspends against the budget are set out below:

Underspends

Children and Young People (£0.6m gross, £0.0m net)

The underspend mainly reflects savings in response to in year grant cuts, eligible expenditure being charged to grants resulting in savings and staff vacancies across the department, partially offset by an increase in the number of foster children and increased demand for other Children's Social Care services.

Adults and Communities (£5.5m gross, £2.7 net)

The main underspends on the budget were for older people and people with physical disabilities, due to savings from the electronic home care monitoring project, tightening of eligibility criteria and improved reablement leading to reduced demand, vacancy management and increased income. There was also slippage on the development of the Personalisation Project and the early achievement of efficiency savings on employment schemes.

Environment (£2.5m gross, £2.4m net)

This was mainly due to falling volumes of waste and slippage in waste minimisation projects, partly offset by increased fuel and other costs.

Chief Executives (£0.7m gross, £0.1m net)

This mainly relates to slippage in projects, staff vacancies and additional income.

Corporate Resources (£1.0m gross, £0.5m net)

This underspend mainly relates to additional income and slippage on learning and development expenditure.

Contingencies for inflation (£8.2m, gross and net)

The original budget included a number of contingencies relating to potential government funding shortfalls, the non-achievement of efficiency savings and inflation, which were not required.

Central Items (£3.5m gross, £3.5m net)

This mainly relates to an underspend on capital financing following previously expected borrowing not being taken and a refund of costs incurred in the Breedon on the Hill Church of England St Hardulph's Primary School legal case.

Overspends

Highways and Transportation (£0.4m gross underspend, £0.1m net overspend)

Overspends mainly relate to increased demand for special educational needs and social care transport services and to extra gritting required during the prolonged period of winter weather. These were partly offset by savings on contracts for local bus services and mainstream school transport.

Transfers to Earmarked Reserves

Contributions were made to a number of earmarked reserves, including “invest to save” projects for Place Based Budgets and Shared Services, transitional funding for Children and Young People’s Services and Youth Justice and Safer Communities services where government grants have been reduced from 2011/12 onwards, the uninsured loss fund and the Waste Strategy reserve.

Differences between the Budget and the Comprehensive Income and Expenditure Statement

Readers of the accounts should note that the underspend reported in the explanatory foreword cannot be directly compared to that reported in the Comprehensive Income and Expenditure Statement. 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 2010/11 the County Council spent £92.5m on capital projects. The table below shows the main areas of expenditure.

Department	Outturn £m
Children & Young People’s	59.9
Environment and Transportation - Transportation	19.4
Environment and Transportation - Waste Management	1.8
Adults and Communities	0.4
Corporate Resources (ICT, County Farms, Access for the Disabled, Risk Management, County Hall, Change Management)	9.3
Chief Executive (Various Grants for Rural Services)	0.3
Other Capital Items	1.4
Total	92.5

The above expenditure was financed through several sources, the details of which appear in disclosure note 36.

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 Post 16 Centre – new post 16 centre	9.4
□ Glenfield Primary – new extension	4.1
□ Hinckley Richmond Primary School – replacement accommodation and refurbishment	3.0
□ Birstall Longslade Post 16 Centre – new post 16 centre	2.8
□ Ashby School – major improvements to residential block	1.9
□ Melton John Ferneley – new secondary school	1.9
□ Robert Smythe – new kitchen and dining centre	1.0
□ Quorn St Bartholomews – replacement of modular accommodation and refurbishment	1.0
□ Coalville All Saints – replacement of mobile accommodation and internal refurbishment	0.9
Environment & Transportation	
□ Birstall Park and Ride	2.5
□ Loughborough Eastern Gateway	1.4
□ Bridge maintenance	1.1
□ Junction 21 Schemes	1.1
Corporate Resources	
□ Office Accommodation Strategy- Invest to Save Programme	7.5
Other Corporate	
□ Barwell Community Centre	0.9

Current Borrowing

The capital financing requirement (CFR) shown in note 36 to the Statement of Accounts measures the County Council's need to borrow for capital purposes. The total of non current assets at the Balance Sheet date was £1,054.8m. The CFR was £387.9m and actual debt was £331.1m. The difference between the CFR and the actual debt is the temporary use of working cash balances held by the County Council. During 2010/11, one new maturity loan of £10m was raised from the Public Works Loans Board (PWLB). Details of the loans held by the County Council are shown in note 41 to the accounts. The level of capital borrowing is within the County Councils 2010/11 Prudential Indicators that inform the County Council whether its capital investment plans are affordable, prudent and sustainable.

Review of the Year – Pension Fund Assets & Liabilities

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1st April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the County Council's pension liabilities by £124.3m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General County Fund.

Future Prospects

The state of public finances is likely to signify a continuation of very tight funding for the foreseeable future. Adding this with the objective to minimise council tax and a fundamental review of Local Government funding arrangements, means that the County Council will continue to operate within an extremely tight financial environment over the medium term.

The Medium Term Financial Strategy (MTFS) agreed in February 2011 is based on a proposed council tax freeze for four years and assumes that the level of Government funding will decline by a further 14% in the last two years of the MTFS.

The main costs and risks over the medium term continue to be in Adult Social Care and Waste. This is largely as a result of an ageing population with increasing care needs and the cost of Landfill Tax and alternative methods of waste disposal respectively. The outlook for interest rates is uncertain; they are currently still low but forecast to rise as the economy grows. Inflation is continuing to be around 4.5% but the Government aims for this to reduce over the next four years.

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

The MTFS is reviewed annually in the autumn to reflect the latest view on available resources. The current MTFS is available on the County Council's website at www.leics.gov.uk.

Changes in Accounting Policies

This is the first year that Leicestershire County Council has prepared the Statement of Accounts under the International Financial Reporting Standards (IFRS) based code of practice on local authority accounting as opposed to a UK GAAP basis. 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 include comparative prior year figures restated on an IFRS basis for the opening 2009/10 and 2010/11 positions. The impact of changes in accounting policies is detailed in the notes to the financial statements.

Changes in Legislation

The Accounts and Audit Regulations were revised in March 2011 and apply to the 2010/11 statement of accounts.

The main change is the removal of the requirement for the Statement of Accounts to be formally approved by the County Council before the end of June in each year, although they must still be signed by the Director of Corporate Resources by that date. Formal approval must now be given by 30th September. The change has been introduced to align the approval process more closely with the procedures applying elsewhere in the public and private sectors.

Other changes include a requirement for the Annual Governance Statement (AGS) to accompany the Statement of Accounts, rather than to be included within the Statement of Accounts. The change in wording is to make it clear that the AGS is separate from the Statement of Accounts.

Contents of the Statement of Accounts

The following accounting statements represent the County Council's accounts for the 2010/11 financial year:

- **Movement in Reserves Statement:**

This statement shows the movement in the year on the different reserves held by the County Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the County Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General County Fund Balance for tax setting purposes. The net increase or decrease before transfers to earmarked reserves line shows the statutory General County Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the County Council.

- **Comprehensive Income and Expenditure Statement (CIES):**

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. The County Council raises taxation to cover expenditure in accordance with statutory regulations which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The CIES has two sections:

- Surplus or Deficit on the Provision of Services – the increase or decrease in the net worth of the County Council as a result of incurring expenses and generating income.
- Other Comprehensive Income and Expenditure – shows any changes in net worth which have not been reflected in the Surplus or Deficit on the Provision of Services. These include the increase or decrease in the net worth of the County Council as a result of movements in the fair value of its assets and actuarial gains or losses on pension assets and liabilities.

- **Balance Sheet:**

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the County Council. It incorporates all the funds of the County Council, both capital and revenue, with the exception of the Pension Fund and Trust funds.

The net assets of the County Council (assets less liabilities) are matched by the reserves held by the County Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the County Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the County Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statements line 'Adjustments between accounting basis and funding basis under regulations'.

- **Cash Flow Statement:**

The Cash Flow Statement shows the changes in cash and cash equivalents of the County Council during the reporting period. The statement shows how the County Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the County Council are funded by way of taxation and grant income or from recipients of services provided by the County Council. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the County Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the County Council.

- **Pension Fund:**

This statement details 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 September 2011, 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: 28th September 2011

Movement in Reserves Statement

Movement in reserves during 2010/11	*General Fund Balance £m	Earmarked Reserves £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Note
Balance at 31 March 2010	27.8	62.9	4.4	7.2	102.3	(34.6)	67.7	
Surplus or (deficit) on provision of services	137.0	0.0	0.0	0.0	137.0	0.0	137.0	
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	211.7	211.7	13, 14
Total Comprehensive Expenditure and Income	137.0	0.0	0.0	0.0	137.0	211.7	348.7	
Adjustments between accounting basis & funding basis under regulations	(109.3)	0.0	(1.3)	(2.8)	(113.4)	113.4	0.0	7,8
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	27.7	0.0	(1.3)	(2.8)	23.6	325.1	348.7	
Transfers to/from Earmarked Reserves	(23.6)	23.6	0.0	0.0	0.0	0.0	0.0	9
Increase/ (Decrease) in Year	4.1	23.6	(1.3)	(2.8)	23.6	325.1	348.7	
Balance at 31 March 2011 carried forward	31.9	86.5	3.1	4.4	125.9	290.5	416.4	

*See Note 9 for General Fund Balance breakdown between uncommitted funds and schools balances.

Movement in reserves during 2009/10								
	*General Fund Balance £m	Earmarked Reserves £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Note
Balance at 1 April 2009	34.2	55.8	1.6	8.3	99.9	278.1	378.0	
Surplus or (deficit) on provision of services	(59.2)	0.0	0.0	0.0	(59.2)	0.0	(59.2)	
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	(251.1)	(251.1)	13, 14
Total Comprehensive Expenditure and Income	(59.2)	0.0	0.0	0.0	(59.2)	(251.1)	(310.3)	
Adjustments between accounting basis & funding basis under regulations	59.9	0.0	2.8	(1.1)	61.6	(61.6)	0.0	7,8
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	0.7	0.0	2.8	(1.1)	2.4	(312.7)	(310.3)	
Transfers to/from Earmarked Reserves	(7.1)	7.1	0.0	0.0	0.0	0.0	0.0	9
Increase/ (Decrease) in Year	(6.4)	7.1	2.8	(1.1)	2.4	(312.7)	(310.3)	
Balance at 31 March 2010 carried forward	27.8	62.9	4.4	7.2	102.3	(34.6)	67.7	

*See Note 9 for General Fund Balance breakdown between uncommitted funds and schools balances.

Comprehensive Income and Expenditure Statement

2009/10			Note	2010/11		
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp
£m	£m	£m		£m	£m	£m
			CONTINUING SERVICES			
682.9	(508.8)	174.1	Children's and Education Services	665.3	(540.4)	124.9
187.2	(55.9)	131.3	Adult Social Care	186.6	(57.3)	129.3
70.0	(22.8)	47.2	Highways, Roads & Transport Services	71.8	(24.3)	47.5
87.4	(18.1)	69.3	Cultural, Environmental & Planning Services	71.6	(17.0)	54.6
2.0	(0.6)	1.4	Central Services to the Public	1.3	(0.7)	0.6
0.7	(0.0)	0.7	Courts Services	0.9	0.0	0.9
0.1	(0.1)	0.0	Housing Services	0.3	(0.1)	0.2
13.1	(8.2)	4.9	Corporate and Democratic Core	15.2	(6.5)	8.7
3.0	0.0	3.0	Non Distributed Cost	6.0	0.0	6.0
0.0	0.0	0.0	Past Service Gain on Pension Liability	0.0	(124.3)	(124.3)
1,046.4	(614.5)	431.9	NET COST OF SERVICES	1,019.0	(770.6)	248.4
0.3	(0.4)	(0.1)	OTHER OPERATING EXPENDITURE	10	0.2	(0.1)
40.8	(8.5)	32.3	FINANCING AND INVESTMENT INCOME AND EXPENDITURE	11	34.5	(5.3)
0.0	(404.9)	(404.9)	TAXATION AND NON-SPECIFIC GRANT INCOME	12	0.0	(414.7)
		59.2	(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES			(137.0)
	(67.9)		(Surplus) or deficit on revaluation of non current assets (Note 14)			8.3
		319.0	Actuarial (gains) / losses on pension assets / liabilities (Note 13)			(220.0)
		251.1	OTHER COMPREHENSIVE INCOME AND EXPENDITURE			(211.7)
		310.3	TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			(348.7)

Balance Sheet as at 31 March 2011

31 March 2009 £m	31 March 2010 £m		Note	31 March 2011 £m	
		NON-CURRENT ASSETS			
		Property, Plant and Equipment			
711.9	704.2	Land and buildings	14	697.3	
3.9	3.3	Vehicles, Plant & Equipment	14	3.2	
213.5	233.9	Infrastructure	14	248.4	
11.7	11.7	Community Assets	14	11.7	
3.9	17.6	Assets Under Construction	14	16.9	
0.0	0.0	Surplus Assets		2.4	
944.9	970.7			979.9	
0.8	0.5	Intangible Assets	14	0.3	
		Non-Operational Assets			
66.7	21.3	Long Term Investments	15	25.0	
53.9	52.1	Long Term Debtors	18	49.6	
120.6	73.4			74.6	
1,066.3	1,044.6	Total Long Term Assets			1054.8
		CURRENT ASSETS			
0.2	0.2	Assets Held for Sale	14	0.4	
1.4	1.1	Inventories	16	1.3	
0.0	0.0	Intangible Current Assets		0.1	
57.6	59.6	Short Term Debtors	18	64.6	
15.0	4.1	Cash and Cash Equivalents	19	45.9	
77.4	75.6	Short Term Investments	15, 17	54.8	
151.6	140.6	Total Current Assets			167.1
		CURRENT LIABILITIES			
(0.6)	0.0	Bank Overdraft		0.0	
(35.0)	(4.3)	Short Term Borrowing	15	(16.3)	
(115.9)	(111.4)	Short Term Creditors	20	(119.7)	
(9.2)	(9.8)	Short Term Capital Grants Receipts in Advance	35	(3.2)	
(0.1)	(0.1)	Short Term Finance Lease Liabilities	37	(0.1)	
(1.6)	(1.8)	Short Term Provisions	21	(4.2)	
(162.4)	(127.4)	Total Current Liabilities			(143.5)
		NON CURRENT LIABILITIES			
(339.7)	(324.2)	Long Term Borrowing	15	(321.7)	
(2.0)	(1.9)	Long Term Finance Lease Liabilities	37	(1.8)	
(3.7)	(4.7)	Long Term Provisions	21	(3.3)	
(326.0)	(654.3)	Net Pensions Liability	13	(330.1)	
(6.1)	(5.0)	Long Term Capital Grants Receipts in Advance	35	(5.1)	
(677.5)	(990.1)	Total Non Current Liabilities			(662.0)
378.0	67.7	Net Assets			416.4

31 March 2009 £m	31 March 2010 £m		Note	31 March 2011 £m	
		FINANCED BY			
		Usable Reserves			
34.2	27.8	General County Fund	9	31.9	
55.8	62.9	Earmarked Revenue Reserves	9	86.5	
1.6	4.4	Capital Receipts Reserve		3.1	
8.3	7.2	Capital Grants Unapplied		4.4	
99.9	102.3				125.9
		Unusable Reserves			
85.9	145.9	Revaluation Reserve	8	133.7	
(326.0)	(654.3)	Pension Reserve	8	(330.1)	
540.3	491.9	Capital Adjustment Account	8	504.2	
(6.6)	(6.6)	Financial Instruments Adjustment Account	8	(6.5)	
(1.0)	0.8	Collection Fund Adjustment Account	8	1.4	
(14.5)	(12.3)	Short-Term Accumulating Compensated Absences Adjustment Account	8	(12.2)	
278.1	(34.6)				290.5
378.0	67.7	Total Reserves			416.4

Cash Flow Statement

2009/10			2010/11	
£m		Note	£m	£m
59.2	Net (surplus) or deficit on the provision of services		(137.0)	
(118.5)	Adjust net surplus or deficit on the provision of services for non cash movements	22	47.0	
43.0	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22	34.6	
5.8	Net Cash flows from Operating Activities	23	9.7	
(10.5)	Total Net cash flows from Operating Activities			(45.7)
(25.8)	Net cash flows from Investing Activities	24		13.4
46.6	Net cash flows from Financing Activities	25		(9.5)
10.3	Net (Increase)/Decrease in Cash and Cash Equivalents			(41.8)
(14.4)	Cash and Cash Equivalents at the Beginning of the Reporting Period			(4.1)
(4.1)	Cash and Cash Equivalents at the End of the Reporting Period			(45.9)

Notes to the Accounts

1. Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Table 1

2009/10 Extract from the Comprehensive Income and Expenditure Statement	Opening 2009/10 Net Expenditure £m	Short-term accumulating compensated absences £m	Government Grants £m	Leases £m	Restated 2009/10 Net Expenditure Statement £m
Children's and Education Services	158.5	(2.1)	17.7		174.1
Adult Social Care	131.6	(0.1)	(0.2)		131.3
Cultural, Environmental and Planning Services	68.3	(0.1)	1.1		69.3
Highways, Roads and Transport Services	41.7		5.5		47.2
Taxation and non-specific grant income	(350.4)		(54.5)		(404.9)

Table 2

Extract from the Opening 1 April 2009 Balance Sheet	Opening 1 April 2009 Balance Sheet £m	Short-term accumulating compensated absences £m	Government Grants £m	Leases £m	Cash and Cash Equivalents £m	Investment Properties and Assets held for sale £m	Restated 2008/09 Balance Sheet £m
Property, Plant and Equipment	937.5			1.3		6.1	944.9
Investment Properties	2.9					(2.9)	0.0
Assets Held for Sale	3.4					(3.2)	0.2
Cash and Cash Equivalents	(0.6)					15.0*	14.4
Short Term Investments	92.2					(14.8)	77.4
Short-term Creditors	(116.3)	(14.5)	14.9				(115.9)
Government Grants Deferred	(107.9)		107.9				0.0
Finance Lease Liabilities	(0.2)			(1.9)*			(2.1)
Capital Grants Receipts in Advance	0.0		(15.3)*				(15.3)
Capital Contributions Unapplied	(11.7)		11.7				0.0
Earmarked Reserves	(52.7)		(3.1)				(55.8)
Short-term Accumulated Compensated Absences	0.0	14.5					14.5
Capital Adjustment Account	(432.9)		(107.9)	0.5			(540.3)
Capital Grants Unapplied Account	0.0		(8.3)				(8.3)

*Figures have been amended due to roundings to ensure the restated balance matches the primary statements

Table 3

Extract from the Opening 1 April 2010 Balance Sheet	Opening 1 April 2010 Balance Sheet £m	Short-term accumulating compensated absences £m	Government Grants £m	Leases £m	Cash and Cash Equivalents £m	Restated 2009/10 Balance Sheet £m
Property, Plant and Equipment	969.4			1.3		970.7
Investment Properties	0.0					0.0
Assets Held for Sale	0.2					0.2
Cash and Cash Equivalents	0.8				3.3*	4.1
Short Term Investments	78.8				(3.2)	75.6
Short Term Creditors	(116.2)	(12.3)	17.1			(111.4)
Government Grants Deferred	(138.2)		138.2			0.0
Finance Lease Liabilities	(0.2)			(1.8)		(2.0)
Capital Grants Receipts in Advance	0.0		(14.8)			(14.8)
Capital Contributions Unapplied	(9.2)		9.2			0.0
Earmarked Reserves	(58.6)		(4.3)			(62.9)
Short-term Accumulated Compensated Absences Adjustment Account	0.0	12.3				12.3
Capital Adjustment Account	(354.1)		(138.3)*	0.5		(491.9)
Capital Grants Unapplied Account	0.0		(7.2)			(7.2)

*Figures have been amended due to roundings to ensure the restated balance matches the primary statements

Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the County Council. The most significant and material element is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the County Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean Local Authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of Government Grants Deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants received in 2009/10 but not used- Previously, no income was recognised in respect of these grants and were shown in Capital Contributions Unapplied within the Liabilities section of the Balance Sheet. Following the change in accounting policy, these grants have been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.
- Grants received in 2008/09 and 2009/10 that were classified as either Creditors or Receipts in Advance have now been reclassified as Earmarked Revenue Reserves due to conditions of the grants having no outstanding conditions as at the Balance Sheet date.

There is no change to the General County Fund Balance, as capital grant income is transferred out of the General County Fund under both the previous and the current accounting policies.

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General County Fund (where the County Council is the lessee) will be unchanged. Where the County Council is the lessor, the regulations allow the County Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The County Council has 4 industrial properties where the accounting treatment has changed following the introduction of the Code. The leases were previously classified as operating leases, but under the Code, these leases have been classified as finance leases.

- The County Council has recognised an asset (the buildings) and a finance lease liability.
- The operating lease charge within Industrial Properties has been reduced by the amount that relates to the buildings element of the lease payments.
- A depreciation charge has been included within Industrial Properties Trading Account.
- The depreciation charge has been transferred from the General County Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1 April 2009 and 1 April 2010 and the adjustments that relate to 2009/10 are reflected within the Movement in Reserves Statement (MIRS) for the year.
- The interest element of the lease payment in respect of the buildings element is charged to the Financing and Investment Income and Expenditure line in the surplus or deficit on the provision of services.

The net change to the Industrial Properties Trading Account consists of the removal of the operating lease charge to the Capital Adjustment Account. This transfer is shown in the Movement in Reserves Statement (MIRS) within the statutory provision for the financing of capital investment amount.

Cash and Cash Equivalents

Under the Code, Cash has now been expanded within the Balance Sheet to include Cash Equivalents. Cash Equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The restated amounts to the opening April 2009 and April 2010 Balance Sheets are the movements of the Short Term Investments that meet this criteria into Cash and Cash Equivalents.

Investment Properties and Assets Held for Sale

In 2009/10 all Investment Properties and Assets Held for Sale were reviewed against the new IFRS definitions. This meant that they were restated as they did not meet the new stricter definitions set out in IFRS. The adjustments shown above are to make these amendments to the opening April 2009 Balance Sheet figure.

2. Accounting Standards that have been issued but not yet adopted

Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the County Council. This change will be adopted fully by the County Council in the 2011/12 financial statements. The County Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the County Council, in this case, heritage assets.

As is set out above, full adoption of the standards will be required for the 2011/12 financial statements. However, the County Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that the new class of asset: heritage assets, is disclosed separately on the face of the County Council's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the County Council in trust for present and future generations, principally for their contribution to learning community identity and cultural development. The heritage assets held by the County Council are the collections of artefacts either on display in museums, in other exhibition spaces, or available for research and loan at Local Authority museums and resource centres. The five principal collections of heritage assets held in museums included in this statement are as follows:

- Art Collections including the Artworks Loans Collection and the Museum Fine Art Collections
- Archaeological collection
- The Fashion Collection
- The Working Life Collection
- The Civic Collection

These collections are not currently recognised in the financial statements but records are kept on each asset by the curators of the museum.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the County Council is able to recognise more of its collections of heritage assets in the Balance Sheet. The County Council anticipates that it will be able to recognise its collections on the Balance Sheet using as its base professional and/or insurance valuations (which are based on market values) held by the County Council in respect of the collection.

The carrying value of heritage assets currently held in the Balance Sheet within Property, Plant and Equipment at 1 April 2010 is £0.1 million. The County Council

holds information on the value of the collections listed above supplied by external valuers. It is estimated that the total market value of heritage assets to be recognised in the Balance Sheet at 1 April 2010 (under the requirements of the 2011/12 Code) will be £3.5 million.

The County Council considers that the heritage assets held will have indeterminate lives and a high residual value; hence does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the County Council's heritage assets.

Heritage assets as at 31 March 2011 are set out in the table below:

	£m
Heritage Assets (previously classified as land & buildings in Property, Plant and Equipment) at valuation as at 1 April 2010	0.1
Heritage Assets recognised for the first time at valuation as at 1 April 2010	
The Art Collections	2.5
The Archaeological Collection	0.3
The Fashion Collection	0.1
The Working Life Collection	0.4
The Civic Collection	0.2
Total	3.5
Additions/Purchases	0.0
Carrying Value as at 31 March 2011	3.5

3. *Critical Judgements in Applying Accounting Policies*

In applying the accounting policies set out in Note 45, the County Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The County Council has continued to disclose details relating to potential liabilities arising from Municipal Mutual Insurance (MMI) Ltd, that is subject to a run-off of claims following liquidation in 1992, as a contingent liability in the accounts as opposed to a provision. The annual report and accounts of MMI have indicated for many years that a successful run off is anticipated. We have therefore deemed this to be a possible obligation that has arisen from a past event and whose existence will be confirmed only by uncertain future events outside the control of the County Council. The position continues to be regularly monitored and if it becomes probable that a transfer of future economic benefits will be required a provision will be recognised in the accounts.

- Four leases of land and buildings for industrial properties have been recategorised as finance leases as part of the transition to IFRS. The leases meet the definition of a finance lease as part of IAS17 and have been added as Property, Plant and Equipment (PPE) in the Balance Sheet together with a finance liability. PPE of £1.3m and a £1.8m finance liability are shown as at 31 March 2011.
- The County Council has continued to include East Midlands Councils (EMC) within the Statement of Accounts following the Government's announcement during 2010/11 to close regional assemblies as although they perform the role of a regional assembly, they also have other roles which the County Council believe will continue. Details of transactions involving EMC and their role is disclosed in note 31.

4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the County Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the County Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Items	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the County Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The carrying value of Property, Plant and Equipment at 31 March 2011 is £979.9m</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1.7million for every year that useful lives had to be reduced.</p>

<p>Insurance Reserve</p>	<p>The insurance reserve has been subject to a full review in 2010/11 to confirm that there are sufficient funds for future liabilities. There is uncertainty that the County Council may have to meet any potential liabilities arising from Municipal Mutual Insurance Ltd (MMI) that is subject to a run-off of claims following liquidation in 1992. The annual report and accounts of MMI have indicated that a successful run off is anticipated, however, there is a risk that this may not be the case.</p> <p>The carrying value of the Insurance Reserve at 31 March 2011 is £11.6m</p>	<p>The fund evaluation reassured the County Council that there were sufficient funds in the insurance reserve to fund future liabilities.</p> <p>As part of the review the reserve was increased by £3.9m to reduce the risk to the County Council of uninsured losses.</p>
<p>Pensions Liability</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. An independent firm of consulting actuaries is engaged to provide the County Council with expert advice about the assumptions to be applied, although ultimate responsibility for forming these assumptions remain with the County Council.</p> <p>The carrying value of the Pension Liability at 31 March 2011 is £330.1m</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £96m. A one year increase in member life expectancy compared with the assumption used would increase the liabilities by £27m.</p> <p>However, the assumptions interact in complex ways. During 2010/11, the County Council's actuaries advised that the net pensions liability had decreased by £28.5m as a result of estimates being corrected as a result of experience and decreased by £220m attributable to updating of the assumptions.</p>
<p>Debtors</p>	<p>At 31 March 2011, the County Council had a balance of sundry debtors of £18.2m and secured memo debt of £6.7m. Provisions for doubtful debts are maintained for certain categories of income by individual departments. However in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment for doubtful debts would require an additional £1.4m to be set aside as an allowance.</p>

5. *Material Items of Income and Expense*

The Non Distributed Cost line of the Comprehensive Income and Expenditure Account includes a credit of £124.3m for pension costs. This is due to a change in the pension fund benefit entitlement indexation from RPI to CPI announced by the government on 22 June 2010. This change has been recognised as a past service gain and has the effect of reducing the pension fund liabilities as at 31 March 2011.

6. *Events after the Balance Sheet Date*

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 29 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the County Council's financial position, but do not relate to conditions at that date:

- As part of the County Council's efficiency programme a number of service reviews are underway. By the authorised for issue date, the County Council had formally notified a number of reviews to staff, estimated cost £1.1m.
- Following the decision by Desford Bosworth High School to become a Trust School, the vesting of the land and buildings in the governing body of the individual school will take place during Autumn 2011 at which time the assets will be removed from the County Council's Balance Sheet. The current value is £10.8m and is included within the PPE line shown on the Balance Sheet.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2010/11	Usable Reserves			Movement in Unusable Reserves £m
	General County Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Non-current asset depreciation and impairment	(41.6)			41.6
Revaluation losses on Property, Plant and Equipment	(14.8)			14.8
Amortisation of intangible assets	(0.2)			0.2
Capital grants and contributions	49.0			(49.0)
Revenue expenditure funded from capital under statute	(4.4)			4.4
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1.8)			1.8
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	15.2			(15.2)
Principal Repayments of transferred Debt	(2.4)			2.4
Capital expenditure charged against the General Fund	3.4			(3.4)
Adjustments primarily involving the Capital Grants Unapplied Account				
Application of grants to capital financing transferred to the Capital Adjustment Account			2.8	(2.8)

	Usable Reserves			
2010/11	General County Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Movement in Unusable Reserves £m
<i>Adjustments primarily involving the Capital Receipts Reserve</i>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1.9	(1.9)		0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	3.2		(3.2)
<i>Adjustments primarily involving the Financial Instruments Adjustment Account</i>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0.1			(0.1)
<i>Adjustments primarily involving the Pensions Reserve</i>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	104.2			(104.2)
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	0.6			(0.6)
<i>Adjustments primarily involving the Short-term Accumulating Compensated Absences Adjustments Account</i>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.1			(0.1)
Total Adjustments	109.3	1.3	2.8	(113.4)

	Usable Reserves			
2009/10 Comparative Figures	General County Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Movement in Unusable Reserves £m
<i>Adjustments primarily involving the Capital Adjustment Account</i>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Non-current asset depreciation and impairment	(53.0)			53.0
Revaluation Losses on Property, Plant and Equipment	(62.9)			62.9
Amortisation of intangible assets	(0.2)			0.2
Capital grants and contributions	54.5			(54.5)
Revenue expenditure funded from capital under statute	(7.9)			7.9
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5.6)			5.6
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Statutory provision for the financing of capital investment	14.8			(14.8)
Principal Repayments of transferred Debt	(2.2)			2.2
Capital expenditure charged against the General Fund	2.0			(2.0)
<i>Adjustments primarily involving the Capital Grants Unapplied Account</i>				
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0		1.1	(1.1)

2009/10 Comparative Figures	Usable Reserves			Movement in Unusable Reserves £m
	General County Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5.9	(5.9)		0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	3.1		(3.1)
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0.0			0.0
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(9.3)			9.3
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1.8			(1.8)
Adjustments primarily involving the Short-term Accumulating Compensated Absences Adjustments Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2.2			(2.2)
Total Adjustments	(59.9)	(2.8)	1.1	61.6

8. *Unusable Reserves*

Revaluation Reserve

	2009/10 £m	2010/11 £m
Balance at 1 April	85.9	145.9
Upward revaluation of assets and impairment	94.8	16.0
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(26.9)	(24.3)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(4.6)	(0.8)
Difference between fair value depreciation and historical cost depreciation	(3.3)	(3.1)
Balance at 31 March	145.9	133.7

Capital Adjustment Account

	2009/10 £m	2010/11 £m
Balance at 1 April	540.3	491.9
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	(49.6)	(38.5)
Revaluation losses on Property, Plant and Equipment	(62.9)	(14.8)
Amortisation of intangible assets	(0.3)	(0.2)
Revenue expenditure funded from capital under statute	(7.9)	(4.4)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1.0)	(1.0)
Capital financing applied in year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	3.1	3.2
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	54.5	49.0
Application of grants to capital financing from the Capital Grants Unapplied Account	1.1	2.8
Statutory provision for the financing of capital investment charged against the General Fund	14.8	15.2
Principal Repayments of transferred Debt	(2.2)	(2.4)
Capital expenditure charged against the General County Fund Balance	2.0	3.4
Balance at 31 March	491.9	504.2

Financial Instruments Adjustment Account

	2009/10 £m	2010/11 £m
Balance at 1 April	(6.6)	(6.6)
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements:		
Additional interest on stepped rate loans	(0.1)	0.0
Annual write down of premiums paid on rescheduled debt	0.8	0.8
Annual write down of discounts received on rescheduled debt	(0.7)	(0.7)
Balance at 31 March	(6.6)	(6.5)

Pensions Reserve

	2009/10 £m	2010/11 £m
Balance at 1 April	(326.0)	(654.3)
Actuarial gains or losses on pensions assets and liabilities	(319.0)	220.0
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(45.9)	65.9
Employer's pensions contributions and direct payments to pensioners payable in the year	36.6	38.3
Balance at 31 March	(654.3)	(330.1)

Collection Fund Adjustment Account

	2009/10 £m	2010/11 £m
Balance at 1 April	(1.0)	0.8
Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1.8	0.6
Balance at 31 March	0.8	1.4

Short-term Accumulating Compensated Absences Adjustment Account

	2009/10 £m	2010/11 £m
Balance at 1 April	(14.5)	(12.3)
Settlement or cancellation of accrual made at the end of the preceding year	14.5	12.3
Amounts accrued at the end of the current year	(12.3)	(12.2)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2.2	0.1
Balance at 31 March	(12.3)	(12.2)

9. Movement in Reserves

General County Fund

The balance of the fund as at 31 March 2011, £31.9m (2009/10 £27.8m, 2008/09 £34.2m), contains the following earmarked sums:

	2008/09 £m	2009/10 £m	2010/11 £m
Delegated Funding for Schools	21.0	16.2	17.3
Carry forward of underspendings across other services	4.0	2.5	5.2
Carry forward of resources for funding of Capital	0.1	0.0	0.1
Earmarked Reserves as at 31 March	25.1	18.7	22.6
Uncommitted balance	9.1	9.1	9.3
Balance at 31 March	34.2	27.8	31.9

Earmarked Revenue Reserves

	Balance at 31 March 2009 £m	Transfers		Balance at 31 March 2010 £m	Transfers		Balance at 31 March 2011 £m
		From Revenue £m	To £m		From Revenue £m	To £m	
Insurance	7.7	0.9	(0.9)	7.7	6.2	(2.3)	11.6
Renewals of vehicles and equipment	7.1	2.2	(2.2)	7.1	2.1	(1.6)	7.6
Corporate Severance	1.5	0.1	(0.9)	0.7	4.3	(5.0)	0
Adult & Social Care Developments	3.3	1.3	(0.3)	4.3	3.7	(0.5)	7.5
PCT / Public Health in Leicestershire	3.0	0	(3.0)	0	3.9	0	3.9
Supporting People	0.7	0.6	0	1.3	0.5	0	1.8
Place Based Budget	0	0	0	0	4.0	0	4.0
LAA	4.3	8.1	(5.0)	7.4	2.0	(4.2)	5.2
East Midlands Council	0.6	0.4	(0.4)	0.6	0.8	(0.4)	1.0
Central Maintenance Fund	1.3	0	(0.3)	1.0	0.2	(0.2)	1.0
Change Management							
- Organisational Change	8.5	1.2	(4.0)	5.7	0.5	(3.3)	2.9
- Invest to save	6.1	5.0	(1.2)	9.9	2.1	(2.4)	9.6
Children and Young People							
- Sure Start	1.5	0	0	1.5	0	(0.6)	0.9
- Dedicated Schools Grant	2.0	3.1	(1.4)	3.7	2.0	(2.8)	2.9
- Area Special School	0	0	0	0	2.0	0	2.0
- BSF/ Melton & Vale of Belvoir Review	1.0	0.6	(0.6)	1.0	0	(0.5)	0.5
Highways & Waste Management							
- Waste Strategy Implementation revenue	1.1	2.4	0	3.5	1.9	0	5.4
capital	0.7	0	0	0.7	0	0	0.7
- Commuted Sums	0.8	0.2	0	1.0	0.1	0	1.1
Shared Services	0.2	0	0	0.2	2.8	0	3.0
Transitional Grant Aided Fund	0	0	0	0	5.0	0	5.0
Other (reserves below £1m)	4.4	9.6	(8.4)	5.6	6.6	(3.3)	8.9
TOTAL	55.8	35.7	(28.6)	62.9	50.7	(27.1)	86.5

Insurance

The insurance policies held by the County Council require a significant level of self insurance, the level of this being recommended by independent advisers. The monies set aside for self insurance are split between a provision representing outstanding, unsettled claims at 31 March 2011 and a reserve to meet future claims.

Renewal of Vehicles and Equipment

Resources for the funding of replacement vehicles and equipment.

Corporate Severance

Finance to fund potential restructuring costs as the County Council reconfigures services to achieve efficiency savings.

Adult & Social Care

Unapplied grants are to be utilised to fund one off 'pump priming' initiatives, invest to save projects and provide a resource to finance potential risks affecting the service.

PCT/Public Health Monies

Payment by primary care trust relating to joint public health initiatives within Leicestershire.

Supporting People

Unapplied grants are to be utilised on Supporting People in future years.

Place Based Budget

A contribution to the initial investment in undertaking the (former) Total Place project to reduce substance misuse and improve access to services, leading to savings of between £5.25m and £6.75m per year by 2013/14.

LAA

Finance to achieve targets within the Local Area Agreement.

East Midlands Council

Funding set aside for EMC initiatives into future years.

Property – Central Maintenance Fund

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.

Organisational Change

A programme of projects to deliver efficiency savings and service improvements across the County Council.

Children and Young People's Services

The non delegated dedicated schools grant will be ring fenced for schools, the other reserves provide resources to:

- a) Assist in meeting significant revenue costs of implementing changed schooling arrangements within part of the County.
- b) Finance underspending arising from delays to the expanded children's centres and extended schools programmes.

Highways

Resources have been set aside for;

- (a) The anticipated short term deficits on parking enforcement.
- (b) Financing the future replacement of street lighting, street furniture and traffic signals funded from income from developers.

Waste Strategy

Resources have been set aside from underspending to finance the implementation of a County wide waste strategy to increase recycling and reduce landfill.

Shared Services

Investment in the "invest to save" Shared Services project with Nottingham City Council.

Transitional Grant Aided Fund

Finance to ease the impact of significant reductions in government grants to Children and Young Peoples Services and Youth Justice and Safer Communities budgets.

10. Other Operating Expenditure

	2009/10 £m	2010/11 £m
Flood Defence Levies	0.3	0.2
(Gains)/losses on the disposal of non-current assets	(0.4)	(0.1)
Total	(0.1)	0.1

11. *Financing and Investment Income and Expenditure*

	2009/10 £m	2010/11 £m
Interest payable and similar charges	17.1	17.3
Pensions interest cost and expected return on pensions assets	23.7	17.2
Interest receivable and similar income	(7.9)	(5.0)
Other investment income (surplus or deficit on Trading Accounts)	(0.6)	(0.3)
Total	32.3	29.2

12. *Taxation and non specific grant incomes*

	2009/10 £m	2010/11 £m
Council tax income	(230.2)	(237.7)
Non domestic rates	(78.5)	(87.9)
Non ringfenced government grants	(41.7)	(40.1)
Capital grants and contributions	(54.5)	(49.0)
Total	(404.9)	(414.7)

13. Pensions- Revenue Costs

a) Local Government Pension Scheme – A defined benefit scheme

As part of the terms and conditions of employment of its officers, the County Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the County Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

The County Council recognises the cost of retirement benefits in the reported 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 post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the County Council's pension liabilities by £124.3m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

	2009/10 £m	2010/11 £m
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service cost	20.5	37.7
Past service cost/(gain)	0.1	(122.4)
Settlements and Curtailments	1.6	1.6
Financing and Investment Income and Expenditure		
Interest cost	60.6	72.5
Expected return on assets	(36.9)	(55.3)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	45.9	(65.9)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses	319.0	(220.0)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	364.9	(285.9)
Movements in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with IAS 19	(9.3)	104.2
Actual amount charged against the County Fund Balance for Pensions in the year		
Employers contributions	33.7	35.2
Unfunded benefits	2.9	3.1
Total amount charged against the County Fund Balance for Pensions in the year	36.6	38.3

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £293.2m.

b) Pension Assets and Liabilities

The present value of the liabilities (defined benefit obligation) of the County Council at 31 March is as follows:

	2008/09 £m	2009/10 £m	2010/11 £m
As at 1 April	(887.3)	(878.3)	(1,427.6)
Current service cost	(22.9)	(20.5)	(37.7)
Interest Cost	(61.6)	(60.6)	(72.5)
Contributions by scheme participants	(11.9)	(12.6)	(12.6)
Actuarial (Losses) / Gains	81.6	(490.3)	236.2
Benefits paid	33.1	36.4	82.8
Past service costs	(8.8)	(0.1)	122.4
Entity combinations	0.0	0.0	0.0
(Losses) / Gains on curtailments	(0.5)	(1.6)	(1.6)
As at 31 March	(878.3)	(1,427.6)	(1,110.6)

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

	2008/09 £m	2009/10 £m	2010/11 £m
As at 1 April	743.7	552.3	773.3
Expected rate of return	54.2	36.9	55.3
Actuarial Gains / (Losses)	(257.1)	170.3	(16.1)
Employer contributions	30.0	34.6	35.2
Contributions by scheme participants	11.9	12.6	12.6
Benefits paid	(33.1)	(36.4)	(82.8)
Contributions in respect of unfunded benefits	2.7	3.0	3.0
As at 31 March	552.3	773.3	780.5

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £66.3m (2009/10 gain of £207.4m).

The scheme history of the pension fund is as follows:

	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Present value of liabilities:	(922.1)	(887.3)	(878.3)	(1,427.6)	(1,110.6)
Fair value of assets:	765.3	743.7	552.3	773.3	780.5
Surplus / (Deficit)	(156.8)	(143.6)	(326.0)	(654.3)	(330.1)

The liability shows the underlying commitment that the County Council has in the long run to pay post employment (retirement) benefits. This total liability of £330.1m has a substantial impact on the net worth of the County Council 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 2012 is £34.1m.

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 credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The County Council's Pension fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council fund being based on the latest full valuation of the Pension Fund as at 31st March 2010.

The principal assumptions used by the actuary have been:

	31 March 2010	31 March 2011
Long-term expected rate of return on assets:		
Equity investments	7.8%	7.5%
Bonds	5.0%	4.9%
Property	5.8%	5.5%
Cash	4.8%	4.6%
Mortality assumptions (in years):		
Longevity at 65 for current pensioners:		
▪ Men	20.8	20.9
▪ Women	24.1	23.3
Longevity at 65 for future pensioners:		
▪ Men	22.3	23.3
▪ Women	25.7	25.6
Rate of inflation	3.8%	2.8%
Rate of increases in salaries	5.3%	5.1%
Rate of increase in pensions	3.8%	2.8%
Proportion of employees opting to commute part of their annual pension to a retirement lump sum:		
Pre April 2008 Service	50.0%	50.0%
Post April 2008 Service	75.0%	75.0%
Rate for discounting scheme liabilities	5.5%	5.5%

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

	31 March 2010	31 March 2011
Equity investments	78%	82%
Bonds	10%	7%
Property	11%	11%
Cash	1%	0%

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.

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Difference between the expected and actual return on assets	1.3	(11.0)	(46.5)	22.0	(2.1)
Experience gains and (losses) on liabilities	(0.3)	(7.2)	0.1	(0.1)	4.0

d) Teachers and Lecturers

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The County Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11 the County Council paid £28.0m (2009/10 £27.6m) to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% (2009/10 14.1%) of teachers' pensionable pay. This is also the amount recognised as an expense in the Comprehensive Income and Expenditure Statement with regards to this scheme. 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 2010/11 these amounted to £2.1m (2009/10 £2.0m), representing 1.02% (2009/10 0.96%) of pensionable pay.

The County Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 13b.

14. Movements in Property, Plant and Equipment and Intangible Assets

	Land and Buildings £m	Vehicles Plant, Furniture & Equipment £m	Infra-structure £m	Communi-ty Assets £m	Assets Under Construc-tion £m	Surplus Assets £m	Assets Held for Sale £m	Intangible Assets (Software Licences) £m	Total £m
Net book value as at 31 March 2009	711.9	3.9	213.5	11.7	3.9	0.0	0.2	0.8	945.9
Additions	33.1	5.5	26.6	0.0	13.7	0.0	0.0	0.5	79.4
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	67.9*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	67.9
Derecognition-Disposals	(5.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(5.6)
Capital expenditure not increasing value	(23.5)	(5.0)	0.0	0.0	0.0	0.0	0.0	(0.5)	(29.0)
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit on the Provision of Services	(62.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(62.9)
Book value as at 31 March 2010	720.9	4.4	240.1	11.7	17.6	0.0	0.2	0.8	995.7
Less Depreciation this year; Depreciation written out to the Revaluation Reserve	(3.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(3.3)
Depreciation/ Amortisation written out to the Surplus/ Deficit on the Provision of Services	(13.3)	(1.1)	(6.2)	0.0	0.0	0.0	0.0	(0.3)	(20.9)
Less: Writing down leased assets	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)
Net book value as at 31 March 2010	704.2	3.3	233.9	11.7	17.6	0.0	0.2	0.5	971.4

	Land and Buildings £m	Vehicles Plant, Furniture & Equipmt £m	Infra-structure £m	Communi-ty Assets £m	Assets Under Constructi-on £m	Surplus Assets £m	Assets Held for Sale £m	Intangible Assets (Software Licences) £m	Total £m
Net book value as at 31 March 2010	704.2	3.3	233.9	11.7	17.6	0.0	0.2	0.5	971.4
Additions	35.9	4.5	21.5	0.0	13.7	0.0	0.0	0.3	75.9
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	(10.4)	0.0	0.0	0.0	0.0	2.1	0.0	0.0	(8.3)
Derecognition- Disposals	(1.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.8)
Transfers between asset categories	13.7	0.0	0.0	0.0	(14.4)	0.3	0.4	0.0	0.0
Capital expenditure not increasing value	(14.2)	(3.7)	0.0	0.0	0.0	0.0	0.0	(0.3)	(18.2)
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit on the Provision of Services	(14.6)	0.0	0.0	0.0	0.0	0.0	(0.2)	0.0	(14.8)
Book value as at 31 March 2011	712.8	4.1	255.4	11.7	16.9	2.4	0.4	0.5	1,004.2
Less: Depreciation this year									
Depreciation written out to the Revaluation Reserve	(3.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(3.1)
Depreciation / Amortisation written out to the Surplus/ Deficit on the Provision of Services	(12.3)	(0.9)	(7.0)	0.0	0.0	0.0	0.0	(0.2)	(20.4)
Less: Writing down leased assets	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)
Net book value as at 31 March 2011	697.3	3.2	248.4	11.7	16.9	2.4	0.4	0.3	980.6

* During 2009/10 the valuation basis for County Hall was changed to Depreciated Replacement Cost due to the specialist nature of the asset. This has contributed to the increase in value of County Hall to £26.5m in 2009/10 (£24.6m in 2010/11).

Depreciation/Amortisation

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

- **Intangible assets** – up to 5 years.
- **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, new builds are usually estimated to have a useful life of 70 years).
- **Infrastructure** - 40 years.
- **Vehicles, plant, furniture and equipment** - estimated useful life (averaging around 5 years).
- **Assets under construction, surplus assets and assets held for sale** – Are held at cost or market value and are not depreciated.

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:

	2011/12 £m	2012/13 and later £m
2010/11 and earlier year schemes	26.1	4.4

Major contracts entered into during 2010/11 and earlier, where significant payments remain to be made to contractors, include:

	£m
Schools	
Melton Longfield Phase 2	1.3
Melton John Ferneley Phase 2	2.9
Countesthorpe SEN Provision	1.1
Birstall Longslade Post 16 Centre	1.8
Environment and Transportation - Transport	
Birstall Park and Ride	2.0
Loughborough Eastern Gateway	3.4
Earl Shilton Bypass (Outstanding Land Payment)	0.6
Environment and Transportation - Waste	
Lount CA Site	1.5
Adults and Communities	
Charnwood Day Centre Solution	0.4
Corporate Resources	
Office Accommodation Strategy- Invest to Save	5.7

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, and therefore no capital charges will have been applied to the accounts. The following table shows the number and valuation as at 31st March of Foundation and Trust schools.

	2009/10		2010/11	
	31 March No	31 March £m	31 March No	31 March £m
Foundation schools	4	23.8	4	25.1
Trust schools	2	16.1	2	14.3
Total	6	39.9	6	39.4

Church and Other schools, which are not owned by the County Council are treated on the same basis as Foundation and Trust schools, i.e. have not been included in the Balance Sheet, and therefore no capital charges will have been applied to the accounts.

15. Financial Instruments

The borrowings, investments, debtors, creditors, finance lease liabilities and cash are disclosed in the Balance Sheet and consist of the following categories of financial instrument:

	Long Term	Current	Long Term	Current	Long Term	Current
	31 March 2009 £m	31 March 2009 £m	31 March 2010 £m	31 March 2010 £m	31 March 2011 £m	31 March 2011 £m
Financial Liabilities: (Borrowings)						
at Amortised Cost	276.7	35.0	261.1	4.3	258.6	16.3
at Fair Value	63.0	0	63.1	0	63.1	0
Total Borrowings	339.7	35.0	324.2	4.3	321.7	16.3
Financial Assets: (Investments)						
at Amortised Cost	66.6	77.4	21.3	75.5	25.0	54.8
at Fair Value	0.1	0	0	0.1	0	0
Total Investments	66.7	77.4	21.3	75.6	25.0	54.8
Debtors:						
Loans and Receivables	53.9	0	52.1	0	49.6	0
Financial Assets carried at contract amounts	0	57.6	0	59.6	0	64.6
Total Debtors	53.9	57.6	52.1	59.6	49.6	64.6
Total Financial Liabilities carried at contract amount	6.1	125.7	5.0	121.2	5.1	122.9
Total Finance Lease Liabilities	2.0	0.1	1.9	0.1	1.8	0.1
Total Cash and Cash Equivalents	0	15.0	0	4.1	0	45.9

Gains and Losses recognised in the Comprehensive Income and Expenditure Statement:

	2009/10		2010/11	
	At Amortised Cost £m	At Fair Value £m	At Amortised Cost £m	At Fair Value £m
Financial Liabilities				
Interest Paid	14.2	2.7	14.4	2.7

	2009/10		2010/11	
	Loans and Receivables £m	At Fair Value £m	Loans and Receivables £m	At Fair Value £m
Financial Assets				
Interest Received	5.2	0	2.6	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 2011 for new debt with the same maturity date from comparable lenders.
- Investments; long term – estimated interest rates at 31st March 2011 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 2011	
	Carrying Amount £m	At Fair Value £m
Financial Liabilities	338.0	387.2
Financial Assets	117.6*	118.0

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

The fair value of financial liabilities is more than the carrying amount because the County Council'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 County Council 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 County Council holds investments where the interest rate is higher than current market rate.

16. Inventories

	31 March 2009 £m	31 March 2010 £m	31 March 2011 £m
Inventories:			
Highways B/F	0.9	0.9	0.7
Purchases in Year	2.8	2.5	2.4
Issues in Year	(2.8)	(2.7)	(2.2)
Highways C/F	0.9	0.7	0.9
Children & Young People's Service	0.2	0.2	0.2
Other Services	0.2	0.2	0.2
CYPS & Other Services C/F	0.4	0.4	0.4
Sub Total	1.3	1.1	1.3
Work in Progress:			
Highways	0.1	0.0	0.0
Total	1.4	1.1	1.3

17. Investments

Surplus cash balances are mainly invested in short term deposits with a range of banks and other financial institutions. Included within this amount is £4.6m (2009/10 £1.5m, 2008/09 £6.7m) which is invested on behalf of ESPO and £2.3m (2009/10 £2.1m, 2008/09 £2.0m) on behalf of residents in care homes. Both of these amounts are also included within the Creditors line on the Balance Sheet.

18. Debtors

Long-term Debtors

	31 March 2009 £m	31 March 2010 £m	31 March 2011 £m
Long Term Debtors (amounts falling due after one year)			
Outstanding debt relating to transferred services (e.g. Unitary Authority, Higher Education establishments, Police, ESPO)	49.6	47.3	45.0
Accommodation Charges at Elderly Persons Homes	3.6	4.1	3.1
Other Long Term Debtors	0.7	0.7	1.5
Total	53.9	52.1	49.6

Short-term Debtors

Short – Term Debtors	31 March 2009 £m			31 March 2010 £m			31 March 2011 £m		
	Debtors	Payments in Advance	Total	Debtors	Payments in Advance	Total	Debtors	Payments in Advance	Total
Central Government Bodies	6.9	0.0	6.9	8.0	0.0	8.0	7.6	0.0	7.6
Other Local Authorities	14.5	0.2	14.7	9.6	0.1	9.7	7.4	0.3	7.7
NHS Bodies	2.0	0.0	2.0	0.4	0.0	0.4	0.9	0.0	0.9
Public Corporations and Trading Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
Other Entities and Individuals	26.9	7.1	34.0	32.8	8.7	41.5	40.0	7.9	47.9
Total	50.3	7.3	57.6	50.8	8.8	59.6	55.9	8.7	64.6

19. Cash and Cash Equivalents

	31 March 2009 £m	31 March 2010 £m	31 March 2011 £m
Net Cash Balance at Year End:			
School & Imprest Accounts	4.3	6.0	5.8
Main Bank Accounts	(4.9)	(5.1)	(0.1)
Short-Term Deposits with Banks and Building Societies	15.0	3.2	40.2
Cash and Cash Equivalents	14.4	4.1	45.9

These figures include uninvested cash held on behalf of residents in Care Homes £0.7m (2009/10 £0.8m, 2008/09 £0.8m)

20. Creditors

Short – Term Creditors	31 March 2009 £m			31 March 2010 £m			31 March 2011 £m		
	Creditors	Receipts in Advance	Total	Creditors	Receipts in Advance	Total	Creditors	Receipts in Advance	Total
Central Government Bodies	12.6	1.9	14.5	16.3	4.2	20.5	18.4	5.7	24.1
Other Local Authorities	13.6	0.2	13.8	4.1	0.0	4.1	11.9	0.7	12.6
NHS Bodies	1.4	0.2	1.6	0.2	0.6	0.8	0.8	0.2	1.0
Public Corporations and Trading Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2
Other Entities and Individuals	76.2	9.8	86.0	73.4	12.6	86.0	70.8	11.0	81.8
Total	103.8	12.1	115.9	94.0	17.4	111.4	101.9	17.8	119.7

21. Provisions

Short Term	Balance at 31 March 2009	Additional provisions during the year	Amounts used during the year	Balance at 31 March 2010	Additional provisions during the year	Amounts used during the year	Balance at 31 March 2011
	£m	£m	£m	£m	£m	£m	£m
Insurance:							
Fire	0.2	0.2	(0.2)	0.2	0.2	(0.2)	0.2
Public/Employers Liability	0.6	1.0	(0.6)	1.0	2.4	(1.0)	2.4
Fidelity & Money	0.0	0.8	(0.8)	0.0	1.6	(1.6)	0.0
LMS Insurance Provision	0.2	0.3	(0.2)	0.3	0.4	(0.3)	0.4
	1.0	2.3	(1.8)	1.5	4.6	(3.1)	3.0
Redundancy Provision	0.2	0.0	(0.2)	0.0	1.0	0.0	1.0
Lease Car Provision	0.2	0.4	(0.4)	0.2	0.3	(0.4)	0.1
Property Maintenance	0.0	4.4	(4.4)	0.0	4.6	(4.6)	0.0
Other	0.2	0.1	(0.2)	0.1	0.1	(0.1)	0.1
	0.6	4.9	(5.2)	0.3	6.0	(5.1)	1.2
Total Short Term	1.6	7.2	(7.0)	1.8	10.6	(8.2)	4.2

Long Term	Balance at 31 March 2009	Additional provisions during the year	Amounts used during the year	Balance at 31 March 2010	Additional provisions during the year	Amounts used during the year	Balance at 31 March 2011
	£m	£m	£m	£m	£m	£m	£m
Insurance:							
Fire	0.2	0.0	0.0	0.2	0.0	0.0	0.2
Public/Employers Liability	2.7	0.7	0.0	3.4	0.0	(1.4)	2.0
LMS Insurance Provision	0.2	0.0	(0.1)	0.1	0.0	0.0	0.1
	3.1	0.7	(0.1)	3.7	0.0	(1.4)	2.3
A&C Mental Health Refunds	0.2	0.4	(0.2)	0.4	0.0	0.0	0.4
Leased Car Provision	0.4	0.9	(0.9)	0.4	0.7	(0.8)	0.3
Other	0.0	0.2	0.0	0.2	0.1	0.0	0.3
	0.6	1.5	(1.1)	1.0	0.8	(0.8)	1.0
Total Long Term	3.7	2.2	(1.2)	4.7	0.8	(2.2)	3.3

Total Short and Long Term Provisions	5.3	9.4	(8.2)	6.5	11.4	(10.4)	7.5
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Details of Provisions Held

Insurance

The insurance policies held by the County Council require a significant level of self insurance, the level of this being recommended by independent advisers. The monies set aside for self insurance are split between a provision representing outstanding, unsettled claims at 31 March 2011 and a reserve to meet future claims. The provision is expected to be used within the next seven years.

Leased Cars

Sum to match the difference between the termination costs and the sale proceeds at the end of the lease period.

Adults & Communities Mental Health: Refunds

Provides for refunds to people with mental health difficulties, who have been charged for residential and nursing care, for which a legal judgement has been made to repay the levy charged.

Redundancy Provision

Provides for the termination costs of employees where the Authority is demonstrably committed as at 31 March 2011 where the timing and amounts are uncertain.

22. Reconciliation of the Surplus on the Comprehensive Income and Expenditure Statement to Revenue Activities Cash Flow

	2009/10 £m		2010/11 £m	
Non cash transactions:				
Movement on provisions	(1.2)		(1.0)	
Movement on pensions (IAS19)	(9.3)		104.2	
Depreciation of fixed assets and impairment	(116.1)		(58.3)	
Movement in Short-term accumulating compensated absences adjustments	2.3		0.0	
Other items	0.9		1.0	
		(123.4)		45.9
Revenue items on an accruals basis:				
Change in creditors	5.0		(1.8)	
Change in debtors	2.0		5.0	
Change in long term debtors	(1.8)		(2.4)	
Change in Inventories	(0.3)		0.2	
Change in landfill allowances	0.0		0.1	
		4.9		1.1
Total adjustments to net surplus or deficit on the provision of services on non cash movements:		(118.5)		47.0
Items classified elsewhere in the statement:				
Servicing of finance		(9.0)		(12.0)
Principal repayment on transferred debt		(2.5)		(2.4)
Capital Grants Received		54.5		49.0
Total adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		43.0		34.6

23. Cash Flow Statement- Operating Activities

	2009/10 £m	2010/11 £m
Interest received	(10.8)	(7.5)
Interest Paid	16.6	17.2
Net Cash Flows from Operating Activities	5.8	9.7

24. Cash Flow Statement- Investing Activities

	2009/10 £m	2010/11 £m
Purchase of property, plant and equipment, investment property and intangible assets	80.6	79.8
Purchase of short-term and long-term investments	(44.4)	(14.8)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5.9)	(1.9)
Capital Grants and Contributions	(54.3)	(49.0)
Other receipts from investing activities	(1.8)	(0.7)
Net Cash Flows from Investing Activities	(25.8)	13.4

25. Cash Flow Statement- Financing Activities

	2009/10 £m	2010/11 £m
Cash receipts of short-term and long-term borrowing	(15.0)	(10.0)
Repayments of short-term and long-term borrowing	61.6	0.5
Net Cash Flows from Financing Activities	46.6	(9.5)

26. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- Expenditure on some support services is budgeted for centrally and not charged to departments.

Income & Expenditure 2010/11

	2010/11					
	CYPS £m	A & C £m	E & T £m	Corporate Resources £m	Chief Executives' £m	Total £m
Fees, Charges and Other Service Income	(75.1)	(64.8)	(27.2)	(12.3)	(7.4)	(186.8)
Grants	(471.0)	(4.0)	(0.3)	(0.0)	(1.9)	(477.2)
Total Income	(546.1)	(68.8)	(27.5)	(12.3)	(9.3)	(664.0)

Employee Expenses	410.7	56.7	21.4	34.1	13.6	536.5
Other Operating Expenses	187.5	142.2	82.5	12.9	12.6	437.7
Support Service Recharges	29.4	15.8	(11.4)	(33.7)	(0.1)	0.0
Total Expenses	627.6	214.7	92.5	13.3	26.1	974.2
Net Cost of Services	81.5	145.9	65.0	1.0	16.8	310.2

Income & Expenditure 2009/10 Comparative Figures

	2009/10					
	CYPS £m	A & C £m	E & T £m	Corporate Resources £m	Chief Executives' £m	Total £m
Fees, Charges and Other Service Income	(55.7)	(57.2)	(25.3)	(14.2)	(7.1)	(159.5)
Grants	(454.6)	(10.9)	(0.1)	(2.2)	(2.1)	(469.9)
Total Income	(510.3)	(68.1)	(25.4)	(16.4)	(9.2)	(629.4)

Employee Expenses	399.1	57.5	20.7	33.9	14.2	525.4
Other Operating Expenses	175.1	137.8	84.5	15.2	14.9	427.5
Support Service Recharges	26.0	19.5	(12.3)	(28.6)	(4.6)	0.0
Total Expenses	600.2	214.8	92.9	20.5	24.5	952.9
Net Cost of Services	89.9	146.7	67.5	4.1	15.3	323.5

Key	
CYPS	Childrens and Young people's Department
A&C	Adults and Communities Department
E&T	Environment and Transport Department

The Income and Expenditure tables above show the Authority's Income and Expenditure by Service area as reported to Cabinet.

Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement (CIES)

This reconciliation shows how the figures in the analysis of income and expenditure relate to the amounts included in the Comprehensive Income Statement.

2009/10 £m		2010/11 £m
323.5	Net Cost of Services in the Service Analysis	310.2
0.0	Net Expenditure of Services Not Included in the Main Analysis	0.0
107.8	Amounts in the Comprehensive Income and Expenditure Statement Not Reported in Service Management Accounts	(62.3)
0.6	Amounts Reported to Management Not Included in the Comprehensive Income and Expenditure Statement	0.5
431.9	Net Cost of Services in Comprehensive Income and Expenditure Statement	248.4

▪ **Reconciliation to Subjective Analysis 2010/11**

	Service Analysis	Not Reported in Management Accounts	Not Included in CIES	Net Cost of Services (Sub-Total)	Corporate Accounts	Total
	£m	£m	£m	£m	£m	£m
Fees, Charges & Other Service Income	(186.8)	(125.8)	20.5	(292.1)	0.0	(292.1)
Profit or Loss on Disposal of Fixed Assets	0.0	0.0	0.0	0.0	(0.1)	(0.1)
Interest and Investment Income	0.0	0.0	0.0	0.0	(5.3)	(5.3)
Income from Council Tax	0.0	0.0	0.0	0.0	(237.7)	(237.7)
Government Grants	(477.2)	(0.9)	0.0	(478.1)	(177.0)	(655.1)
Total Income	(664.0)	(126.7)	20.5	(770.2)	(420.1)	(1,190.3)
Employee Expenses	536.5	1.5	0.0	538.0	0.0	538.0
Other Service Expenses	437.7	0.5	(16.7)	421.5	0.0	421.5
Depreciation, Amortisation, Impairment and Capital Financing Charges	0.0	60.5	(3.3)	57.2	0.0	57.2
IAS 19 and Other Pension Cost Adjustments	0.0	4.4	0.0	4.4	17.2	21.6
Prior Year Adjustments	0.0	(2.5)	0.0	(2.5)	0.0	(2.5)
Interest Payments	0.0	0.0	0.0	0.0	17.3	17.3
Precepts & Levies	0.0	0.0	0.0	0.0	0.2	0.2
Surplus or Deficit on Trading Accounts	0.0	0.0	0.0	0.0	0.0	0.0
Total Operating Expenses	974.2	64.4	(20.0)	1,018.6	34.7	1,053.3
(Surplus)/Deficit on the Provision of Services	310.2	(62.3)	0.5	248.4	(385.4)	(137.0)

▪ **Reconciliation to Subjective Analysis 2009/10 Comparison**

	Service Analysis	Not Reported in Management Accounts	Not Included in CIES	Net Cost of Services (Sub-Total)	Corporate Accounts	Total
	£m	£m	£m	£m	£m	£m
Fees, Charges & Other Service Income	(159.5)	(2.5)	19.5	(142.5)	0.0	(142.5)
Profit or Loss on Disposal of Fixed Assets	0.0	0.0	0.0	0.0	(0.4)	(0.4)
Interest and Investment Income	0.0	0.0	0.0	0.0	(8.5)	(8.5)
Income from Council Tax	0.0	0.0	0.0	0.0	(230.2)	(230.2)
Government Grants	(469.9)	(2.1)	0.0	(472.0)	(174.7)	(646.7)
Total Income	(629.4)	(4.6)	19.5	(614.5)	(413.8)	(1,028.3)
Employee Expenses	525.4	1.5	0.0	526.9	0.0	526.9
Other Service Expenses	427.5	2.5	(17.4)	412.6	0.0	412.6
Depreciation, Amortisation, Impairment and Capital Financing Charges	0.0	123.4	(1.5)	121.9	0.0	121.9
IAS 19 and Other Pension Cost adjustments	0.0	(14.6)	0.0	(14.6)	23.7	9.1
Prior Year Adjustments	0.0	(0.7)	0.0	(0.7)	0.0	(0.7)
Interest Payments	0.0	0.0	0.0	0.0	17.1	17.1
Precepts & Levies	0.0	0.0	0.0	0.0	0.3	0.3
Surplus or Deficit on Trading Accounts	0.0	0.3	0.0	0.3	0.0	0.3
Total Operating Expenses	952.9	112.4	(18.9)	1,046.4	41.1	1,087.5
(Surplus)/Deficit on the Provision of Services	323.5	107.8	0.6	431.9	(372.7)	59.2

27. Trading Accounts

Operations

During the year the County Council operated three separate accounts, which undertake trading activities of a material nature.

a) *Leicestershire Highways*

Leicestershire Highways is a business unit of the Environment and Transport 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 provide 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	(22.2)	(0.9)	(1.5)	(24.6)
Expenditure	22.1	1.0	1.2	24.3
(Surplus)/Deficit in 2010/11	(0.1)	0.1	(0.3)	(0.3)
(Surplus)/Deficit in 2009/10	(0.4)	0.2	(0.4)	(0.6)

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 IFRS Code of Practice 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 £0.0m (2009/10 £0.2m).

The County Catering service does not own any non-current assets, therefore their accounts remain as above, whilst Industrial Properties are charged with debt charges (based on financing costs of past capital expenditure).

28. Pooled Budgets

Leicestershire County Council's Adults and Communities department participates in two pooled budget arrangements with local health authorities, the details of which are outlined below. The services are either provided by the Trust or the County Council depending on the mix required by clients.

- a) *The supply of aids for daily living.* The other members that contribute to this pool are Leicester City Council, Rutland County Council and the two Primary Care Trusts (PCTs). Leicester City P.C.T acts as the host authority. The County Council contributed £1.3m (2009/10 £1.2m) to the pool. The draft memorandum account shows total expenditure of £4.3m (2009/10 £4.0m) and gross income of £4.3m (2009/10 £4.0m). Funding commenced in 2005/06 and the partners have a current agreement to run this service until 2014, with the option to extend for a further two years to 2016.

	2009/10 £m	2010/11 £m
Funding Provided to the Pooled Budget		
Leicestershire County Council	1.2	1.3
Primary Care Trusts / Leicester City Council / Rutland County Council	2.8	3.0
Total	4.0	4.3
Expenditure Met from the Pooled Budget		
Leicestershire County Council	1.2	1.3
Primary Care Trusts / Leicester City Council / Rutland County Council	2.8	3.0
Total	4.0	4.3
Net Surplus Arising on the Pooled Budget	0.0	0.0

- b) *The provision of services for adults with learning difficulties.* The other members that contribute to this pool are the Leicestershire County & Rutland NHS. The County Council acts as host to the arrangement. The County Council contributed £33.1m (2009/10 £32.3m) to the pool. The memorandum account shows total expenditure of £48.2m (2009/10 £54.7m) and gross income from the partners of £48.2m (2009/10 £54.9m). Any net underspend arising on the pooled budget is returned to the partners through revised contributions to the pool. Funding for this service commenced in 2005/06. The authorities have an agreement in place to renew funding these services on an annual basis.

	2009/10 £m	2010/11 £m
Funding Provided to the Pooled Budget		
Leicestershire County Council	32.3	33.1
Primary Care Trust	20.4	15.1
Rutland County Council	2.2	0.0
Total	54.9	48.2
Expenditure Met from the Pooled Budget		
Leicestershire County Council	32.3	33.1
Primary Care Trust	20.3	15.1
Rutland County Council	2.1	0.0
Total	54.7	48.2
Net Surplus Arising on the Pooled Budget	0.2	0.0

29. *Members' Allowances*

Amounts were paid to members of the County Council as follows:

	2009/10 £m	2010/11 £m
Total	1.0	1.0

30. *Related Party Transactions*

Details of the total Government grants received are shown in Notes 12 and 35. The employers' contribution paid to the Pension Fund is shown in Note 13. Interests in consortia and other organisations are disclosed in Note 31. Details of the related party transactions with the Eastern Shires Purchasing Organisation (ESPO) are included within note 31.

The County Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to exert control, or be controlled or influenced by Leicestershire County Council.

Central Government

Central government has effective control of the general operations of Leicestershire County Council. It is responsible for providing the statutory framework within which the County Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the County Council has with other parties (e.g. Council Tax).

Grants received from government departments are set out in the analysis in Notes 12 and 26 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March are shown in Note 35.

Members

Members of Leicestershire County Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 29. During 2010/11, works and services to the value of £75,000 were commissioned from a company, in which one member had an interest. Contracts were entered into in full compliance with the County Council's standing orders.

Currently, the County Council has contracts with voluntary and community sector organisations to the value of £1.0m, in which 13 members have an interest. In addition, payments totalling £0.2m have been made during 2010/11 to organisations, in which three members have positions on the governing body. No such payments have been made to organisations whose senior management includes members of the families of members. In all instances, the payments were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments. Details of all these transactions are recorded in the *Register of Members' Interest*, which is available for public inspection at www.leics.gov.uk

Other Public Bodies (Subject to Common Control by Central Government)

The County Council has two pooled budget arrangements with local health authorities for the supply of aids for daily living and the provision of services for adults with learning difficulties. Transactions and balances are detailed in Note 28.

Entities Controlled or Significantly Influenced by Leicestershire County Council

- a) The County Council and Leicester City Council each own 50% of the company: Leicester Shire Connexions Service Ltd. The company provides free advice and support for 13-19 year olds (young people with learning difficulties and/or disabilities can use the service up to the age of 25) with education, training, career guidance, health awareness, money management, drug pressures, relationships, benefits, housing and the law.

During 2010/11 the draft accounts report a surplus in the income and expenditure account of approximately £0.1m (2009/10 surplus of £0.2m). The company's net assets as at the 31 March 2011 are approximately £0.6m (2009/10 net assets worth £0.6m). The County Council made contributions of £4.2m to Leicester Shire Connexions Service Ltd and received £0.1m during the 2010/11. The outstanding debtor and creditor balances at 31 March 2011 were less than £0.1m. A copy of Connexions's statement of accounts is available from: Connexions, 6 Millstone Lane, Leicester, LE1 5JN.

- b) The County Council is a member of the East Midlands Broadband Consortia (EMBC). The EMBC is a limited company owned by eight member local authorities based in the East Midlands. The company provides the National Education Network for schools through a safe and secure educational broadband connection. During 2010/11 the draft accounts report a breakeven position on the income and expenditure account (2009/10 breakeven position). The company reports a net liability as at 31 March 2011 of approximately £0.25m (2009/10

assets equal liabilities £0m). Transactions and debtor and creditor balances between the County Council and EMBC were all less than £0.1m during 2010/11.

A copy of EMBC's statement of accounts is available from: EMBC, 4 Prospect Court, Courteenhall Road, Blisworth, Northamptonshire, NN7 3DG.

- c) The County Council and Leicester City Council each own 50% of the company 'Prospect Leicestershire'. This economic development company was established in April 2009 and is responsible for delivering regeneration, growth, business innovation, support and inward investment across Leicester and Leicestershire. During 2010/11 the draft accounts report a breakeven position on the profit and loss account (2009/10 breakeven position). Total assets equal liabilities for the company as at 31 March 2011 (2009/10 assets equal liabilities £0m). Transactions and debtor and creditor balances between the County Council and Prospect Leicestershire were all less than £0.1m during 2010/11. Due to funding reductions and a review of economic delivery arrangements, Prospect Leicestershire is expected to cease operations in 2011/12.

Concessionary Travel Fares Scheme

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

	2009/10 £m	2010/11 £m
Income	(13.2)	(14.0)
Expenditure	13.2	14.0
Net Cost	0.0	0.0

31. Interests in Consortia and other Organisations

a) Eastern Shires Purchasing Organisation (ESPO)

The County Council is a member of the Eastern Shires Purchasing Organisation involved in the negotiation of contracts for supplies to its members and the provision of a central warehouse for the supply of items in common use. During 2010/11 a net surplus of £2.0m (2009/10 £1.4m surplus) was reported on net service income of £18.0m (2009/10 £17.0m). Turnover between County Council and ESPO totalled £78.9m (2009/10 £109.1m) in respect of stores issues, direct orders, period contracts and strategic contracts. The County Council had an outstanding creditor balance of £0.6m and an outstanding debtor balance of £0.3m as at 31 March 2011.

In 2005, the County Council entered into a 25 year borrowing arrangement of £12.5m on behalf of the constituent members of the consortium to finance the provision of a new warehouse and integrated offices. The loan outstanding as at 31 March 2011 is £9.8m.

The County Council in effect owns approximately one seventh of ESPO assets and liabilities net £1.0m (2009/10 £0.7m). These are not included on the County Council's Balance Sheet.

A copy of ESPO's statement of accounts is available from ESPO, Barnsdale Way, Grove Park, Enderby, Leicester. LE19 1ES. Telephone 0116 265 7878.

b) East Midlands Councils

East Midlands Councils (EMC) is a new organisation comprising of the East Midlands Regional Assembly (EMRA) and Local Government East Midlands (LGEM) who merged from the 1 April 2010. It is one of eight regional assemblies in England outside London. It comprises of 98 Members who are representatives of the region's local authorities, fire, police and parish and town councils.

EMC's main roles and purposes are:

- A consultative forum for local government in the East Midlands.
- Represents the interest of local councils to national government and other organisations
- Enables local councils to work together on key issues of common concern
- Supports the improvement and development of local councils and their workforce
- Brings together political group leaders
- Makes appointments to national and regional bodies
- Provides a reporting and governance mechanism for regional local government Partnerships e.g. Regional Improvement and Efficiency Partnership (RIEP)
- Establishes and maintains an effective relationship with the national Local Government Association (LGA)

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

Income and Expenditure

	2009/10 £m	2010/11 £m
Income	(4.5)	(2.8)
Transfer (from) / to Reserve	0.4	0.0
Expenditure	4.1	2.8
(Surplus)/Deficit	0.0	0.0

Current Service pension costs under IAS 19 are less than £0.1m and are excluded from the expenditure above for both financial years.

c) Leicester, Leicestershire and Rutland Combined Fire Authority

The County Council is a constituent member of Leicester, Leicestershire and Rutland Combined Fire Authority. During 2010/11 the estimated turnover is £33.5m (2009/10 actual turnover: £34.8m). The County Council received £0.4m of income during

2010/11 from Leicester, Leicestershire and Rutland Combined Fire Authority. The County Council had an outstanding debtor balance of £0.2m as at 31 March 2011.

A copy of the Fire Service statement of accounts is available from Leicester, Leicestershire and Rutland Combined Fire Authority at Anstey Frith, Leicester Road, Glenfield, Leicester, LE3 8HD. Telephone 0116 2872241.

32. Officers' Remuneration

a) 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	Remuneration Excluding Employers Pension Contribution £000	Employers Pension Contributions £000	Remuneration Including Employers Pension Contribution £000
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2010/11

Chief Executive - John Sinnott	187	0	5	192	38	230
Director of Corporate Resources	144	0	3	147	29	176
Director of Children & Young People's Service	128	0	3	131	26	157
Director of Environment & Transport	128	0	2	130	26	156
Director of Adults & Communities	128	0	4	132	26	158
County Solicitor	113	0	4	117	23	140
Assistant Chief Executive	96	0	1	97	19	116
Executive Director (East Midlands Councils)	89	0	2	91	18	109
Head of Youth Justice & Safer Communities	75	0	0	75	15	90
Total	1,088	0	24	1,112	220	1,332

2009/2010

Chief Executive - John Sinnott	188	0	5	193	38	231
Director of Children & Young People's Service Gareth Williams	*168	0	4	172	26	198
Director of Corporate Resources	144	0	3	147	29	176
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	1,253	53	25	1,331	285	1,616

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

*Includes work undertaken on behalf of the Department for Education.

**Director left the Authority on 31st March 2010.

b) Other Employees

The Authority's other employees whose remuneration, taxable expenses and severance (if applicable), was £50,000 or more is detailed below. This information does not include employer's pension contributions.

Remuneration Band	Number of Employees 2009/10	Number of Employees 2010/11
£50,000 - £54,999	233	239
£55,000 - £59,999	110	116
£60,000 - £64,999	65	88
£65,000 - £69,999	28	19
£70,000 - £74,999	21	28
£75,000 - £79,999	15	16
£80,000 - £84,999	10	13
£85,000 - £89,999	17	14
£90,000 - £94,999	5	6
£95,000 - £99,999	4	4
£100,000 - £104,999	3	2
£105,000 - £109,999	2	2
£110,000 - £114,999	1	3
£115,000 - £119,999	2	0
£120,000 - £124,999	1	1
£125,000 - £129,999	0	0
£130,000 - £134,999	0	1
£135,000 - £139,999	0	0
£140,000 - £144,999	0	1
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
£155,000 - £159,999	0	0
£160,000 - £164,999	0	0
£165,000 - £169,999	0	0
£170,000 - £174,999	0	1
Total	517	554

33. Audit Costs

	2009/10 £m	2010/11 £m
Fees payable to external auditor:		
- annual audit	0.2	0.2
- statutory inspection*	0	0
- certification of grant claims **	0	0
- other ***	0	0
Total	0.2	0.2

* Statutory inspection costs of £11,000 (2009/10 £17,000).

** Grant claims continue to be accounted for on the basis of actual payments in year (£19,400 2009/10), rather than an estimation of costs relating to 2010/11 grant claims.

*** Other includes VAT helpline of £4,000 (2009/10 £4,000), and benchmarking club of £6,000 (2009/10 £6,000).

34. Dedicated Schools Grant

Leicestershire County Council's expenditure on schools is funded by grant monies provided by the Department for Education, in the Dedicated Schools Grant (DSG). The DSG is ring-fenced 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 2010/11 are as follows:

	Schools Budget Funded by DSG					
	2009/10			2010/11		
	Central Exp £m	Individual Schools Budget £m	Total £m	Central Exp £m	Individual Schools Budget £m	Total £m
Final DSG for year	(37.2)	(298.9)	(336.1)	(41.3)	(308.1)	(349.4)
Brought forward from previous year *	(0.6)	(1.4)	(2.0)	(1.3)	(2.4)	(3.7)
Carry forward agreed in advance *	1.4	0	1.4	0.9	0	0.9
Agreed budgeted distribution	(36.4)	(300.3)	(336.7)	(41.7)	(310.5)	(352.2)
Actual central expenditure	34.1	0	34.1	39.7	0	39.7
Actual ISB deployed to schools	0	300.3	300.3	0	310.5	310.5
Local Authority Contribution	0	0	0	0	0	0
Carry Forward	(2.3)	0	(2.3)	(2.0)	0	(2.0)

*Within the 2010/11 accounts the carry forward figure totalling £3.7m has in total been transferred between central expenditure and the Individual Schools Budget. This money was allocated in the original Schools budget.

35. Grant Income

a) The County Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

(i) Credited to Taxation and Non Specific Grant Income.

	2009/10 £m	2010/11 £m
Revenue:		
Revenue Support Grant	18.1	12.8
Local Authority Business Growth Incentive Scheme	0.3	0.0
Area Based Grant	23.3	27.3
Capital:		
<i>Department for Education:</i>		
Devolved Formula Capital	14.6	11.1
One School Pathfinder	12.0	8.1
Modernisation	0.0	5.9
Primary Capital Programme	1.6	5.7
Young People's Learning Agency	0.0	5.7
General Sure Start	0.1	1.9
Targeted Capital Fund	9.2	1.7
Extended Schools	1.0	0.0
<i>Department for Transport:</i>		
Local Transport Plan	2.2	0.6
Winter Damage Grant	0.0	0.8
Bridges Grant	1.5	0.0
Earl Shilton Bypass Grant	1.2	0.0
Waste Infrastructure	1.1	0.0
<i>Department for Communities & Local Government:</i>		
Homes & Community Agency		2.5
LAA Performance Reward Grant	2.1	0.0
Growth Point Grant	0.9	0.0
<i>Other Contributions:</i>	7.0	5.0
Total (Note 12 non ringfenced Government grants and capital grants and contributions)	96.2	89.1

(ii) Credited to Services

	2009/10 £m		2010/11 £m	
<i>Corporate Resources</i> – Learning & Skills Council		2.1		0.0
<i>Children and Young People's Service – Education:</i>				
Sure Start, Early Years and Childcare Grant	13.8		20.9	
School Standards	18.9		19.3	
Dedicated Schools Grant	336.1		349.4	
Standards Fund	34.3		38.0	
Asylum Seekers	1.8		1.3	
Learning & Skills Council	47.4		47.0	
Dept For Education Primary Capital Programme	2.1		1.8	
Dept for Education Targeted Capital Programme	1.2		2.0	
Growth Point Funding (CBC)	0		1.1	
		455.6		480.8
<i>EMC</i> - Government Office East Midlands		2.1		0.9
<i>Adults and Communities – Dept of Health:</i>				
Supporting People	7.1		0.0	
Social Care Reform Grant	1.9		2.4	
		9.0		2.4
Other		10.7		6.3
Total		479.5		490.4

- b) The County Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year end are as follows:

Short-Term Capital Grants Receipts in Advance:

	31 March 2009 £m	31 March 2010 £m	31 March 2011 £m
<i>Dept for Education:</i>			
General Sure Start Grant	0.0	1.0	0.0
Targeted Capital Grant	0.0	0.0	0.8
Young People's Learning Agency	0.0	0.0	0.6
<i>Dept for Transport:</i>			
Earl Shilton Bypass Grant	1.2	0.0	0.0
<i>Dept for Health:</i>			
Social Care Reform Grant	0.0	0.0	0.3
<i>East Midlands Development Agency:</i>			
Land Reclamation Grant	0.4	0.3	0.0
Section 106 Housing Developer Conts.	7.5	8.3	1.4
Other Grants and Contributions	0.1	0.2	0.1
Total	9.2	9.8	3.2

Long-Term Capital Grants Receipts in Advance:

	31 March 2009 £m	31 March 2010 £m	31 March 2011 £m
<i>Dept for Education:</i>			
General Sure Start Grant	0.7	0.0	0.0
<i>East Midlands Development Agency:</i>			
Land Reclamation Grant	0.8	0.5	0.5
Section 106 Housing Developer Conts.	4.3	4.5	4.6
Other Grants and Contributions	0.3	0.0	0.0
Total	6.1	5.0	5.1

36. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to fund it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the County Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the County Council that has yet to be financed.

	2008/9 £m	2009/10 £m	2010/11 £m
Capital Investment:			
Property, Plant and Equipment and Intangible Assets	77.9	79.4	75.9
Revenue Expenditure funded from Capital under Statute	8.4	15.2	16.6
Sources of Finance:			
Capital Receipts	(1.4)	(3.1)	(3.2)
Government grants and other contributions	(48.9)	(63.0)	(64.0)
Direct revenue contributions	(9.5)	(2.0)	(3.4)
Balance Representing Borrowing Requirement	26.5	26.5	21.9
Opening Capital Financing Requirement	357.5	369.6	381.2
Add: Borrowing Requirement	26.5	26.5	21.9
Less: Minimum Revenue Provision	(14.3)	(14.8)	(15.2)
Other Movements	(0.1)	(0.1)	0.0
Closing Capital Financing Requirement	369.6	381.2	387.9
Increase in underlying need to borrow:			
Supported by government financial assistance	25.3	26.5	21.9
Unsupported by government financial assistance	1.2	0.0	0.0

37. Leases

a) Amounts Paid to Lessors

Finance lease rentals paid to lessors in the year totalled £0.4m (2009/10 £0.4m). Lease rentals paid to lessors during the year in respect of operating leases for vehicles and equipment totalled £1.7m (2009/10 £1.9m).

b) Amounts Received from Lessees

Lease rentals on council owned buildings received from lessees during the year in respect of operating leases totalled £1.7m (2009/10 £1.7m).

c) Leased Assets

The County Council has a liability to make payments for the following leases during 2011/12:

	Finance Lease Principal (NPV) £m	Finance Cost £m	Finance Leases Total Outstanding £m	Operating Leases £m
Leases which expire:				
Within 1 year	0.1	0.2	0.3	0.4
2 to 5 years	0.3	0.9	1.2	1.3
Over 5 years	1.5	4.8	6.3	0
Total	1.9	5.9	7.8	1.7

Finance Leased Assets have a carrying value within Property, Plant and Equipment of £1.4m as at 31 March 2011.

38. Impairment Losses

During 2010/11, the County Council has not recognised any impairment losses. However, Revaluations downwards of £24.3m have been recognised in the Revaluation Reserve and Revaluations downwards of £14.8m have been recognised in the Comprehensive Income and Expenditure Statement as shown in Note 7.

39. Termination Benefits

Termination benefits arise when employment is terminated by the County Council before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised as a liability and an expense if the County Council is demonstrably committed to a detailed formal plan without realistic possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer. The total termination benefits for 2010/11 are £7.6m (£2.6m in 2009/10).

Details of actual and accrued benefits are shown below:

▪ 2010/11 - Actual

	Number of Officers	Amount (£m)
Department:		
Children & Young People's Services (Incl Schools)	250	2.8
Environment & Transport	19	0.3
Adults & Communities	53	0.4
Corporate Resources	31	0.5
Chief Executive's (Incl East Midlands Council)	27	0.3
Total	380	4.3

▪ 2010/11 - Accrued Liabilities*

	Number of Officers	Amount (£m)
Department:		
Children & Young People's Services (Incl Schools)	61	1.1
Environment & Transport	8	0.2
Adults & Communities	75	1.5
Corporate Resources	27	0.4
Chief Executive's (Incl East Midlands Council)	6	0.1
Total	177	3.3

* Accrued liabilities includes provisions of £1.0m

40. Contingent Liabilities

- a) Municipal Mutual Insurance Limited, the County Council's former insurers, ceased writing insurance business in September 1992. They have made a scheme of arrangements with creditors in the event of the company becoming insolvent. The annual report and accounts of MMI have indicated for many years that a successful run-off is anticipated. Claims are currently being paid in full and it is hoped that the Company's assets will enable all liabilities to be met. It should be noted that there is a contingent liability if the County Council is: a)

unable to recover all of the outstanding claims in ensuing years, b) if a clawback arrangement has to be implemented.

- b) Independent Insurance Company Limited, the County Council's liability insurers for the period 1 November 1993 to 31 October 1998, went into provisional liquidation in June 2001. Claims to date for this period have been financed from the Council's insurance reserve, however, further claims may arise in the future.
- c) Projects that have been awarded lottery funds; if the assets provided are withdrawn from public use before the end of the agreed term, repayment of grant may be necessary.

41. Nature and Extent of Risks Arising from Financial Instruments

The County Council'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 County Council
- (ii) Liquidity – the possibility that the County Council might not have funds available to meet its commitments to make payments
- (iii) Market risk – the possibility that financial loss might arise for the County Council as a result of changes in such measures as interest rates and stock market movements

The County Council'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 County Council's customers.

This risk is minimised through the Annual Investment Strategy. 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. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

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 £40m for up to 2 years, 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 £50m 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 County Council are as detailed below:

Matrix for UK Banks and Building Societies

Maximum Sum Outstanding	£50m	£40m	£25m
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 = £125m

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 County Council's maximum exposure to credit risk in relation to its investments in banks and building societies is 100% of its investments, but this cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent

experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the County Council's deposits, but there was no evidence at 31st March 2011 that this was likely to crystallise. The following analysis summarises the County Council'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 31st March 2010	Historical experience of default	Historical experience adjusted for market conditions at 31 March 11	Estimated maximum exposure to default and uncollecta- -bility £m	Amount at 31st March 2011
	£m	%	%	£m	£m
Deposits with banks and financial institutions	98.0	0	0	0	120.0
Sales ledger	14.4	0.25	0	0.1	18.2
Total	112.4	0.25	0	0.1	138.2

No credit limits were exceeded during the reporting period and the County Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The County Council does not generally allow credit for customers. Credit limits are not generally imposed on customers and clients of County Council services.

The sales ledger debt is £18.2m (2009/10 £14.4m) of which £1.4m (2009/10 £1.3m) is secured debt for residential care charges. The sales ledger debt due but not impaired amount can be analysed by age as follows:

	2009/10 £m	2010/11 £m
Less than three months	11.7	15.0
Three to six months	0.6	0.9
Six months to one year	0.7	0.8
More than one year	1.4	1.5
Total	14.4	18.2

In respect of the above sales ledger debt, the County Council has made a provision of £1.4m for potential doubtful debts.

(ii) Liquidity risk

The County Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the County Council 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 County Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The County Council sets limits on the proportion of its fixed rate borrowing during specific periods. 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	
	2010 £m	2011 £m
Lender:		
Public Works Loan Board	215.6	213.1
Banks and building societies	105.5	105.5
Total by Lender	321.1	318.6
Analysis of maturity of these loans:		
Maturing -		
Between 1 and 2 years	12.5	12.5
Between 2 and 5 years	33.0	31.0
Between 5 and 10 years	12.0	12.0
Between 10 and 15 years	7.3	7.3
Between 15 and 20 years	2.5	2.3
Between 20 and 25 years	0.3	0
Between 25 and 30 years	0	0
Between 30 and 35 years	12.6	17.4
Between 35 and 40 years	47.6	47.6
Between 40 and 45 years	100.5	105.6
Over 45 years	92.8	82.9
Total by Maturity	321.1	318.6

In addition to the principal outstanding, as above, there are Lender Option Borrower Option (LOBO) adjustments of £3.1m (2009/10 £3.1m), making the total of Long Term Borrowing £321.7m (2009/10 £324.2m) 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 County Council 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 County Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of services 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 Surplus or Deficit on the Provision of services 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 Surplus or Deficit on the Provision of Services or Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus and Deficit on the Provision of Services and affect the General County Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The County Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans. A proportion of Government Grant payable on financing costs will normally move with prevailing interest rates and the County Council takes account of this when considering the best strategy for borrowing. Borrowing decisions will generally be made with a view to measuring the long term cost to the County Council.

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. The analysis will also advise whether new borrowing is taken out as fixed or variable.

According to this assessment strategy, at 31 March 2011, 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	1.2
Increase in government grant receivable for financing costs	0.6
Impact on Surplus or Deficit on the Provision of Services	1.8
Decrease in fair value of fixed rate investment assets	(0.7)
Impact on Other Comprehensive Income and Expenditure	(0.7)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the provision of Services or Other Comprehensive Income and Expenditure)	(50.1)

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

Price risk

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

Foreign exchange risk

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

42. Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the County Council's share of the Collection Fund Surplus/Deficit held by each Council Tax billing authority within Leicestershire. The breakdown of the figure included in the Balance Sheet is as follows:

Collection Fund	Blaby District Council £m	Charnwood Borough Council £m	Harborough District Council £m	Hinckley & Bosworth Borough Council £m	Melton Borough Council £m	Oadby & Wigston Borough Council £m	North West Leicestershire District Council £m	Total £m
2010/2011								
Council Tax Arrears Impairment Allowance for Bad/Doubtful Debts	1.3	2.6	1.4	0.8	1.1	0.5	1.1	8.8
Council Tax Overpayments & Prepayments	(0.4)	(1.0)	(0.4)	(0.2)	(0.1)	(0.1)	(0.7)	(2.9)
	(0.4)	(0.9)	(0.4)	(0.5)	(0.3)	(0.2)	(0.5)	(3.2)
Collection Fund (surplus) / deficit	(0.1)	(0.3)	(0.4)	(0.1)	0.0	(0.2)	(0.3)	(1.4)
Cash	(0.4)	(0.4)	(0.2)	0.0	(0.7)	0.0	0.4	(1.3)
2009/2010								
Council Tax Arrears Impairment Allowance for Bad/Doubtful Debts	1.3	2.7	1.5	0.7	0.9	0.5	1.2	8.8
Council Tax Overpayments & Prepayments	(0.4)	(0.9)	(0.3)	(0.2)	(0.0)	(0.1)	(0.7)	(2.6)
	(0.4)	(0.9)	(0.4)	(0.5)	(0.4)	(0.3)	(0.4)	(3.3)
Collection Fund (surplus) / deficit	(0.1)	0.0	(0.1)	(0.2)	0.0	(0.2)	(0.2)	(0.8)
Cash	(0.4)	(0.9)	(0.7)	0.2	(0.5)	0.1	0.1	(2.1)

The County Council's Collection Fund Adjustment Account therefore has a credit balance of £1.4m at 31st March 2011 (credit balance of £0.8m as at 31st March 2010.)

43. Self Insurance

Provisions and reserves are operated to meet the self-insured deductibles for the following policies, however, stop loss insurance applies to fire and public/employers' liability policies.

	Deductible per Claim
	£
Fire	500,000
Public/Employers' liability	150,000
Fidelity guarantee	100,000
Motor	500

Apart from Museums, the County Council has no general insurance cover for accidental damage to or the theft of contents from buildings. Similarly the County Council does not purchase money insurance. Schools, however, have the option to join a group self insurance scheme to cover the above risks.

44. Trust Funds (excluded from the Balance Sheet)

The County Council acts as trustee and/or administrator for approximately 20 prize funds, endowments, scholarships and bequests. The original bequests are invested in either the Council's trust fund pooling scheme or in a range of other direct external investments.

Trustees are nominated by Leicestershire County Council, Leicester City Council and the National Trust to the Bradgate Park and Swithland Wood charity. This is the largest Trust the County Council is involved with, and due to the timing of the production of Leicestershire County Council's Statement of Accounts, the figures shown below are compiled on an estimated basis.

To the extent that income from these investments has not been utilised for prizes etc., the surplus funds are invested in short term deposits with various financial institutions.

Under regulations issued through the Charities Act 1993, trust fund accounts where annual income exceeds £10,000, require an independent examination.

The main trust funds are as follows:

	Balance at 31 March 2010	Income	Expenditure	Balance at 31 March 2011
	£m	£m	£m	£m
Trust Funds:				
Kibworth High School Endowment	0.2	0	0	0.2
Bradgate Park & Swithland Wood Charity *	0.9	(0.9)	0.9	0.9
Others	0.2	0	0	0.2
Total Trust Funds	1.3	(0.9)	0.9	1.3

* Not sole trustee. The County Council administers the funds and is represented on the board of trustees.

45. Statement of Accounting Policies and Estimation Techniques

1. General principles

The County Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (COPLAA) in the UK 2010/11 and the Best Value Accounting Code of Practice (BVACOP) 2010/11 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). These accounts are maintained on a fair value basis, subject to revaluation and depreciation except for certain categories of asset (including Infrastructure, Intangible, VPE, and Community Assets) where values are based on depreciated historic cost.

2. Provisions

The County Council has established a number of provisions to meet liabilities which are expected to arise in future years but are of uncertain timing or amounts.

Details of these provisions are shown in note 21.

Such provisions are charged to the appropriate service when created. Payments when eventually made are charged directly to that provision. The level of provisions are reviewed each year and any liabilities that are excessive or no longer required are returned to the relevant service account.

3. Reserves

The County Council sets aside resources for future policy purposes. These are created by appropriating amounts from the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred this is charged to the appropriate service in that year. A withdrawal from the reserve is then made in order to avoid a net charge against council tax.

a) Revenue

The General County Fund Balance represents a working balance derived from past savings disclosed in the income and expenditure account or budgeted contributions. This balance incorporates both school balances, which as a result of legislation are retained by each individual school, and underspends on services that have been approved for carry forward to the following year.

In addition a number of earmarked revenue reserves are maintained for future expenditure which fall outside the definition of a provision. Details of these reserves are shown in note 9.

b) 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:

j) Revaluation Reserve

The Revaluation Reserve represents the gains in asset values arising from the revaluation of fixed assets since 1st April 2007. Gains arising before this date have been consolidated into the Capital Adjustment Account. The balance thus represents unrealised gains since that date.

ii) Capital Adjustment Account

A store of capital resources set aside from revenue, capital receipts and the provision for repayment of debt (MRP) set aside to finance past capital expenditure.

iii) Capital Receipts Reserve and Capital Grants Unapplied

There are also two Usable Capital Reserves. For further details of the Capital Receipts Reserve and Capital Grants Unapplied see accounting policies 10 and 12 respectively.

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty with a notice of 24 hours or less. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the County Council's cash management.

5. Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result in a change of accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the County Council's financial position or performance. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Non- Current Assets

All expenditure on the acquisition and/or improvement of land, buildings, roads, bridges, plant and major purchases of equipment is capitalised on an accruals basis provided that these assets yield a benefit to the County Council for a period of more than one year and is above the Capital programme de-minimis limit of £10,000 for individual items. However,

some relatively minor items may be financed from revenue. The purchase of single items below £10,000 may be capitalised in certain circumstances, for example, the need to comply with grant conditions.

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

Non-Current assets are valued on the basis recommended by the COPLAA 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:

- **Intangible Assets** cover the purchase of software licences and valuation is based on amortised historical cost for all assets with an original cost in excess of £20,000.
- **Property, Plant and Equipment- divided into the following sub-categories;**
 - **Land and 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 at least once every five years, and on completion of a capital scheme above £100,000. In addition the top twenty valued assets are now valued each year. The valuation is carried out by various Chartered Surveyors in the Property Services Division of the Corporate Resources Department. Asset lives have been reviewed and standardised over the last two years and have been updated within the Asset Register.

The current asset values used in the accounts are based on a certificate issued by the County Council's Head of Property Services Division as at 1 April 2010. Additions since that date are included in the accounts at their cost of acquisition. The addition is then reviewed, and if the actual capital expenditure does not increase the asset valuation or if the expenditure is less than the council's £100,000 capital de-minimus level then this value will be recognised in the Comprehensive Income and Expenditure Statement as capital expenditure not increasing value.

- **Vehicles, plant, furniture and equipment;** valuation is based on depreciated historical cost for all assets with an original cost in excess of £20,000, with the exception of Leicestershire Highways who occasionally capitalise an asset under £20,000. Additions below these de-minimus levels are recognised in the Comprehensive Income and Expenditure Statement as capital expenditure not increasing in value.

- **Infrastructure assets** are valued on the basis of depreciated historical cost.
- **Community assets** are assets that the County Council is likely to keep in perpetuity for the benefit of local people, e.g. country parks and reclaimed land. Such assets are valued at nominal values for assets acquired prior to 1994 and historical cost thereafter.
- **Assets under construction** are based on actual payments made to date.

- **Surplus assets** are surplus to service requirements and are valued at open market value.
- **Investment properties** are properties held solely for capital appreciation or for rental income generation or for both. These are valued on open market value.
- **Assets held for sale** are assets that are actively being marketed for sale, the asset sale is highly probable and the sale is expected within 12 months. These are valued on open market value.

Componentisation

IAS 16 requires significant components of assets to be recorded separately where they have substantially different useful lives to enable depreciation to be calculated separately.

The County Council already componentises assets into blocks that have a significant value against the total value of the asset or are naturally identifiable i.e. swimming pool or external building. The County Council also recognises a significant component within a block to be any component over £100,000 that individually exceeds 25% of the total value of the block and has a substantially different life to the overall structure.

Revaluation of assets

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Revaluation losses due to a general fall in market price are first offset against any balance that is on the Revaluation Reserve and are only charged to the Comprehensive Income and Expenditure Statement when the Revaluation Reserve has been cleared to nil.

Upon disposal of a non-current asset any revaluation gains for that asset are transferred from the Revaluation Reserve to the Capital Adjustment Account.

Revaluation gains are also subject to depreciation, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Impairment of assets

Impairment of non-current assets arising from the clear consumption of economic benefit e.g. physical damage such as a major fire is also firstly offset against any revaluation gains in the Revaluation Reserve and only when this is cleared to nil is the balance charged to the relevant service line within the Comprehensive Income and Expenditure Statement.

All impairment charges to the Comprehensive Income and Expenditure Statement are reversed out via the Movement in Reserves Statement.

An impairment loss is only permitted to be reversed where there has been a change in the estimates used to value the asset's recoverable amount since the impairment loss was recognised. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, upto the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

7. *Leased Assets and Deferred Purchase Arrangements*

In accordance with IAS 17 any lease that transfers substantially all of the risks and rewards incident to ownership of the asset will be classified as a finance lease. An operating lease is any lease other than a finance lease.

When assessing whether the lease is a finance lease the following criteria have been assessed;

- Lease transfers ownership at the end of the term.
- Lessee has option to purchase asset at price lower than fair value.
- Lease term is major part of economic life of the asset.
- Present value of minimum lease payments is substantially all of the fair value of the asset.
- Leased assets are so specialised in nature that only the lessee can use them without major modifications.

The County Council recognises both a major part of an asset's economic life and substantially all of the fair value of an asset to be 75% and over.

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

Rentals payable under operating leases are charged directly to Comprehensive Income and Expenditure Statement.

The County Council does not have any finance leases as a Lessor. Where operating leases exist, the assets are still shown on the Balance Sheet and any rental income is credited to the Comprehensive Income and Expenditure Statement.

8. *Revenue expenditure funded from capital under statute*

Revenue expenditure funded from capital under statute represent expenditure which may be properly capitalised but which does not represent tangible assets. The County Council operates a policy of charging 100% of such expenditure to services within the Comprehensive Income and Expenditure Statement. Where this has been funded from existing capital resources a transfer in the Movement in Reserves Statement from the General Fund to the Capital Adjustment Account reverses out the amounts charged so there is no impact on the level of council tax.

9. **Basis of charges for capital**

Depreciation and Amortisation is chargeable to all services in the Comprehensive Income and Expenditure Statement, which utilise assets in the delivery of that service.

a) **Depreciation**

Buildings are depreciated over their remaining useful economic lives as assessed by the property valuer, with no allowance for a residual value. No depreciation charge is made for the majority of land, community assets, assets under construction, refurbishment or assets held for sale.

Where assets suffer impairment, then dependent upon the reason for that impairment, an accelerated depreciation charge may be made to the Comprehensive Income and Expenditure Statement.

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, new builds are usually estimated to have a useful life of 70 years).
- **Infrastructure** - 40 years.
- **Vehicles, plant, furniture and equipment** - estimated useful life (averaging around 5 years).
- **Components**- will vary between 20 – 50 years for new components/blocks

No depreciation is charged in the year of acquisition, whereas a full year's depreciation is charged in the year of disposal, with the exception of Leicestershire Highways trading account, where a half a year's charge for depreciation for vehicles, plant and equipment is made in the year of acquisition.

b) **Amortisation**

Intangible Assets are amortised over their useful life of no more than 5 years.

10. **Capital receipts**

Proceeds from the sale of assets (if over £10,000) are credited to the Capital Receipts Reserve. All such receipts are available to the County Council to enhance its programme of capital expenditure or to reduce external borrowing. Receipts used are transferred to the Capital Adjustment Account. The extent to which receipts have not been utilised at year end are reflected in the Balance Sheet as Capital Receipts Reserve.

Any gains/losses on disposal of assets are taken to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Statutory regulations require a reversal of this entry to the Capital Adjustment Account via the Movement in Reserves Statement to ensure no impact on the General County Fund Balance.

The County Council capitalises expenditure incurred on the preparation for and subsequent disposal of land and buildings. Such expenditure is written out of non-current assets as capital expenditure not increasing value and is normally financed from capital receipts.

11. Basis of debtors/creditors included in the accounts

The Comprehensive Income and Expenditure Statement of the County Council is 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 31st March are included in the accounts. The exceptions to this policy are as follows:

- a) Annual IT software licences 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 Comprehensive Income and Expenditure Statement when the loan is granted.
- c) Provisions for doubtful debts are maintained for certain categories of income by individual departments.

12. Government grants

The County Council accounts for grant in accordance with IAS 20. Government grants are accounted for on an accruals basis. Revenue grants have been credited to the appropriate service lines within the Comprehensive Income and Expenditure Statement. Previously under the SORP capital grants were credited to the Government Grants and Contributions Deferred Account. Under IFRS the existing balance has been moved in full to the Capital Adjustment Account.

From 2010/11 onwards, capital grants that have met any conditions attached and have been applied to fund capital expenditure will be credited to the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement. This will then be reversed from the General County Fund via the Movement in Reserves Statement to the Capital Adjustment Account. Capital grants that have not met any conditions attached are treated as Capital Grant Receipts in Advance. These will then be transferred to the Comprehensive Income and Expenditure Statement when the conditions have been satisfied or will be paid back if not.

Any capital grants that have met their conditions or have no conditions attached but have not been applied to fund capital expenditure are posted to the Capital Grants Unapplied Reserve. These will be transferred to the Capital Adjustment Account once they have been applied to capital expenditure.

13. Inventories and work in progress

Inventories are normally only maintained for certain specified major items; other immaterial stocks, e.g. cleaning materials, books and stationery, are fully charged to Comprehensive Income and Expenditure Statement in the year of purchase. Inventories are valued at cost price with allowance for obsolescent or slow moving stocks where material, with the exception of Leicestershire Highways, Central Print and Catering trading accounts where inventories are valued at average cost. Work in progress is shown at cost price.

14. Allocation of support service costs

Expenditure of the various services includes a charge for all support services provided by the central departments of the County Council, other than the direct cost of councillors and their support which is disclosed separately in the Comprehensive Income and Expenditure Statement, as Corporate and Democratic Core and discretionary employee benefits awarded to employees retiring early and impairment losses on assets held for sale which are disclosed as Non Distributed 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.

15. Financial Instruments

a) Liabilities

Borrowings at fixed interest rates from either the PWLB or other financial institutions are recorded in the Balance Sheet at amortised cost.

Borrowing at Variable Interest

- Loans linked to the London Inter-bank Offered Rate (LIBOR) will be recorded at amortised cost.
- Loans at stepped interest rates (Lobo's) are recorded at fair value with interest charged to the Comprehensive Income and Expenditure Statement calculated at the effective rate of interest (essentially an average rate for the expected duration of that loan), rather than the cash paid in a year.

Statutory regulations enable the County Council to negate the additional interest arising on Lobo's (if loan arranged before November 2007) by posting a reversal within the Movement in Reserves Statement to the Financial Instruments Adjustment Account.

Any accrued interest at the end of a year is added to the principal sum outstanding.

b) Assets

Loans and Receivables

- Investments at fixed interest rates with a fixed maturity date are recorded at amortised cost which corresponds to fair value.

Soft Loans

- Under certain criteria the County Council provides loans to foster parents and to older people with physical disabilities. These loans are interest free. The total value is considered to be immaterial to the County Council's accounts, therefore these loans have not been revalued on a fair value basis in accordance with the CIPFA LAACOP.

Fair Value through the Comprehensive Income & Expenditure Statement

- Forward investment deals (investment negotiated one year but with actual settlement in a future year). These are accounted for as a derivative between the trade and settlement dates. The difference between the agreed rate of interest with that attributable for a loan negotiated at 31st March with similar contractual terms will show a gain or loss that is taken to the Comprehensive Income and Expenditure Statement.

Premiums and Discounts arising from premature repayment of debt.

- The County Council continuously reviews existing external loans and interest rates being paid, and has the option of restructuring or refinancing this debt. All such transactions are taken to the Comprehensive Income & Expenditure Statement in the year that the repayment is made.
- Statutory regulations enable the County Council to negate the additional charge/credit arising on such transactions by posting a reversal within the Movement in Reserves Statement to the Financial Instruments Adjustment Account.
- Premiums and discounts arising from premature repayments of debt arising since 1st April 2007 are charged to the Movement in Reserves Statement over the lesser of the remaining period of the loan(s) being repaid or a maximum of 10 years. All outstanding premiums arising from earlier periods are being charged over a period of up to 25 years.

The Financial Instruments Adjustment Account is the balancing account to hold the differences between statutory requirements and proper accounting practices for borrowings and investments.

16. Employee Benefits

The County Council accounts for the total benefit earned by employees during the financial year in accordance with IAS 19. Employee Benefits are broken down as follows:

- ***Short term benefits***

Outstanding annual leave, flexi leave and Time Off in Lieu carried forward by employees is accounted as an accrual to each service area to represent the cost of when the leave is earned rather than when it is actually exercised. The accrual is charged to the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement.

- ***Termination benefits***

Redundancy costs are recognised immediately in the Comprehensive Income and Expenditure Statement. Where termination benefits enhance pensions, statutory provisions require the General County Fund Balance to be charged with the amount payable by the County Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. The County Council recognises a liability and an expense when demonstrably committed to a detailed formal plan without realistic possibility of withdrawal. In the Movement in Reserves Statement, the notional debits and credits for enhanced pension benefits are replaced with the actual cash paid or due in year to the Pension Fund or pensioners.

□ **Post employment benefits**

Pension Schemes

The County Council participates in two pension schemes for employees in particular services. All the schemes provide members with defined benefits related to pay and service. The schemes are as follows:

□ **Teachers**

This is an unfunded scheme administered by the Teachers' Pension Scheme on behalf of the Department for Education.

□ **Other employees**

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. This is a funded scheme with employees and employers paying contributions into the fund calculated at a level intended to balance liabilities with investment assets.

In accordance with IAS 19 and in line with last year's treatment, quoted securities held as assets in the defined benefit pension scheme are valued at bid price rather than mid-market value.

Note: In Leicestershire, the Local Government Pension Scheme is administered by Leicestershire County Council and the Pension Fund accounts are included later in this booklet.

Pension costs

□ **Teachers**

Accounting for this scheme follows that of a defined contribution scheme and thus there is no reflection of assets and liabilities in the County Council's accounts. The pension cost charged to the accounts is the contribution rate set by the TPA on the basis of a notional fund.

□ **Other Employees**

As a defined benefit scheme accounting arrangements follow the requirements of IAS 19 on Retirement Benefits, which requires the disclosure of the estimated pension net liability in the Balance Sheet whilst charges to the Comprehensive Income and Expenditure Statement are based upon the cost of benefits earned by employees in that year as assessed by an actuary.

The liabilities of the scheme are calculated, by the actuary, on the 'projected unit method' based on assumptions of mortality rates, employee turnover and estimates of future earnings. These liabilities are discounted, based upon high quality corporate bond interest rates pertaining at the end of each financial year. Changes in this interest rate can result in considerable fluctuation in the overall liability, year on year.

The components of the assets of the fund are shown at fair value, principally the market value of the investments.

The extent to which the costs of benefits earned differs to employers contributions paid in accordance with statutory regulations is reflected by a transfer to or from a Pension Reserve to ensure that these accounting arrangements do not impact on the levels of local taxation.

Since 2004/5 any new additional retirement benefits awarded to former employees within the local government pension scheme are subject to a one off payment from the income and expenditure account to the pension fund. Actual cash payments are charged to the pension fund. Payments of such benefits awarded prior to this date continue to be charged to the County Fund on a regular monthly basis.

17. VAT

VAT incorporated in the income and expenditure account is limited to irrecoverable sums.

18. Developer Contributions

Income received towards public sector infrastructure that is required to be spent within a certain period of time is reported in the Balance Sheet as Capital Grants Receipts in Advance.

19. Waste Disposal - Landfill Allowance Trading Scheme (LATS)

Introduced in 2005/06 in order to provide financial incentives to reduce the amount of biodegradable municipal waste sent to landfill.

Annual allowances (in terms of tonnages) are allocated free of charge by the Department of Environment, Food, and Rural Affairs (DEFRA) to waste disposal authorities. If the actual waste tonnage exceeds that allowance the County Council either buys additional allowances from authorities with a surplus or incurs a penalty payable to DEFRA. Surplus allowances can usually be carried forward or sold to other waste disposal authorities.

The interim accounting arrangements that apply are based upon the fact that the actual usage of landfill will not be known until after the completion of the annual accounts. As such they comprise the creation of an intangible current asset based on allowances issued valued at average market price, coupled with a provision based on the estimated usage at the same average market price. The Comprehensive Income and Expenditure Statement includes, as grant income, the above valuation of the allowance whilst the estimated usage of the allowances is shown as expenditure. The Council sold some of the surplus allowances for 50p each during 2010/11 and this has given the surplus allowances remaining held by the Council a market value of 50p each at the end of 2010/11.

20. Collection Fund Adjustment Account

The County Council is a precepting authority who levies a precept on the collection funds of billing authorities (district/borough Councils).

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax. The funds key features relevant to accounting for council tax in the core financial statements are:

- a)** In its capacity as a billing authority an authority acts as an agent: it collects and distributes council tax income on behalf of the major preceptors and itself.
- b)** While the council tax income for the year credited to the Collection fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General County Fund of the billing authority or paid out of the Collection Fund to the major preceptors and in turn credited to their General Fund.

Up until 2008/9 the SORP required the council tax income included in the Comprehensive Income and Expenditure Statement to be the amount that under regulation was paid from the Collection Fund to the major preceptor. From the year commencing 1 April 2009 the council tax included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement. This accounting treatment is still relevant under IFRS.

Since the collection of council tax is in substance an agency arrangement, the cash collected by the billing authority from council tax debtors belongs proportionally to the billing authority and the major preceptors. There will therefore be a debtor / creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from council taxpayers.

21. Contingent Liabilities

The County Council defines a contingent liability as either:

- a)** A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the County Council, or
- b)** A present obligation that arises from past events but is not recognised because:
 - i. It is not probable that an outflow of resources will be required to settle the obligation, or
 - ii. The amount of the obligation cannot be measured with sufficient reliability.

A material contingent liability is not recognised in the accounts as an item of expenditure. Instead it is disclosed in a note unless the possibility is remote in which case no disclosure is required. Contingent liabilities are continually assessed and if it becomes probable that a transfer of future economic benefits will be required a provision is recognised in the financial statements in the year in which the change occurs

Details of these contingent liabilities are shown in note 40.

22. Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

- a)** Those that provide evidence of conditions that existed at the end of the reporting period- the Statement of Accounts is adjusted to reflect such events.
- b)** Those that are indicative of conditions that arose after the reporting period- the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes to the accounts of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts

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 Corporate Resources,
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets,
- Approve the statement of accounts.

These accounts were approved at a meeting of the Constitution Committee on 28th September 2011.

D R PARSONS CBE
LEADER OF THE COUNTY COUNCIL AND CHAIRMAN OF THE CONSTITUTION COMMITTEE

THE DIRECTOR OF CORPORATE RESOURCES' RESPONSIBILITIES

The Director of Corporate 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 the United Kingdom ('the Code').

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

- Selected suitable accounting policies and then applied them consistently,
- Made judgements and estimates that were reasonable and prudent,
- Complied with the Local Authority Code,
- Kept proper accounting records which were up to date,
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts has been prepared in accordance with proper practices and presents a true and fair view of the financial position of Leicestershire County Council and its income and expenditure for the year ended 31st March 2011.

B D ROBERTS
DIRECTOR OF CORPORATE RESOURCES
28th September 2011

Pension Fund

(Registration number: 00328856RQ)

Introduction

1. Under Local Government Pension Scheme Regulations the County Council is required to maintain a Pension Fund for certain categories of its employees together with the majority of employees of District Councils and other bodies that were formerly under the control of Local Authorities.

In addition, certain other bodies are eligible to join if the County Council agrees, and a number of voluntary/charitable bodies have obtained membership in this way. Membership of the scheme is optional for all employees, although a written election not to join must be made if employees wish to remain outside the scheme. Teachers, Firefighters and Police Officers all have their own schemes.

Details of the other admitted and scheduled bodies in the Fund are shown in note 5.

There were 32,086 contributors to the Fund at 31 March 2011 and 18,973 of pensions were in payment.

2. Actuarial Position:

- a) Local Government Pension Funds, in common with other pension funds in both public and private sectors, have periodic valuations to assess the extent to which assets accumulated are adequate to meet future liabilities. To ensure that the fund remains financially sound to meet benefit payments, the actuary recommends the rate of employer contributions on an individual employer basis for each employing body in the fund on a triennial basis.

The Council's actuary, Hymans Robertson and Co. completed the latest valuation, as at 31 March 2010. The change in contribution rates resulting from the actuarial valuation as at 31 March 2010 were effective from 1 April 2011. This review resulted in a requirement for the common contribution rate of employer's contributions to increase from 16% to 20% of pensionable pay. This common rate for all employers is adjusted to reflect the individual circumstances of different employing bodies.

- b) The valuation method adopted by the actuary is the projected unit valuation method which is consistent with the aim of achieving a 100% funding level. This assesses the cost of benefits accruing to existing members during the year following the valuation, allowing for future salary increases.
- c) The 2010 valuation revealed that the Fund's assets which at 31 March 2010 were valued at £2,111m, were sufficient to meet approximately 80% of the liabilities accrued up to that date. Assets were valued at their market value.

d) The key financial assumptions adopted for this valuation are as follows:

Financial Assumptions	Mar 2010 % p. a. Nominal	Mar 2010 % p. a. Real
'Gilt based' discount rate	4.5%	1.2%
Funding basis discount rate	6.3%	3.0%
Pay increases*	5.3%	2.0%
Price inflation/pension increases	3.3%	0.0%

* 1% p.a. nominal until 31/03/2013 to 5.3% thereafter. Plus an allowance for promotional pay increases.

The nominal rate is the actual return and the real return takes into account inflation.

e) In order to value both those liabilities which have accrued at the valuation date and those accruing in respect of future service, it has been assumed that the Fund's assets are invested in line with its long term investment strategy.

3. In 2010/11 the average employer rate was 15.9% of pay (15.5% 2009/10).

4. The County Council has delegated the management of the Fund to its Pension Fund Management Board, which consists of eleven voting members and three non-voting staff representatives. The voting members are split into six County Council members, two from Leicester City Council and two representing the District Councils and a single member representing De Montfort / Loughborough Universities. The Board receives investment advice from Hymans Robertson and meets quarterly to consider relevant issues.

5. List of admitted and scheduled bodies:

The Pension Fund contributors include Blaby District Council, Charnwood Borough Council, Connexions Services, Connexions Trading, De Montfort University, Harborough District Council, Hinckley & Bosworth Borough Council, Leicester City Council, Leicester, Leicestershire and Rutland Combined Fire Authority, Leicestershire Constabulary, Leicestershire County Council, Leicestershire & Rutland Probation Board, Loughborough University, Melton Borough Council, North West Leicestershire District Council, Oadby & Wigston Borough Council, Rutland County Council, Colleges of Further Education and Sixth Form Colleges consisting of Brooksby Melton College, Gateway Sixth Form College, Leicester College, Loughborough College, Regent College, Samworth Academy, South Leicestershire College, Stephenson College, Wyggeston QE1 College, Parish and Town Councils consisting of Anstey, Ashby, Ashby Woulds, Braunstone, Broughton Astley, Countesthorpe, Glen Parva, Leicester Forest East, Lutterworth, Market Bosworth, Ravenstone with Snibston, Shepshed, Sileby, Syston, Thurmaston, Whetstone, Barrow upon Soar, Mountsorrel.

Other employers consist of Bradgate Park Trust, Charnwood Neighbourhood Housing, Jeakins Wear, Leicester and County Mission for the Deaf, Fire Regional Control Centre, National Youth Agency, Rushcliffe Care, Seven Locks Housing, SLM Community Leisure, Spire Homes, VISTA, and Voluntary Action Leicester, Howells Direct, Age Concern Leicestershire Rutland, Three Oaks Housing, Family Action, Northgate Management Services, GSL, Highfields Community Association, I care, Capita Services, East West Community Project.

Fund Account for the Year Ended 31 March 2011

2009/10 £m		Notes	2010/11 £m	
	Contributions and Benefits			
132.8	Contributions	3	134.3	
11.5	Transfers in	4	12.8	
144.3			147.1	
(96.0)	Benefits	5	(103.0)	
(11.4)	Leavers	6	(9.2)	
(1.2)	Administration Expenses	7	(1.2)	
(108.6)			(113.4)	
35.7	Net additions from dealings with members			33.7
	Returns on investments			
26.6	Investment income	8	30.9	
539.0	Change in market value of investments	9	148.8	
(5.5)	Investment management expenses	10	(7.6)	
560.1	Net returns on investments			172.1
595.8	Net increase in the fund during the year			205.8
1,512.6	Net assets of the scheme At 1 April			2,108.4
2,108.4	At 31 March			2,314.2

Net Assets Statement as at 31 March 2011

2009/10 £m		Notes	2010/11 £m
2,112.4	Investment assets	9	2,327.0
(8.8)	Investment liabilities	9	(15.9)
2,103.6			2,311.1
6.6	Current Assets	12	9.6
(1.8)	Current Liabilities	12	(6.5)
2,108.4	Net Assets of the Fund at 31 March		2,314.2

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Council. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position on the Scheme, which does take account of such obligations, is set out in the Actuary's Report.

The notes on pages 101 to 113 form part of the Financial Statements.

Notes to the Accounts

1. *Basis of Preparation*

The financial statements have been prepared in accordance with the provisions of chapter 2 of the Pensions SORP 2007, except for the requirement to summarise key terms and notional amounts of derivative contracts, explain the objectives and policies for holding derivatives, separately analyse derivative contracts by their main types, and between exchange traded and over the counter. The financial statements also follow the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy, except for the requirement to separately analyse benefits payable between the administering authority, scheduled bodies and admitted bodies, and the requirement to disclose the amount of AVCs paid by members and the value of separately invested AVCs.

2. *Accounting policies*

The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the financial statements:

Investments

All assets that had bid and offer prices were valued at bid price. Many of the Fund's investments are 'single priced' (i.e. no bid and offer prices exist), and these investments use the single price available.

Private equity valuations are based on the latest available valuations of the managers, adjusted for any cash movements where this valuation is not at 31 March.

The value of fixed interest investments in the Scheme's investment portfolio excludes interest earned but not paid over at the Scheme year end, which is included separately within accrued investment income.

Property investments are stated at open market value based on an expert valuation.

Options are valued at their mark to market value. Forward foreign exchange contracts outstanding at the year end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was match at the year end with an equal and opposite contract. The investment reconciliation table in note 9 discloses the forward foreign exchange settled trades as net receipts and payments.

Investment Income

Income from equities is accounted for on the date stocks are quoted ex-dividend. Income from overseas investments is recorded net of any withholding tax.

Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.

Income from other investments is accounted for on an accruals basis.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is translated at a rate that is relevant at the time of the receipt of the income or the exchange rate at the year end, whichever comes first.

Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

Contributions

Normal contributions, both from the members and from employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate issued by the fund's actuary. Additional contributions from the employer are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received.

Additional payments for early retirements relate to the actuarially assessed extra cost to the Fund of employing bodies allowing their members to retire in advance of normal retirement age. These costs are reimbursed to the Fund by employing bodies.

Benefits payable

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on the date the member leaves the scheme or on Death.

Transfers to and from other schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the Scheme. They take account of transfers where the trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end, and where the amount of the transfer can be determined with reasonable certainty.

Other Expenses

Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.

Employee expenses have been charged to the Fund on a time basis. Office expenses and other overheads have also been charged.

3. Contributions

	2009/10 £m	2010/11 £m
Employers		
Normal	92.5	92.7
Voluntary additional	0	0.2
Advanced payments for early retirements	3.2	4.3
Members		
Normal	36.4	36.4
Purchase of additional benefits	0.7	0.7
Total	132.8	134.3

Additional payments for early retirements are paid by employers to reimburse the Pension Fund for the cost to the Fund of employees who are allowed to retire before their normal retirement age. Purchase of additional benefits by members allows extra service to be credited on top of any service earned via employment.

The contributions can be analysed by the type of Member Body as follows:

	2009/10 £m	2010/11 £m
Leicestershire County Council	47.8	47.9
Scheduled bodies	77.0	78.9
Admitted bodies	8.0	7.5
Total	132.8	134.3

4. Transfers In

	2009/10 £m	2010/11 £m
Individual transfers in from other schemes	11.5	9.1
Bulk transfers from other schemes	0	3.7
Total	11.5	12.8

The bulk transfer relates to the benefits for former Magistrate's Courts employees who retain benefits within the scheme. The Ministry of Justice will make this payment in 10 equal instalments commencing in April 2011, and the whole amount is included as an asset of the Fund within note 12.

5. Benefits

	2009/10 £m	2010/11 £m
Pensions	67.3	71.6
Lump sum retirement benefit	25.6	28.4
Lump sum death benefit	3.1	3.0
Total	96.0	103.0

It is not possible to split benefits payable between the administering authority, scheduled and admitted bodies as is required by the Statement of Recommended Practice.

6. Payments to and on account of leavers

	2009/10 £m	2010/11 £m
Individual transfers to other schemes	11.4	9.2
Group transfers to other schemes	0	0
Total	11.4	9.2

7. Administration Expenses

	2009/10 £m	2010/11 £m
Administration and processing	1.1	1.0
Actuarial fees	0	0.1
Computer system costs	0.1	0.1
Total	1.2	1.2

8. Investment Income

	2009/10 £m	2010/11 £m
Income from fixed interest securities	0.1	0.0
Dividends from equities	15.0	16.1
Income from index-linked securities	0.4	0.5
Income from pooled investment vehicles	5.4	7.5
Net rents from properties	5.8	6.1
Interest on cash or cash equivalents	0.2	0.3
Net Currency Profit / (Loss)	(0.4)	0.1
Securities Lending Commission	0.1	0.2
Insurance Commission	0.0	0.1
Total	26.6	30.9

9. Investments

	Value at 1 April 2010 £m	Purchases at Cost £m	Sales Proceeds £m	Change In Market Value £m	Value at 31 March 2011 £m
Equities	558.8	238.4	(229.6)	34.2	601.8
Index-linked securities	39.6	21.0	(21.9)	2.3	41.0
Pooled investment vehicles	1,422.5	219.9	(208.3)	95.8	1,529.9
Properties	68.9	3.6	0	1.6	74.1
Cash and currency	19.2	47.0	0	0	66.2
Derivatives contracts	(5.0)	31.8	(47.5)	14.9	(5.8)
Other investment balances	(0.4)	4.3	0	0	3.9
Total	2,103.6	566.0	(507.3)	148.8	2,311.1

The change in the value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

The Fund has investments in the Legal & General UK equity index fund (£294.1m), the Legal & General Europe (ex UK) index fund (£151.8m) and the Pictet Absolute Return Global Diversified fund (£122.0m) that exceed 5% of the total value of net assets.

9. Investments (continued)

	2009/10 £m	2010/11 £m
Equities		
UK quoted	339.2	352.3
Overseas quoted	219.6	249.5
	558.8	601.8
Index Linked Securities		
UK quoted	14.1	18.6
Overseas quoted	25.5	22.4
	39.6	41.0
Pooled investment vehicles (unquoted)		
Property funds	174.1	193.6
Private equity	97.6	108.6
Corporate bond funds	170.4	121.6
Hedge funds	138.6	144.2
Equity-based funds	751.5	786.0
Commodity-based funds	4.8	53.9
Targeted return fund	85.4	122.0
	1,422.4	1,529.9
Properties		
UK (Note 11)	68.9	74.1
Cash and currency	19.2	66.2
Derivatives contracts		
Forward foreign exchange assets	2.4	5.1
Currency option assets	1.5	1.9
Other option assets	0	1.1
Other future assets	0	2.0
Forward foreign exchange liabilities	(8.8)	(15.0)
Currency option liabilities	0	(0.1)
Other option liabilities	0	(0.2)
Other Future Liabilities	0	(0.6)
Sterling Denominated	(4.9)	(5.8)
Other Investment Balances	(0.4)	3.9
Total Investments	2,103.6	2,311.1

Pooled investment vehicles included within Private equity and corporate bonds investments in fund-of-funds which have an underlying value of £105.7m in private equity and £5.0m in corporate bonds.

10. Investment Management Expenses

	2009/10 £m	2010/11 £m
Administration, management and custody	5.4	7.5
Other advisory fees	0.1	0.1
Total	5.5	7.6

11. Property Investments

	31 March 2010 £m	31 March 2011 £m
Freehold	55.7	60.6
Long Leasehold (over 50 years unexpired)	6.5	7.7
Short Leasehold (under 50 years unexpired)	6.7	5.8
Total	68.9	74.1

All properties, except the Fund's farm investment, were valued on an open market basis by Adrian Payne of Colliers Capital UK at 31 March 2011. The Fund's farm was valued on an open market basis by James Foreman of Leicestershire County Council. Both valuers are Associates of the Royal Institute of Chartered Surveyors.

12. Current Assets & Liabilities

	2009/10 £m	2010/11 £m
Contributions due from employers	5.8	5.7
Cash Balances	0.3	0.1
Other Debtors	0.3	0.2
Due from Leicestershire County Council	0.2	0.0
Due from Ministry of Justice	0.0	3.6
Current assets	6.6	9.6
Due to Leicestershire County Council	0	(4.1)
Fund Management Fees Outstanding	(1.3)	(2.1)
Other Creditors	(0.5)	(0.3)
Current liabilities	(1.8)	(6.5)
Net current assets and liabilities	4.8	3.1

13. Analysis of Investments by Manager

The Fund employs external investment managers to manage all of its investments apart from an amount of cash and a farm property, which are managed by Leicestershire County Council. This structure ensures that the total Fund performance is not overly influenced by the performance of any one manager.

The market value of investments in the hands of each manager is shown in the table below:-

	At 31 March 2010 £m	%	At 31 March 2011 £m	%
Investment Manager				
Legal & General	706.5	33.6	726.6	31.4
Standard Life Investments	300.4	14.3	312.4	13.5
Capital International	245.5	11.7	261.5	11.3
Aviva Investors	275.0	13.1	229.7	9.9
Pictet Asset Management	85.3	4.0	122.0	5.3
Fauchier Partners	108.0	5.1	121.6	5.3
Ruffer LLP	95.3	4.5	119.7	5.2
Adams Street Partners	94.9	4.6	105.6	4.6
Colliers Capital UK	85.7	4.1	95.0	4.1
UBS Global Asset Management	85.3	4.0	70.7	3.0
Investec Asset Management	0	0.0	46.2	2.0
Delaware Investments	0	0.0	36.1	1.6
Aegon Asset Management	0	0.0	27.9	1.2
Prudential / M&G	0	0.0	20.1	0.9
Catapult Venture Managers	2.7	0.1	2.8	0.1
Goldman Sachs	10.5	0.5	0	0.0
Internally Managed and Currency Managers	8.5	0.4	13.2	0.6
Total	2,103.6		2,311.1	

14. Custody of Assets

All of the Fund's assets are held by external custodians and are therefore not at risk from the financial failure of any of the Fund's investment managers. The custodian used is dependent on the type of asset and the portfolio to which the asset belongs.

15. Operation and Management of fund

Details of how the Fund is administered and managed are included in the 2010/11 Pension Fund Annual Report.

16. *Employing bodies and fund members*

A full list of bodies that have active members within the Fund is included on page 98. Statistical information in respect of the number of members is included on page 97.

17. *Actuarial valuation*

At the date of the Fund's last actuarial valuation (31st March 2010) the Fund had assets of £2,111m. At that date the Fund's assets covered 80% of its accrued liabilities.

18. *Related Party Transactions*

From the information currently available there were no material transactions with related parties in 2010/11 that require disclosure under FRS8.

19. *Contingent Liabilities*

When a member has left the Pension Fund before accruing sufficient service to qualify for a benefit from the scheme, they may choose either a refund of contributions or a transfer value to another pension fund. There are a significant number of these leavers who have not taken either of these options and as their ultimate choice is unknown, it is not possible to reliably estimate a liability. The impact of these 'frozen refunds' has, however, been considered in the calculation of the actuarial liabilities of the fund.

If all of these individuals choose to take a refund of contributions the cost to the Fund will be around £0.8m, although the statutory requirement of the Fund to pay interest to some members would increase this figure. Should all of the members opt to transfer to another scheme the cost will be considerably higher.

20. *Contractual Commitments*

At 31st March 2011, the Fund had the following contractual commitments:-

- a) Undrawn commitments totalling \$89,745,650 (£55,987,804) to twenty two different pooled private equity funds managed by Adams Street Partners (31st March 2010 £55,247,643 to eighteen different funds).
- b) An undrawn commitment of £2,443,635 to two private equity funds managed by Catapult Venture Managers (31st March 2010 £3,184,605 to two funds).
- c) An undrawn commitment of £55,230,482 to the Prudential / M&G UK Companies Financing Fund (31st March 2010 £75,000,000).

21. *Securities lending*

At 31st March 2011 the value of securities on loan was £8.7m, backed by collateral valued at £9.1m. The securities on loan were split between equities (£6.2m) and bonds (£2.5m) and the collateral was split between cash (£2.0m) and non-cash (£7.1m).

22. *Additional Voluntary Contributions (AVC's)*

The Fund has an arrangement with Prudential whereby additional contributions can be paid to them for investment, with the intention that the accumulated value will be used to purchase additional retirement benefits. AVC's are not included in the Pension Fund Accounts in accordance with Regulation 4(2) (c) 2009 of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

23. *Policy Statements*

The Fund has a number of policy statements that are available on request from Colin Pratt, Investment Manager, Leicestershire County Council, County Hall, Glenfield, Leicester. LE3 8RB (telephone 0116 3057656, email colin.pratt@leics.gov.uk). They have not been reproduced within the Accounts as, in combination, they are sizeable and it is not considered that they would add any significant value to most users of the accounts. The Statements are:

Statement of Investment Principles (SIPs)
Communications Policy Statement
Funding Strategy Statement (FSS)

24. *Compliance Statement*

Income and other taxes

The Fund has been able to gain either total or partial relief from local taxation on the Fund's investment income from eligible countries. The Fund is exempt from UK Capital Gains and Corporation tax.

Self-investment

There has been no material employer related investment in 2010/11 or 2009/10.

Calculation of transfer values

There are no discretionary benefits included in the calculation of transfer values.

Pension Increase

All pension increases are made in accordance with the Pensions Increase (Review) Order 1997.

Changes to LGPS

All changes to LGPS are made via the issue of Statutory Instruments by Central Government.

25. Analysis of Investments

	At 31 March 2010 £m	%	At 31 March 2011 £m	%
Fixed & Variable Interests Stocks				
United Kingdom:				
- Indexed Linked	14.0	0.7	18.6	0.8
- Overseas Index Linked	25.5	1.2	22.4	1.0
- Corporate Bonds	170.5	8.1	121.6	5.2
	210.0	10.0	162.6	7.0
Equities - United Kingdom	619.8	29.4	652.0	28.2
Equities – Overseas				
North America	199.0	9.4	182.4	7.9
Europe	195.3	9.3	230.1	9.9
Japan	141.7	6.7	145.2	6.3
Pacific ex Japan	113.8	5.4	122.4	5.3
Emerging Markets	40.7	2.0	55.7	2.4
	690.5	32.8	735.8	31.8
Private Equity	97.6	4.6	108.4	4.7
Hedge Funds	138.6	6.6	144.2	6.2
Targeted Return	85.3	4.0	122.0	5.3
Commodity Funds	4.8	0.2	53.9	2.3
Property				
United Kingdom:				
- Retail	34.2	1.6	34.6	1.5
- Offices	19.1	0.9	20.4	0.9
- Industrial	9.8	0.5	13.2	0.6
- Hotel	4.8	0.2	5.0	0.2
- Agriculture	1.0	0.0	1.0	0.0
Indirect	174.1	8.3	193.6	8.4
	243.0	11.5	267.8	11.6
Cash and Currency				
Cash and deposits	19.2	0.9	66.2	2.9
Foreign exchange derivatives	(4.9)	(0.2)	(8.1)	(0.4)
Other derivatives contracts	0.0	0.0	2.4	0.1
Other Net Assets (Liabilities)	4.5	0.2	7.0	0.3
	18.8	0.9	67.5	2.9
Total	2,108.4	100.0	2,314.2	100.0

26. Pension Fund Accounts Reporting Requirement

The following is a report on the actuarial present value of promised retirement benefits provided by the pension fund actuary, Hymans Robertson LLP.

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2010/11 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. This change is one of many which are being adopted by employers reporting under CIPFA guidance in the financial year 2010/11.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

In order for the Administering Authority to comply, the actuary has provided the information required below.

Assumptions

The assumptions used are those adopted for the Administering Authority's FRS17/IAS19 reports at each year end as required by the Code of Practice. These can be found at the end of this report.

Balance sheet

Year Ended	At 31 March 2010 £m	At 31 March 2011 £m
Present Value of Promised Benefits	3,073	3,285

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. It is estimated that the liability at 31 March 2010 comprises £1675m in respect of employee members, £417m in respect of deferred pensioners and £981m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. There is no allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Financial assumptions

The recommended financial assumptions are summarised below:

Year Ended	At 31 March 2010 % p.a.	At 31 March 2011 % p.a.
Inflation / Pension Increase Rate	3.8%	2.8%
Salary Increase Rate	5.3%	5.1%
Discount Rate	5.5%	5.5%

Mortality

As discussed in the accompanying report, life expectancy is based on the Fund's VitaCurves with improvements from 2007 in line with the Medium Cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	20.9 years	23.3 years
Future Pensioners	23.3 years	25.6 years

*Future pensioners are assumed to be currently aged 45

Historic mortality

Life expectancies for the below year ends are based on the PFA92 and PMA92 tables. The allowance for future life expectancies are shown in the table below.

Year Ended	Prospective Pensioners	Pensioners
31 st March 2010	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007

Age ratings and loadings are applied to the above tables based on membership profile.

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash 2008 service.

John Wright FFA, Hymans Robertson LLP
27 May 2011

Annual Governance Statement 2010/11

1. SCOPE OF RESPONSIBILITY

Leicestershire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Leicestershire County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Leicestershire County Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Leicestershire County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website-[Code of Corporate Governance](#) and this statement explains how Leicestershire County Council has complied with the code.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Leicestershire County Council for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

THE GOVERNANCE FRAMEWORK

Leicestershire County Council primarily promotes its purpose and vision through the Sustainable Community Strategy (SCS). The Sustainable Community Strategy has been developed in consultation with Leicestershire Together, which is the Local Strategic Partnership for Leicestershire. The Sustainable Community Strategy is available to view at: www.leicestershiretogether.org.

The Medium Term Delivery Plan (MTDP) for the Council to 2012/2013 was approved in May 2010. This document aligns the Authority's priority outcomes with those in the SCS. The Local Area Agreement ([LAA], which ended in March 2011) has been the key delivery framework for the SCS, with added promotion of the County Council's purpose and vision through, the Multi Area Agreement (MAA), the Medium Term Financial Strategy (MTFS) and annual departmental service plans. In light of the end of the LAA, a refreshed set of outcomes are available for comment and will be agreed in the summer of 2011. Also during 2011, the MAA is to be replaced by a Local Enterprise Partnership as well as a review of Leicestershire Together. The impact of the Council's vision on the Council's governance arrangements is considered through the Code of Corporate Governance and also through the preparation of the Corporate Assurance Statement.

The County Council has an established Performance Management Framework and this framework requires each Department to produce annual service plans, setting out their objectives and targets in relation to the Council's policy priorities. These plans form the basis of the Council's Annual Report, which summarises progress against targets and sets out proposed improvements in performance and service standards. Progress on the delivery of the Sustainable Community Strategy is available on the Leicestershire Together Website. Performance progress reports and improvement plans are also presented to the Budget & Performance Monitoring Scrutiny Panel which receives quarterly reports on the revenue budget, capital programme and performance reports in relation to targets and commitments contained in the LAA, MAA and MTDP. Other performance information is made available to the public through the Annual Statement of Accounts, Leicestershire Matters, the Council's website and the Annual Performance Report. With the abolition of the Comprehensive Area Assessment, streamlined performance management arrangements are currently being developed and will be agreed during 2011/12.

To ensure effective leadership throughout the authority, members and officers work together to deliver a common purpose with clearly defined functions and roles. The County Council's Constitution includes details of the role and responsibilities of the Executive, Committees, the full Council and Chief Officers and the rules under which they operate. The Constitution is subject to annual review and is revised as necessary during the intervening period. The Council's political structure and roles and responsibilities of Cabinet members are detailed on the Council's website and the Leader of the Council sets specific job descriptions and targets for Cabinet Lead and Support Members. The County Solicitor is the designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by the Council, Cabinet, its Committees and officers, providing support and advice on the maintenance of ethical standards and advising the Council's Standards Committee.

As Chief Financial Officer, the Director of Corporate Resources is responsible for the proper administration of the Council's financial affairs. We confirm that the Authority's financial arrangements conform to the governance requirements of *the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*.

The success of County Council services relies substantially on the contribution of staff to the planning, development and delivery of services. The County Council recognises that the value of staff contributions will be enhanced through: clear communication of the Council's expectations; nurturing and developing staff skills and abilities; encouraging, celebrating and rewarding achievements; providing a safe, healthy, supportive and inclusive working environment and by treating all people fairly and with respect. The Council's People Strategy priorities have been established to promote an organisational culture that delivers excellent services. Engagement of the workforce is a key strand of the People Strategy and the Council uses various well established means of communicating and consulting with staff to ensure understanding, to secure commitment in terms of delivering services and managing change. During 2010/11, the County Council achieved the highest level of the Equality Framework for

Local Government – ‘Excellent’. This assessment evidenced that the Council is strong in relation to its leadership of, and commitment to, the equalities agenda and that partnership working is achieving positive outcomes for the people of Leicestershire.

There is a cross-party Member Learning and Development Working Party which oversees the implementation of a Member Learning and Development Strategy. This covers the induction of members, the identification of development needs of members through annual reviews and creation of personal development plans.

The County Council’s revised Learning & Development Structure has been embedded, providing a single co-located service that is modern, efficient and closely aligned to the business. Within this strategy, every employee receives a six monthly and annual personal development review. The Council has implemented the ‘Leicestershire Manager’ which sets out the expectations of all managers and which is underpinned by a competency framework. The programmes of support through the Learning & Development Service ensure that staff are equipped with the right skills and knowledge to be able to do their jobs, but also to continuously develop as a workforce in Leicestershire.

The Council has also invested in building its leadership capability and capacity during 10/11 by developing the Council’s top 140 managers through a Leading High Performance programme. The programme will ensure managers operate effectively as leaders of transformational change who can inspire, create and sustain a culture of innovation, motivate and empower individuals in this period of unprecedented change.

The importance of a strong ethical framework and culture has always been recognised by the County Council. The County Council first adopted a Code of Conduct for Members in March 2002 which was revised in September 2007 in accordance with statutory requirements. Arrangements are made for all members to sign a declaration on acceptance of office which includes an undertaking to follow the Code of Conduct when they took up office following the Council elections in July 2009. To underline the Council’s commitment to upholding high standards of behaviour, sanctions have been applied where members have been found to have breached the Code, which have included suspension and removal of allowances.

The standard of conduct expected from Council employees is set out in an Employee Code of Conduct and the County Council’s Organisational Values underpin all aspects of the Code and describe the attitudes and attributes expected of all Leicestershire employees. The values embedded in the Code of Conduct define the standards of behaviour for all members and staff. The County Council also has programmes in place to remind officers of the importance of maintaining strong ethical governance. The system of internal financial control is based on a framework of regular management information, financial procedure rules and standard financial instructions, contract procedure rules, administration arrangements (including segregation of duties), management supervision and a system of delegation and accountability. The Corporate Governance and Standards Committees both have a role in ensuring that systems and processes within the Council conform to ethical standards.

The Council’s scheme of members’ allowances is kept under regular review by an Independent Remuneration Panel and the Council has always adopted the recommendations put forward by this Panel about the number and level of allowances payable by the Council. Reports of this Panel are public and the County Council publicises both recommendations of the Panel and the Council’s subsequent decision in accordance with Members’ Allowance Regulations together with details of allowances received by every member. Declarations of personal and prejudicial interests are recorded in minutes of meetings which are available on the Council’s website as is the member’s Register of Interests including gifts and hospitality is made available for public inspection.

The Council actively recognises the necessity of compliance with relevant laws, regulations, internal policies and procedures. Democratic Services staff monitor reports to ensure propriety of decision making and that legal advice is included where necessary and appropriate. Lawyers are involved in policy development, major projects, programme boards and Scrutiny processes. The County Council has an embedded 'Whistleblowing' procedure which is also publicised as part of the Council's ethical framework. By encouraging all employees to use the Whistleblowing procedure, the County Council has put into place a further measure to remind everyone of the importance of good ethical behaviour and employees are reminded of this policy through regular alerts via the Council's intranet. A 'Supplier Whistleblowing Policy' is also included with Procurement documentation.

The Sustainable Community Strategy identifies the key issues that the Leicestershire Local Strategic Partnership as a whole and its constituent members need to consider and the actions that will be undertaken to address them. The Council has ensured that clear channels of communication are in place with all sections of the community and other stakeholders through: Community Forums (which include neighbourhood and area forums), the Leicestershire Together Forum, Community Cohesion, Leicestershire Together Engagement Framework, Parish Plans, Consultation Standards, Leicestershire Matters, Satisfaction Surveys and road shows presented by the Corporate Management Team. The 'Have Your Say' section of the Council's website contains information regarding the various ways in which the Council consults stakeholders.

Leicestershire County Council is a high performing Council, but it must continue to evolve in order to meet increasing public expectations as well as national challenges. The Local Government landscape is changing and to help to maintain our good reputation for consistently delivering high quality services, the Council has developed an ambitious programme of change that will ensure we continue to deliver services that are cost effective and targeted to the public's needs. An assessment of the current challenges facing the Council together with best practice design principles have been used to define a model for the organisation which is being delivered through the Strategic Change programme. Reviews of structures and processes are a key part of this and recent achievements have included modernising financial services, implementation of office strategy work and the launch of Self Service. Challenging Government targets mean that the Council has to deliver large efficiency savings. The Organisational Efficiency programme supports the achievement of these challenging targets through the delivery of efficiency projects that will enable sustainable long term improvements in the delivery of key internal and external services. During 10/11 the Council agreed with Nottingham City Council to create East Midlands Shared Services (EMSS), an innovative platform that will enable both authorities to share functions such as transactional HR, Payroll and Finance services. The development will be underpinned by Leicestershire's Oracle ERP solution and is planned to 'go live' in May 2012. The Target Operating Model will also enable other public sector agencies to join the development.

Leicestershire Together is the Local Strategic Partnership for Leicestershire and is underpinned by a Partnership Agreement and includes a section on compliance with the Code of Governance. The County Council has published guidance on assessing partnerships which encompasses a governance checklist, which covers basic requirements needed in partnership working to ensure risks are managed and adequate governance arrangements are in place. It is the Council's aim to ensure that all future partnerships and agreements continue to include a section on compliance with the Code of Governance.

The County Council is working with other public agencies across Leicester and Leicestershire to look at better and more efficient ways of providing public services. This work may lead to changes in the way that agencies work together to plan, design/redesign and commission services including the way they provide support for Families with Complex Needs through the Community Budget.

The County Council is also supporting the Government's 'Big Society' initiative. The Big Society is about helping people to come together to improve their own lives and about putting more control in their hands. Over the past five years the County Council has taken steps locally in supporting local communities to help themselves and the Council's budget plans over the next four years will see continued investment in Big Society, including Participatory Budgets where Community Forums will determine which local improvements to provide funding for.

3. REVIEW OF EFFECTIVENESS

The County Council has an effective system of internal control which includes:

- Providing effective internal audit
- Effective risk management arrangements
- Overview & Scrutiny Committees
- An established Corporate Governance Committee
- A Code of Corporate Governance
- Standing Financial Instructions and Contract Procedure Rules
- Scheme of delegation
- Ensuring compliance with relevant laws and regulations

A Corporate Governance Committee was established in 2005. This Committee promotes and maintains high standards in relation to the operation of the Council's Code of Corporate Governance. The Committee also ensures that the County Council operates within the law, in accordance with the Council's internal procedures and follows the framework and guidance issued by CIPFA. The Committee is also responsible for monitoring and maintaining the risk management framework and the associated control environment and also ensuring that the Council's financial and non financial performance is properly monitored. The Committee receives reports on a regular basis covering issues such as: Risk Management and the Corporate Risk Register; Internal Audit and Governance Arrangements; The Annual Governance Statement; External Audit and Inspection Plans; Results of external audit work; The effectiveness of Systems of Internal Audit; Progress reports on Internal Audit work; Anti fraud and corruption initiatives and Treasury Management.

The Corporate Management Team receives quarterly reports on the County Council's Organisational Governance Framework. The reports include information relating to: audit and risk management; procurement; standards; information issues; freedom of information; employee related information and complaints. The reports provide greater visibility of particular aspects of governance, provide Chief Officers with an overview of the health of the Council and bring issues together in a way that highlights areas which might need further investigation.

Leicestershire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Chief Executive has a duty to monitor and review the operation of the Constitution and the Monitoring Officer (County Solicitor) has a duty to report to Cabinet on matters which could be considered as unlawful or give rise to maladministration. As part of this process the Monitoring Officer ensures an annual assessment of the Authority's compliance with the Code of Corporate Governance is undertaken.

The Chief Executive conducted the annual review of the Constitution during the year which led to the County Council at its meeting in September 2010 agreeing a number of changes on the recommendation of the Constitution Committee. Overview and Scrutiny Committees support the work of the Executive and the Council as a whole, by producing reports and recommendations, which advise the Executive and the Council on its policies, budget and service delivery. Following elections in May 2009, the scrutiny structure was reviewed. The number of standing committees was reduced to those required by statute, allowing more resources to be directed toward scrutiny review panels. A standing panel on Budget and Performance Monitoring has been established, along with a number of small, time-limited scrutiny review panels which have considered and made recommendations to the Executive on topics such as Home to School Transport, Big Society and Personalisation of Adult Social Care. These panels are an effective way of carrying out detailed scrutiny of particular issues, whereas the overview and scrutiny committees have a much wider scope and it is not therefore appropriate for them to look at topics in the same amount of detail as a review panel. The scrutiny function, including the number of review panels and their topics, is managed and monitored by the Scrutiny Commissioners, with support from the Statutory Scrutiny Officer.

The Corporate Governance Committee plays a key role in monitoring and reviewing the effectiveness of the system of internal control by promoting and maintaining high standards within the Authority in relation to the operation of the Council's Code of Governance. This includes: monitoring the effectiveness of officer arrangements for ensuring an adequate internal control environment; combating fraud and corruption; ensuring that an adequate risk management framework and associated control environment is in place and considering the Annual Governance Statement. The Committee also considers the findings of the annual review into the effectiveness of the system of internal audit.

The effectiveness of the Council's internal controls is examined in detail through the work of Internal Audit Service. The service's strategic plan is based on an assessment process that focuses resources on higher risk areas and meets the professional standards required by CIPFA and from this an annual audit plan is produced. Audit findings are reported to the relevant Chief Officer and Service Manager, together with recommendations for improvement and agreed action plans. Checks are undertaken by Internal Audit Service to ensure agreed major recommendations have been implemented. Regular progress reports on the work of the Internal Audit Service, including high importance recommendations from specific audits, are reported to the Corporate Governance Committee.

A review into the effectiveness of the system of Internal Audit Service was undertaken during 2010/11 and considered performance in a range of areas in order to produce a self assessment of the quality of internal audit arrangements within the Council. Overall the review concluded that the Council's system of Internal Audit is effective. The Corporate Governance Committee considered the findings of this review and supported the review's conclusion.

Based on evidence from planned audits and any special investigations, the Head of Internal Audit reports each year to the Director of Corporate Resources and to members of the Council on any major weaknesses that have been identified in the internal controls examined and highlights where important improvements are considered necessary. The Director of Corporate Resources reviews this information along with other relevant information such as budget monitoring reports and departmental assurance statements in compiling this statement. The work of Internal Audit Service and the wider financial aspects of corporate governance and performance management are examined each year by the Council's external auditors.

Further assurance is provided by regular reports produced by independent review bodies including the Audit Commission, Commission for Social Care Inspection, Ofsted etc.

4. GOVERNANCE ISSUES

This review of effectiveness has been informed by both Internal and External Audit and the conclusion of the review is that the Council's overall financial management and corporate governance arrangements during 2010/11 are sound.

Over the past few months the Council has approved the Medium Term Financial Strategy 2011/12 to 2014/15 (MTFS), which has been drawn up against the context of the worst economic recession for decades. The reduction in Government funding requires the County Council to make difficult decisions around savings and service reconfiguration. A total of £79m saving has been incorporated in the MTFS: £57m from efficiency savings; £22m from service reductions. There have been significant efficiency savings already achieved with further programmes of savings detailed. In order to guide difficult decisions on service reductions, extensive consultation has been taken undertaken.



John Sinnott
Chief Executive



David Parsons CBE
Leader of the Council

Glossary of Terms

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements.

AGENCY

The provision of a service by an authority on behalf of another authority which is legally responsible for providing that service. The authority providing the service in the first instance is reimbursed by the responsible authority.

AMORTISED COST

The amortised cost of a financial asset or financial liability is:

- the amount at which the asset or liability is measured at initial recognition (usually “cost”)
- *minus* any repayments of principal,
- *minus* any reduction for impairment or uncollectibility, and
- *plus or minus* the cumulative amortisation of the difference between that initial amount and the maturity amount.

CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty within 24 hours. Cash equivalents are investments of less than 3 months from acquisition that are readily convertible to known amounts of cash with insignificant risk of a change in value.

CAPITAL RECEIPTS

Income from the sale of capital assets. Such income may only be used to repay loan debt or to finance new capital expenditure.

CAPITAL RESERVE

An internal reserve of the Council which is used to generate monies for financing capital expenditure thus avoiding the need to borrow externally.

COLLECTION FUND

The fund administered by each authority collecting Council Tax (district councils in shire areas). The County Council precepts on these funds to finance its net expenditure after taking into account other sources of income, e.g. Government Grants, National Non-Domestic Rate income and charges for services.

COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT

A summary of the resources generated and consumed by the authority in the year. Includes details of how the movement in net worth in the Balance Sheet is identified to the Comprehensive Income and Expenditure Account surplus/ deficit and to other unrealised gains and losses.

CORPORATE & DEMOCRATIC CORE

Consists of costs of democratic representation and corporate management.

CREDITORS

Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the end of the financial year.

DEBTORS

Amounts due to the Authority but unpaid at the end of the financial year.

FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

A statement of common accounting practice, devised by the International Accounting Standards Board, which is applicable to the majority of large organisations, both public and private sector.

FORMULA GRANT

A Government Grant allocated by the following Government formula:

- Relative Needs
- Relative Resources
- Central Allocation
- Floor Damping

GENERAL COUNTY FUND

The main revenue fund of the County Council. Precept income, National Non-Domestic Rate income and government grants are paid into the fund, from which the cost of providing services is met.

IMPAIRMENT

A loss in the value of a fixed asset, arising from physical damage such as a major fire or a significant reduction in market value. In addition a reduction in value where there is insufficient unrealised gains in the revaluation reserve for that asset.

INFRASTRUCTURE

The network of roads, bridges, sewers, lighting etc.

INTANGIBLE ASSET

Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights (e.g. purchased software licences).

LEASING

A method of financing the acquisition of assets, notably equipment, vehicles, plant, etc. There are two forms of lease:

- a) A finance lease involves payment by the lessee (the user) of the full cost of the asset together with a return on the finance provided by the lessor, usually payable over the anticipated life of the asset.
- b) An operating lease involves the payment of a rental by a lessee for a period, which is normally less than the useful economic life of the asset.

LOCAL AREA AGREEMENT (LAA)

An agreement that sets out the priorities of a local area in certain policy fields as agreed with central government and other partners within that area, represented by local authorities and other, largely public sector bodies, within the local strategic partnership. The County Council acts as the accountable body for the LAA in Leicestershire.

LONG TERM BORROWING

Loans raised to finance capital spending which have still to be repaid.

MOVEMENT IN RESERVES STATEMENT

A reconciliation showing the movement in the year on the different reserves held by the County Council, analysed into 'usable' reserves (ie those that can be used to fund expenditure or reduce local taxation, and other reserves. It also shows how the balance of resources generated/ consumed in the year links in with statutory requirements for raising council tax.

NET WORTH (NET ASSETS/LIABILITIES)

Value by subtracting total liabilities from total assets.

NON CURRENT ASSETS

An asset which is not easily convertible to cash or not expected to become cash within the next year. Examples include fixed assets, leasehold improvements, long term investments and long term debtors.

NON DISTRIBUTED COSTS

Costs which comprise pension scheme past service costs, settlements and curtailments.

NON-OPERATIONAL ASSETS

Assets held by the Authority but not directly used for the provision of services, e.g. assets surplus to requirements, commercial properties, and assets under construction.

PRECEPTS

The income which the County Council requires from the collection funds of the district councils.

PROVISION

An amount set aside for any liabilities or losses of uncertain timing or amount, that have been incurred.

PUBLIC WORKS LOAN BOARD (PWL B)

A government body from which local authorities may raise long term loans, usually at advantageous interest rates.

REMUNERATION

All sums paid to an employee, including expenses, allowances, and redundancy payments chargeable to UK income tax, and the monetary value of any other benefits received other than in cash.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Capital expenditure incurred not resulting in an asset to the authority e.g. Grants to village halls.

REVENUE SUPPORT GRANT (RSG)

Grant paid by the Government in respect of general local authority expenditure.

RECHARGE

The transfer of costs from one service account to another.

RESERVE

An amount set aside for purposes falling outside the definition of a provision.

REVENUE FUNDING OF CAPITAL

The financing of capital expenditure by a direct contribution from revenue.

REVENUE

Expenditure that the County Council incurs on the day to day running costs of its services including salaries and wages, running expenses of premises and vehicles as well as the annual payment of capital charges. The expenditure is financed from charges for services, government grants and income from Council Tax and National Non-Domestic Rates.

SERVICE LEVEL AGREEMENT (SLA)

An agreement between users and providers of support services which specifies the service to be provided and the charge to be made.

SPECIFIC GRANTS

Grants paid by the Government for a particular service, e.g. School Standards Grant, Supporting People.

TERMINATION BENEFITS

Employee benefits payable as a result of either: (a) the County Council's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept voluntary redundancy in exchange for those benefits.

TRUST FUNDS

Funds administered by the County Council for such purposes as charities, prizes and specific projects.

