

Explanatory Foreword

Introduction

This document sets out the published statement of accounts of the Authority for 2008/09.

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

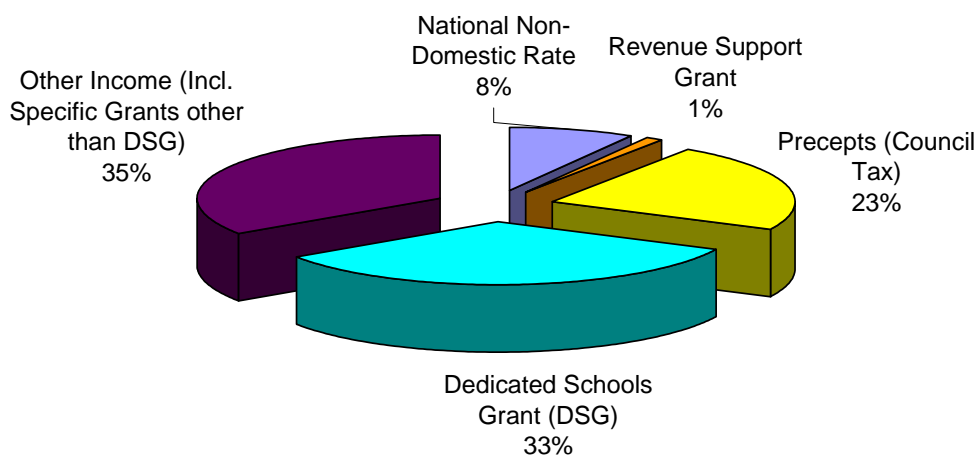
Income and expenditure

The following three charts show where the Council's revenue funding comes from, what services it provides and what the revenue money was spent on.

▫ Sources of revenue funding

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

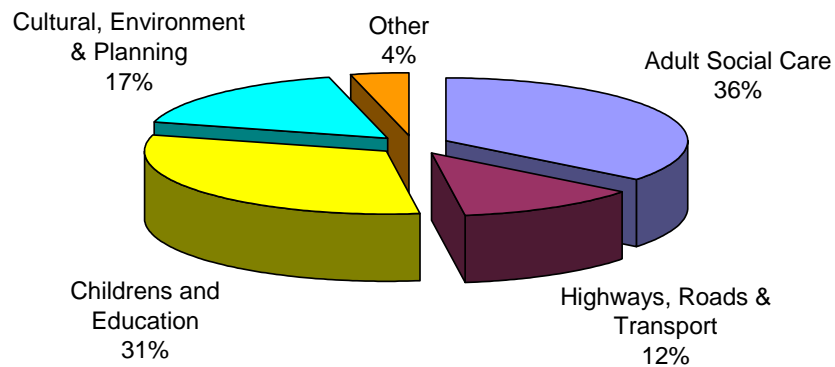
Sources of revenue funding



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

The above revenue funding is used to finance the various services provided by the County Council shown below:

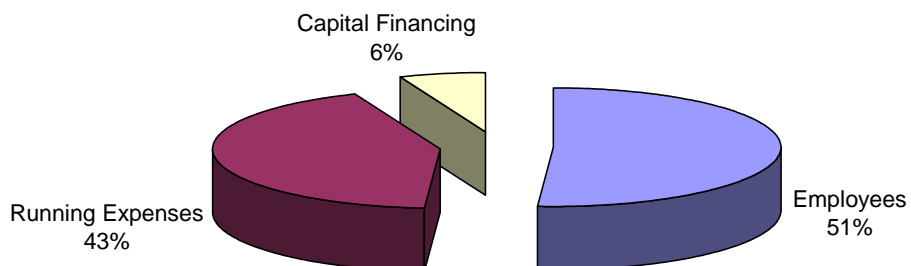
Cost of services (net of specific grants including DSG)



□ **What the money was spent on**

The County Council services are made up of employee costs, running expenses including costs of premises, transport, supplies and services, third party payments etc., and capital financing which includes the cost of borrowing (interest and repayments). These are shown below.

What the money was spend on



Review of the Year - Income and expenditure

In overall terms the County Council underspent against the original budget by £8.6m net of carry forwards (£11.9m gross). The significant underspends against the budget are set out below:-

Underspends

Children and Young People's (£0.9m net)

The underspend mainly reflects the number of staff vacancies across the department and decrease in number of foster placements. These were partially offset by an increase in the number of children's residential placements and increase in direct payments and changes in contacts.

Adult Social Care (£0.8m net)

The residential care budget for adults with physical disabilities and home care underspent due to a reduction in demand. However, these were offset by additional demand for direct payments and supported living. In addition, some slippage in projects relating to the modernisation of in-house residential and day services for people with learning disabilities and DALE (Decisions at Life's End) project.

Waste Management (£4.1m net)

This was mainly due to the growth in waste tonnages being less than anticipated, deferred purchase of landfill allowances, lower spend on long term waste procurement and slippage in waste minimisation projects.

Central Items (£5.9m net)

This is the result of higher than forecast balances, higher interest rates and early repayment of loans.

Passenger Transport (£1.1m net)

This relates to continuing savings from revising contracts and increased income on mainstream, special educational needs and student support transport.

Overspends

Highways and Transportation (£1.4m net)

The majority of the overspend relates to increased street lighting energy costs and spend on winter maintenance. This is offset by the transfer of highways expenditure to capital to utilise funding from the 2006/07 PCT arrangements.

Readers of the accounts should note that the underspend reported in the explanatory foreword cannot be directly compared to that reported in the income and expenditure account. This is because the financial accounts comply with various reporting standards whereas the management accounts are compiled on a slightly different basis. The key differences relate to the way which depreciation, impairment, reserves, provisions and carry forwards are reported.

Review of the Year - Capital

In 2008/09 the County Council spent £87.3m on capital projects. The table below shows the main areas of expenditure.

Department	Outturn £m
Children & Young People's	38.4
Highways, Transportation and Waste Management	37.8
Adult Social Care	0.8
Community Services (Libraries, Museums, Country Parks, Regeneration)	3.0
Resources (ICT, County Farms, Access for the Disabled, Risk Management)	2.7
Chief Executive (Various Grants for Rural Services)	0.6
Corporate (Change Management)	2.2
Other Capital Items	1.3
Total	86.8

The above expenditure was financed through several sources, the details of which appear in disclosure note 10.

The Council's long term borrowing used to finance the purchase of assets was £333m at 31st March 2009. The book value of fixed assets was £945m.

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
<i>Schools</i>	
□ New Area Special School - Coalville	6.2
□ Bottesford Belvoir High School – Major Refurbishment	4.7
□ Melton John Ferneley High School – Replacement School	4.4
□ Market Harborough Young Peoples Centre	0.7
□ Melton Longfield High School – Major Refurbishment	0.5
<i>Highways & Transport</i>	
□ Earl Shilton By-Pass	10.1
□ Enderby Park and Ride	0.8
<i>Community Services</i>	
□ Oadby Library	0.8
□ Newbold Verdon	0.6
<i>Corporate Resources</i>	
□ County Hall Eastern Annexe – Major Refurbishment	1.4

Future Prospects

The state of public finances is likely to mean very tight funding settlements for local government in the foreseeable future. Coupled with the objective to deliver reasonable council tax increases, this means that the County Council will continue to operate within a very tight financial environment over the medium term. The Comprehensive Spending Review 2007 indicated formula grant settlement figures for the next three years, for 2008-9 this was an increase of 4.98%. There is also a 3% cashable savings requirement over the review period.

The main costs and risks over the medium term continue to be waste from landfill costs, diversion from landfill and recycling costs, in adult and children's social care from costs associated with home care, placements and learning disabilities. A significant pressure is the delivery of planned efficiency savings and the County Council will need to continue to invest in service reconfiguration both to improve services and generate greater efficiency savings.

Balancing the medium term financial position and at the same time delivering reasonable council tax increases and investment in service improvements, will require significant savings. It is unlikely that the savings required will be found wholly from efficiency.

The medium term financial strategy (MTFS) was approved by the County Council in February 2009 and will be updated during the autumn 2009. This strategy is available on County Council's website at www.leics.gov.uk.

Changes in Accounting Policies

Under the 2008 SORP there has been the following change to the accounting policies:

- FRS 17 – Retirement benefits

The County Council has adopted the amendment to FRS 17, *Retirement benefits*. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £747.7m to £743.7m, a decrease of £4.0m, resulting in an increase of the pension fund deficit of £4.0m.

Contents of the Statement of Accounts

- ***Income and Expenditure Account***

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

- ***Statement of Movement on the General County Fund Balance***

This shows the adjustments to the Income and Expenditure Account for statutory accounting requirements, to align with the accounting basis by which the authority set its council tax level.

□ ***Statement of Total Recognised Gains and Losses***

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in net worth. In addition to the deficit arising on the income and expenditure account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

□ ***Balance Sheet***

Sets out the financial position of the County Council on 31st March 2009. It incorporates all the funds of the Authority, both capital and revenue, with the exception of the Pension Fund and Trust Funds.

□ ***Cash Flow Statement***

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

□ ***Pension Fund***

Shows the annual results of the Leicestershire County Council administered Local Government Pension Fund for Leicestershire covering both County Council employees and those of District Councils and other admitted bodies.

Date of Authorisation of Accounts

The accounts were authorised for issue on 25th September 2009, 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 RESOURCES