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Leicestershire County Council 2011/12 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](http://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 2011/12.

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.

## Revenue Budget and Outturn

In February 2011 the Council approved a net revenue budget for 2011/12 of £348.8m. In addition £5.1m of 2010/11 underspending was carried forward and added to the budget. The final outturn position for the year against the revised budget is set out in the table below together with the sources of income from which the Council's net revenue expenditure was financed.

	Budget	Outturn	Variance	Carry forwards	Variance
	£m	£m	£m	£m	£m
Children & Young People	45.7	46.3	0.6	0.0	0.6
Adults & Communities	131.3	123.2	-8.1	0.9	-7.2
Highways & Transport	56.5	55.6	-0.9	0.8	-0.1
Environment	27.4	24.1	-3.3	0.2	-3.1
Chief Executives	17.7	16.9	-0.8	0.6	-0.2
Corporate Resources	39.0	38.4	-0.6	0.4	-0.2
Contingencies etc	9.5	8.8	-0.7	0.0	-0.7
Central Items	26.8	22.6	-4.2	0.5	-3.7
Approved transfers to Reserves/ Provisions	0.0	13.6	13.6	0.0	13.6
	<b>353.9</b>	<b>349.5</b>	<b>-4.4</b>	<b>3.4</b>	<b>-1.0</b>
Funded by:					
Formula Grant	-108.8	-108.8	0.0	0.0	0.0
Council Tax	-240.0	-240.0	0.0	0.0	0.0
Carry forwards from 2010-11	-5.1	-5.1	0.0	0.0	0.0
	<b>-353.9</b>	<b>-353.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>NET OUTTURN</b>	<b>0.0</b>	<b>-4.4</b>	<b>-4.4</b>	<b>3.4</b>	<b>-1.0</b>

## ***Review of the Year - Income and Expenditure***

In overall terms the County Council underspent against the updated budget by £1.0m net of carry forwards (£3.4m) and approved transfers (£13.6m). The significant underspends against the budget are set out below:

### ***Underspends***

#### **Adults and Communities (£8.1m gross, £7.2m net)**

The main underspends were on supported living due to slippage on growth for changes in funding arrangements and increased income and on home care due to retendered contracts and reduced demands relating to tightened eligibility and improved reablement. There were also underspends on personal care and support due to increased income and on management and support services, where rephrasing of the Department's efficiencies programme meant that part of the funding was not needed until next year.

#### **Highways and Transport (£0.9m gross, £0.1m net)**

The main underspends were on concessionary travel as growth in demand and the cost of appeals were lower than anticipated and on other transport budgets through the renewal of contracts. Special educational needs travel was the main overspend due to a 10% increase in client numbers.

#### **Environment (£3.3m gross, £3.1m net)**

This was mainly due to falling volumes of waste and reduced expenditure on the waste strategy following the withdrawal of Private Finance Initiative funding to the long term waste treatment project.

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

This mainly relates to slower than anticipated draw down of Big Society grants and other projects, staff vacancies and additional income.

#### **Corporate Resources (£0.6m gross, £0.2m net)**

This underspend mainly relates to staff vacancies and additional income.

#### **Contingencies for inflation (£0.7m, gross and net)**

The original budget included a contingency of £7.8m for inflation, of which £7.1m has been allocated to services including Provisions for residential care charges, Carbon Reduction Commitment, highways maintenance, passenger transport, buildings maintenance and energy budgets. A balance of £0.7m has not been required.

#### **Central Items (£4.2m gross, £3.7m net)**

This mainly relates to an underspend on capital financing following previously expected borrowing not being taken, the adjustment of various accrued creditor payments not required and a reassessment of the provision for lease car termination costs.

## **Overspends**

### **Children and Young People (£0.6m gross and net overspend)**

Overspends mainly relate to children's social care services, largely due to increase demand for high cost specialist residential agency placements and increased numbers of children subject to the child protection plan.

### **Transfers to Earmarked Reserves**

Contributions were made to a number of earmarked reserves, including "invest to save" projects, the uninsured loss fund and the local authority mortgage scheme.

### **Differences between the Budget and the Comprehensive Income and Expenditure Statement**

Readers of the accounts should note that the reported underspend 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 in which depreciation, impairment, reserves, provisions and carry forwards are reported.

### **Review of the Year – Capital**

In 2011/12 the County Council spent £73.5m on capital projects. The table below shows the main areas of expenditure.

<b>Department</b>	<b>Outturn £m</b>
Children & Young People's	35.5
Environment and Transportation - Transportation	26.4
Environment and Transportation - Waste Management	1.7
Adults and Communities	0.5
Corporate Resources (ICT, County Farms, Access for the Disabled, Risk Management, County Hall, Change Management, Carbon Management)	9.1
Chief Executive (Various Grants for Rural Services)	0.3
<b>Total</b>	<b>73.5</b>

The above expenditure was financed through several sources, the details of which appear in disclosure note 38.

The most significant items of expenditure are set out below. Some of these projects represent work in progress and will be completed within the next two years.

£m

### **Schools**

□ Melton John Ferneley – new secondary school	3.2
□ Birstall Longslade Post 16 Centre – new multi purpose centre	2.1
□ Melton Longfield Phase 2 – new classroom block to replace mobile buildings	1.3
□ Countesthorpe SEN Provision – satellite provision for Birkett House	1.2
□ Moira Primary School – extension	1.2
□ Blaby Short Stay School – extension and refurbishment	1.1
□ Albert Village Primary School – building improvements and refurbishment	1.0

### **Environment & Transportation**

□ Loughborough Eastern Gateway	4.2
□ Birstall Park and Ride	2.3
□ Street Lighting	1.3
□ Bridge maintenance	1.2

### **Corporate Resources**

□ Office Accommodation Strategy - Invest to Save Programme	6.7
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### **Current Borrowing**

The capital financing requirement (CFR) shown in note 38 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 £937.8m. The CFR was £380.4m and actual debt was £318.6m. The difference between the CFR and the actual debt is the temporary use of working cash balances held by the County Council. During 2011/12, one maturity loan of £12m was repaid to the Public Works Loans Board (PWLB). Details of the loans held by the County Council are shown in note 43 to the accounts. The level of capital borrowing is within the County Councils 2011/12 Prudential Indicators that inform the County Council whether its capital investment plans are affordable, prudent and sustainable.

### **Academy Schools**

During 2011/12 fifteen schools transferred to Academy Status resulting in the net book value of the schools, £76.3m, being written out of the County Council's Balance Sheet through the Other Operating Expenditure section of the Comprehensive Income and Expenditure Statement. These entries are reversed out via the Movement in Reserves Statement and do not have an impact on the General County Fund. The council has no choice in whether to transfer these assets and does not receive any consideration for their transfer. Further transfers of schools to Academy Status are expected in 2012/13 and later years.

## ***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 Council's Medium Term Financial Strategy (MTFS) agreed in February 2012 is based on a proposed council tax freeze for four years and assumes that the level of Government funding will decline by a further 30% over the last three 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 probably clearer than it has been for some time with an expectation that they will remain low for a significant period of time. Inflation is reducing and the Consumer Prices Index (CPI) is predicted to fall to around 2.1% by 2013/14 with the Retail Prices Index falling to 3% by 2013/14.

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](http://www.leics.gov.uk).

The reform of the Public Health system in England will see the responsibility for a large part of Public Health being transferred from the NHS to Local Authorities from 2013/14. The new responsibilities will see the County Council taking the lead for improving Public Health and coordinating local efforts to protect the public's health and wellbeing, and ensuring health services effectively promote population health. To ensure an effective transfer of responsibilities, the Director of Public Health in Leicestershire is located at Leicestershire County Council and is a member of the County Council's Corporate Management Team. He remains employed by the Primary Care Trust. The Statement of Accounts will include Public Health income and expenditure from 2013/14.

## ***Changes in Accounting Standards***

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in the Authority's Statement of Accounting Policies and Estimation Techniques, the Authority now requires heritage assets to be carried in the Balance Sheet at valuation. Previously, heritage assets were either recognised within Land and Buildings within Property, Plant and Equipment on the Balance Sheet or were not included in the Balance Sheet as it was not possible to obtain cost information on the assets. The impact on restating previous years' financial statements are shown in Note 1 to the Accounts as required by the Code of Practice.

## ***Contents of the Statement of Accounts***

The following accounting statements represent the County Council's accounts for the 2011/12 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 29 June 2012, 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: 27 September 2012**



## Movement in Reserves Statement

Movement in reserves during 2011/12	*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 2011	31.9	86.5	3.1	4.4	125.9	294.4	420.3	
Surplus or (deficit) on provision of services	(53.0)	0.0	0.0	0.0	(53.0)	0.0	(53.0)	
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	(70.0)	(70.0)	13,14, 15
Total Comprehensive Expenditure and Income	(53.0)	0.0	0.0	0.0	(53.0)	(70.0)	(123.0)	
Adjustments between accounting basis & funding basis under regulations	79.2	0.0	(2.2)	1.9	78.9	(78.9)	0.0	7,8
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	26.2	0.0	(2.2)	1.9	25.9	(148.9)	(123.0)	
Transfers to/from Earmarked Reserves	(26.1)	26.1	0.0	0.0	0.0	0.0	0.0	9
Increase/ (Decrease) in Year	0.1	26.1	(2.2)	1.9	25.9	(148.9)	(123.0)	
Balance at 31 March 2012 carried forward	<b>32.0</b>	<b>112.6</b>	<b>0.9</b>	<b>6.3</b>	<b>151.8</b>	<b>145.5</b>	<b>297.3</b>	

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

<b>Movement in reserves during 2010/11</b>	<b>*General Fund Balance £m</b>	<b>Earmarked Reserves £m</b>	<b>Capital Receipts Reserve £m</b>	<b>Capital Grants Unapplied £m</b>	<b>Total Usable Reserves £m</b>	<b>Unusable Reserves £m</b>	<b>Total Authority Reserves £m</b>	<b>Note</b>
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	215.6	215.6	13,14, 15
Total Comprehensive Expenditure and Income	137.0	0.0	0.0	0.0	137.0	215.6	352.6	
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	329.0	352.6	
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	329.0	352.6	
Balance at 31 March 2011 carried forward	<b>31.9</b>	<b>86.5</b>	<b>3.1</b>	<b>4.4</b>	<b>125.9</b>	<b>294.4</b>	<b>420.3</b>	

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

# Comprehensive Income and Expenditure Statement

Restated 2010/11				Note	2011/12		
Gross Exp	Income	Net Exp			Gross Exp	Income	Net Exp
£m	£m	£m		£m	£m	£m	
			<b>CONTINUING SERVICES</b>				
665.3	(540.4)	124.9	Children's and Education Services		631.3	(508.2)	123.1
186.6	(57.3)	129.3	Adult Social Care		192.4	(67.6)	124.8
71.8	(24.3)	47.5	Highways and Transport Services		78.1	(25.8)	52.3
27.4	(9.5)	17.9	Cultural & Related Services		24.3	(8.7)	15.6
33.6	(3.2)	30.4	Environmental & Regulatory Services		33.7	(3.0)	30.7
10.6	(4.3)	6.3	Planning Services		6.3	(0.9)	5.4
2.2	(0.7)	1.5	Central Services to the Public		1.8	(0.6)	1.2
0.3	(0.1)	0.2	Housing Services		0.4	(0.1)	0.3
15.2	(6.5)	8.7	Corporate and Democratic Core		20.5	(10.1)	10.4
6.0	0.0	6.0	Non Distributed Costs	5	5.0	(8.5)	(3.5)
0.0	(124.3)	(124.3)	Past Service Gain on Pension Liability	5	0.0	0.0	0.0
<b>1,019.0</b>	<b>(770.6)</b>	<b>248.4</b>	<b>NET COST OF SERVICES</b>		<b>993.8</b>	<b>(633.5)</b>	<b>360.3</b>
0.2	(0.1)	0.1	Other Operating Expenditure (Excluding transfer of Academies)	10	0.3	0.0	0.3
0.0	0.0	0.0	Other Operating Expenditure (Transfer of Academies)	5,10	76.3	0.0	76.3
34.5	(5.3)	29.2	Financing and Investment Income and Expenditure	11	22.8	(6.3)	16.5
0.0	(414.7)	(414.7)	Taxation and Non-specific Grant Income	12	0.0	(400.4)	(400.4)
		<b>(137.0)</b>	<b>(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>				<b>53.0</b>
		4.4	(Surplus) or deficit on revaluation of non current assets (Notes 14 and 15)				(43.2)
		(220.0)	Actuarial (gains) / losses on pension assets / liabilities (Note 13)				113.2
		<b>(215.6)</b>	<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>70.0</b>
		<b>(352.6)</b>	<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>123.0</b>

## Balance Sheet as at 31 March 2012

31 March 2011 £m		Note	31 March 2012 £m	
	<b>NON-CURRENT ASSETS</b>			
	<b>Property, Plant and Equipment</b>			
697.2	Land and buildings	14	646.6	
3.2	Vehicles, Plant, Furniture & Equipment	14	4.2	
248.4	Infrastructure	14	259.9	
11.7	Community Assets	14	11.7	
16.9	Assets Under Construction	14	6.9	
2.4	Surplus Assets	14	4.3	
<b>979.8</b>			<b>933.6</b>	
<b>4.0</b>	<b>Heritage Assets</b>	15	<b>4.2</b>	
<b>0.3</b>	<b>Intangible Assets</b>	14	<b>0.6</b>	
	<b>Non-Operational Assets</b>			
25.0	Long Term Investments	16	25.0	
49.6	Long Term Debtors	19	49.8	
<b>74.6</b>			<b>74.8</b>	
<b>1,058.7</b>	<b>Total Long Term Assets</b>			<b>1,013.2</b>
	<b>CURRENT ASSETS</b>			
0.4	Assets Held for Sale	14	0.3	
1.3	Inventories	17	1.4	
0.1	Intangible Current Assets		0.0	
64.6	Short Term Debtors	20	64.8	
45.9	Cash and Cash Equivalents	21	48.9	
54.8	Short Term Investments	16, 18	59.0	
<b>167.1</b>	<b>Total Current Assets</b>			<b>174.4</b>
	<b>CURRENT LIABILITIES</b>			
0.0	Bank Overdraft		0.0	
(16.3)	Short Term Borrowing	16	(16.3)	
(119.7)	Short Term Creditors	22	(105.3)	
(3.2)	Short Term Capital Grants Receipts in Advance	37	(1.1)	
(0.1)	Short Term Finance Lease Liabilities	39	(0.1)	
(4.2)	Short Term Provisions	23	(8.0)	
<b>(143.5)</b>	<b>Total Current Liabilities</b>			<b>(130.8)</b>
	<b>NON CURRENT LIABILITIES</b>			
(321.7)	Long Term Borrowing	16	(309.2)	
(1.8)	Long Term Finance Lease Liabilities	39	(1.7)	
(3.3)	Long Term Provisions	23	(5.3)	
(330.1)	Net Pensions Liability	13	(438.8)	
(5.1)	Long Term Capital Grants Receipts in Advance	37	(4.5)	
<b>(662.0)</b>	<b>Total Non Current Liabilities</b>			<b>(759.5)</b>
<b>420.3</b>	<b>Net Assets</b>			<b>297.3</b>

31 March 2011 £m		<i>Note</i>	31 March 2012 £m	
	<b>FINANCED BY</b>			
	<b>Usable Reserves</b>			
31.9	General County Fund	9	32.0	
86.5	Earmarked Revenue Reserves	9	112.6	
3.1	Capital Receipts Reserve		0.9	
4.4	Capital Grants Unapplied		6.3	
<b>125.9</b>	<b>Total Usable Reserves</b>			<b>151.8</b>
	<b>Unusable Reserves</b>			
137.6	Revaluation Reserve	8	160.0	
(330.1)	Pension Reserve	8	(438.8)	
504.2	Capital Adjustment Account	8	441.1	
0.0	Deferred Capital Receipts Reserve	8	3.6	
(6.5)	Financial Instruments Adjustment Account	8	(6.3)	
1.4	Collection Fund Adjustment Account	8, 45	0.7	
(12.2)	Short-Term Accumulating Compensated Absences Adjustment Account	8	(14.8)	
<b>294.4</b>	<b>Total Unusable Reserves</b>			<b>145.5</b>
<b>420.3</b>	<b>Total Reserves</b>			<b>297.3</b>

## Cash Flow Statement

Restated 2010/11			2011/12	
£m		Note	£m	£m
(137.0)	Net (surplus) / deficit on the provision of services		53.0	
45.8	Adjust net (surplus) / deficit on the provision of services for non cash movements	24	(134.1)	
37.3	Adjust for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities	24	28.5	
9.9	Net Cash flows from Operating Activities	25	11.0	
(44.0)	Total Net cash flows from Operating Activities			(41.6)
11.7	Net cash flows from Investing Activities	26		26.1
(9.5)	Net cash flows from Financing Activities	27		12.5
<b>(41.8)</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>			<b>(3.0)</b>
(4.1)	Cash and Cash Equivalents at the Beginning of the Reporting Period			(45.9)
(45.9)	Cash and Cash Equivalents at the End of the Reporting Period			(48.9)

# Notes to the Accounts

## 1. Heritage Assets: Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for Heritage Assets held by the Authority. As set out in the Authority's Statement of Accounting Policies and Estimation Techniques, Heritage Assets are to be carried in the Balance Sheet at valuation. Previously, Heritage Assets were either recognised within Land and Buildings within Property, Plant and Equipment on the Balance Sheet or were not included in the Balance Sheet as it was not possible to obtain cost information on the assets. The Authority's accounting policies for recognition and measurement of Heritage Assets are set out in the Authority's Statement of Accounting Policies and Estimation Techniques.

In applying the new accounting policy, the Authority has identified that the assets that were previously held within Property, Plant and Equipment at £0.1m should now be recognised as Heritage Assets and measured at £0.3m with a corresponding increase in the Revaluation Reserve. This relates to the Century Theatre at Snibston Discovery Park. The Authority has also recognised an additional £3.7m for the recognition of Heritage Assets that were not previously recognised in the Balance Sheet. Again, this increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have been restated to apply the new policy.

The effects of the restatements are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation of £4.0m. The element that was previously recognised in Property, Plant and Equipment has been reclassified and written down by £0.1m. The Revaluation Reserve has increased by £3.9m.
- The adjustments that have been made to the Balance Sheet included in the published 2010/11 Statement of Accounts are as follows:

**Table 1**

<b>Effect on Opening Balance Sheet 1 April 2010</b>	<b>Opening 1 April 2010 Balance Sheet £m</b>	<b>Heritage Asset Movements £m</b>	<b>Restated 1 April 2010 Balance Sheet £m</b>
Land and Buildings	<b>704.2</b>	(0.1)	<b>704.1</b>
Heritage Assets	<b>0.0</b>	4.0	<b>4.0</b>
Long-term Assets	<b>1,044.6</b>	3.9	<b>1,048.5</b>
Total Net Assets	<b>67.7</b>	3.9	<b>71.6</b>
Revaluation Reserve	<b>145.9</b>	3.9	<b>149.8</b>
Unusable Reserves	<b>(34.6)</b>	3.9	<b>(30.7)</b>
Total Reserves	<b>67.7</b>	3.9	<b>71.6</b>

**Table 2**

<b>Effect on Balance Sheet 31 March 2011</b>	<b>Opening 31 March 2011 Balance Sheet £m</b>	<b>Heritage Asset Movements £m</b>	<b>Restated 31 March 2011 Balance Sheet £m</b>
Land and Buildings	<b>697.3</b>	(0.1)	<b>697.2</b>
Heritage Assets	<b>0.0</b>	4.0	<b>4.0</b>
Long-term Assets	<b>1,054.8</b>	3.9	<b>1,058.7</b>
Total Net Assets	<b>416.4</b>	3.9	<b>420.3</b>
Revaluation Reserve	<b>133.7</b>	3.9	<b>137.6</b>
Unusable Reserves	<b>290.5</b>	3.9	<b>294.4</b>
Total Reserves	<b>416.4</b>	3.9	<b>420.3</b>

- The adjustments that have been made to the Comprehensive Income and Expenditure Statement included in the published 2010/11 Statement of Accounts are as follows:

**Table 3**

<b>Extract from the Opening 31 March 2011 Comprehensive Income and Expenditure Statement</b>	<b>Opening 31 March 2011 Net Expenditure £m</b>	<b>Heritage Asset Movements £m</b>	<b>Restated 2010/11 Comprehensive Income and Expenditure Statement £m</b>
(Surplus) or Deficit on revaluation of non-current assets	<b>8.3</b>	(3.9)	<b>4.4</b>
<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>	<b>(211.7)</b>	(3.9)	<b>(215.6)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>	<b>(348.7)</b>	(3.9)	<b>(352.6)</b>

- The adjustments that have been made to the Movement in Reserves Statement included in the published 2010/11 Statement of Accounts are as follows:

**Table 4**

<b>Extract from the 2010/11 Movement in Reserves Statement</b>	<b>Total Reserves As Previously Stated £m</b>	<b>Heritage Asset Movements £m</b>	<b>Restated 2010/11 Movement in Reserves Statement £m</b>
Other Comprehensive Income And Expenditure	<b>211.7</b>	3.9	<b>215.6</b>
Total Comprehensive Income And Expenditure	<b>348.7</b>	3.9	<b>352.6</b>
Increase/(Decrease) in Year	<b>348.7</b>	3.9	<b>352.6</b>
Balance at 31 March 2011 carried forward	<b>416.4</b>	3.9	<b>420.3</b>



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

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) by the code will result in a change in accounting policy that requires disclosure.

The amendments are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Authority's financial position. Relevant circumstances would arise where the Authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership. Following a review of the Authority's financial assets and liabilities at 31 March 2012, it is considered unlikely that this change in accounting policy will have a material impact on the financial statements of the Authority. The effective date of the amendments to the standard was 1 July 2011. However, the Code of Practice does not require us to implement this amended disclosure requirement until 1 April 2012.

## **3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 48, 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:

- Municipal Mutual Insurance Co. Limited (MMI), the County Council's former insurer between November 1969 and October 1991, ceased writing insurance business owing to financial difficulties in September 1992. MMI made a scheme of arrangement with its creditors in the event of the company becoming insolvent. The MMI, along with a number of other insurers, has been involved in what has become known as the 'trigger point' litigation in relation to the interpretation of liability policy wordings concerning mesothelioma claims. The result of the litigation is seen as fundamental to the company's ability to achieve a successful run-off of claims. The Supreme Court handed down judgment in relation to the 'trigger point' litigation in March 2012 confirming that Insurers are liable for claims based upon the date of exposure to asbestos fibres. This outcome brings considerably more asbestos related claims within the period that the MMI was providing insurance cover. The judgment serves to confirm the latest financial information available for MMI showing projected net liabilities of £85m. If the scheme of arrangement is triggered by the company's directors an initial payment (levy) is likely to be requested by the scheme administrator. As the levy is now probable a Provision of £1.9m has been included in the County Council's accounts. The position continues to be regularly monitored and if it becomes probable that a further transfer of future economic benefits will be required the provision will be increased.
- During 2011/12 fifteen schools have converted to Academy status and the assets have been transferred to the Academies as 125 year finance leases. This has resulted in the land remaining on the Authority's Balance Sheet as 125 years is not a major part of the land's indefinite life, and the buildings are off the Authority's Balance Sheet as they have been leased for the major part of their remaining useful life.

**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 2012 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 2012 is £937.8m</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 £2.3m for every year that useful lives had to be reduced.</p>

<p>Insurance Reserve</p>	<p>There is uncertainty that the County Council may have to meet potential liabilities arising from Municipal Mutual Insurance Limited (MMI) that is subject to a run-off of claims following its closure to insurance business in 1992.</p> <p>Following the Supreme Court Judgment in relation to the 'trigger point' litigation of March 2012, which was not in favour of MMI, the net estimated liabilities for the company are believed to be in the region of £85m. The County Council's share of this is based upon the value of its current paid and outstanding claims. It has become probable that a levy will be required in the short term (£1.9m included as a Provision in the Council's accounts). There is a risk that any additional deficit will also have to be funded, however, this is dependent on the level of future claims.</p>	<p>The position is regularly reviewed to ensure that there are sufficient funds in the insurance reserve to fund future uninsured liabilities.</p> <p>As part of the review in 2011/12 the MMI &amp; Uninsured Loss Reserve has been increased by £3.5m to £5.1m to reduce the risk to the County Council of MMI related, other failed insurer related and 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 2012 is £438.8m</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 £118m. A one year increase in member life expectancy compared with the assumption used would increase the liabilities by £37m.</p> <p>However, the assumptions interact in complex ways. During 2011/12, the County Council's actuaries advised that the net pensions liability had decreased by £68m as a result of estimates being corrected as a result of experience and increased by £114.3m attributable to updating of the assumptions.</p>
<p>Debtors</p>	<p>At 31 March 2012, the County Council had a balance of sundry debtors of £21.2m and secured memo debt (elderly persons debt secured against properties) of £6.3m. 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 £1.7m to be set aside as an allowance.</p>

## **5. *Material Items of Income and Expense***

During 2011/12 fifteen schools transferred to Academy Status resulting in the net book value of the schools, £76.3m, being written out of the County Council's Balance Sheet through the Other Operating Expenditure section of the Comprehensive Income and Expenditure Statement (CIES). These entries are reversed out via the Movement in Reserves Statement and do not have an impact on the General County Fund. The County Council has no choice in whether to transfer these assets and does not receive any consideration for their transfer. Further transfers of schools to Academy Status are expected in 2012/13 and later years.

When schools become Academies the pension fund assets and liabilities of the schools, as assessed by the Actuary at the time of transfer, are transferred from the County Council's pension scheme to separate pension funds within the Local Government Pension Scheme. For 2011/12 there was an overall net reduction in liabilities to the County Council's pension scheme totalling £8.5m on settlement which has been credited to the Non Distributed Cost line in the CIES.

The Past Service Gain on the Pension Liability line of the CIES in 2010/11 shows a credit of £123.9m. 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 2012. 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 2012, 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 2012 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:

- A further thirteen schools have transferred to Academy Status by the authorised for issue date. The net book value to be written out of the County Council's Balance Sheet by this date is £57.6m.

## 7. Adjustments between Accounting Basis and Funding Basis under Regulations

2011/12	Usable Reserves			Movement in Unusable Reserves £m
	General County Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Non-current asset depreciation and impairment	(45.9)			45.9
Revaluation losses on Property, Plant and Equipment	(19.3)			19.3
Amortisation of intangible assets	(0.1)			0.1
Capital grants and contributions	42.5			(42.5)
Revenue expenditure funded from capital under statute	(2.6)			2.6
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	(83.4)			83.4
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of capital investment	15.6			(15.6)
Principal Repayments of transferred Debt	(2.4)			2.4
Capital expenditure charged against the General Fund	6.0			(6.0)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Application of capital grants and contributions credited to the Comprehensive Income and Expenditure Statement yet to be applied	1.9		(1.9)	

	Usable Reserves			
2011/12	General County Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Movement in Unusable Reserves £m
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7.1	(3.5)		(3.6)
Use of the Capital Receipts Reserve to finance new capital expenditure		5.7		(5.7)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>				
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	0.2			(0.2)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4.5			(4.5)
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
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	(0.7)			0.7
<b>Adjustments primarily involving the Short-term Accumulating Compensated Absences Adjustments Account</b>				
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	(2.6)			2.6
<b>Total Adjustments</b>	<b>(79.2)</b>	<b>2.2</b>	<b>(1.9)</b>	<b>78.9</b>

	Usable Reserves			
2010/11 Comparative Figures	General County Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Movement in Unusable Reserves £m
<b><i>Adjustments primarily involving the Capital Adjustment Account</i></b>				
<b><i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i></b>				
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
<b><i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i></b>				
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)
<b><i>Adjustments primarily involving the Capital Grants Unapplied Account</i></b>				
Application of grants to capital financing transferred to the Capital Adjustment Account			2.8	(2.8)

	Usable Reserves			
<b>2010/11 Comparative Figures</b>	<b>General County Fund Balance £m</b>	<b>Capital Receipts Reserve £m</b>	<b>Capital Grants Unapplied £m</b>	<b>Movement in Unusable Reserves £m</b>
<b><i>Adjustments primarily involving the Capital Receipts Reserve</i></b>				
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)
<b><i>Adjustments primarily involving the Financial Instruments Adjustment Account</i></b>				
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)
<b><i>Adjustments primarily involving the Pensions Reserve</i></b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	104.2			(104.2)
<b><i>Adjustments primarily involving the Collection Fund Adjustment Account</i></b>				
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)
<b><i>Adjustments primarily involving the Short-term Accumulating Compensated Absences Adjustments Account</i></b>				
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)
<b>Total Adjustments</b>	<b>109.3</b>	<b>1.3</b>	<b>2.8</b>	<b>(113.4)</b>



## 8. Unusable Reserves

### Revaluation Reserve

	2010/11 £m	2011/12 £m
<b>Balance at 1 April</b>	<b>149.8</b>	<b>137.6</b>
Upward revaluation of assets	16.0	52.8
Downward revaluation of assets losses not charged to the Surplus or Deficit on the Provision of Services	(24.3)	(9.6)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(0.8)	(16.9)
Difference between fair value depreciation and historical cost depreciation	(3.1)	(3.9)
<b>Balance at 31 March</b>	<b>137.6</b>	<b>160.0</b>

### Capital Adjustment Account

	2010/11 £m	2011/12 £m
<b>Balance at 1 April</b>	<b>491.9</b>	<b>504.2</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation of non-current assets	(38.5)	(41.9)
Revaluation losses on Property, Plant and Equipment	(14.8)	(19.3)
Amortisation of intangible assets	(0.2)	(0.2)
Revenue expenditure funded from capital under statute	(4.4)	(2.6)
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)	(66.5)
Capital financing applied in year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	3.2	5.7
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	49.0	42.5
Application of grants to capital financing from the Capital Grants Unapplied Account	2.8	0.0
Statutory provision for the financing of capital investment charged against the General Fund	15.2	15.5
Principal Repayments of transferred Debt	(2.4)	(2.3)
Capital expenditure charged against the General County Fund Balance	3.4	6.0
<b>Balance at 31 March</b>	<b>504.2</b>	<b>441.1</b>

**Deferred Capital Receipts Reserve**

	2010/11 £m	2011/12 £m
<b>Balance at 1 April</b>	<b>0.0</b>	<b>0.0</b>
Deferred Capital Receipts recognised in year	0.0	3.6
<b>Balance at 31 March</b>	<b>0.0</b>	<b>3.6</b>

**Financial Instruments Adjustment Account**

	2010/11 £m	2011/12 £m
<b>Balance at 1 April</b>	<b>(6.6)</b>	<b>(6.5)</b>
<b>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:</b>		
Additional interest on stepped rate loans	0.0	0.0
Annual write down of premiums paid on rescheduled debt	0.8	0.9
Annual write down of discounts received on rescheduled debt	(0.7)	(0.7)
<b>Balance at 31 March</b>	<b>(6.5)</b>	<b>(6.3)</b>

**Pensions Reserve**

	2010/11 £m	2011/12 £m
<b>Balance at 1 April</b>	<b>(654.3)</b>	<b>(330.1)</b>
Actuarial gains or losses on pensions assets and liabilities	220.0	(113.2)
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	65.9	(32.4)
Employer's pensions contributions and direct payments to pensioners payable in the year	38.3	36.9
<b>Balance at 31 March</b>	<b>(330.1)</b>	<b>(438.8)</b>

**Collection Fund Adjustment Account**

	2010/11 £m	2011/12 £m
<b>Balance at 1 April</b>	<b>0.8</b>	<b>1.4</b>
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	0.6	(0.7)
<b>Balance at 31 March</b>	<b>1.4</b>	<b>0.7</b>

**Short-term Accumulating Compensated Absences Adjustment Account**

	2010/11 £m	2011/12 £m
<b>Balance at 1 April</b>	<b>(12.3)</b>	<b>(12.2)</b>
Settlement or cancellation of accrual made at the end of the preceding year	12.3	12.2
Amounts accrued at the end of the current year	(12.2)	(14.8)
<b>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</b>	<b>0.1</b>	<b>(2.6)</b>
<b>Balance at 31 March</b>	<b>(12.2)</b>	<b>(14.8)</b>

**9. Movement in Reserves**

**General County Fund Balance**

The balance of the fund as at 31 March 2012, £32.0m (2010/11 £31.9m), contains the following earmarked sums:

	2010/11 £m	2011/12 £m
Delegated Funding for Schools	17.4	18.1
Carry forward of underspendings across other services	5.1	3.4
Carry forward of resources for funding of Capital	0.1	0.1
<b>Earmarked Reserves as at 31 March</b>	<b>22.6</b>	<b>21.6</b>
Uncommitted balance	9.3	10.4
<b>Balance at 31 March</b>	<b>31.9</b>	<b>32.0</b>

### Earmarked Revenue Reserves

	Balance at 31 March 2010 £m	Transfers		Balance at 31 March 2011 £m	Transfers		Balance at 31 March 2012 £m
		From	To		From	To	
		Revenue £m			Revenue £m		
Insurance	7.7	6.2	(2.3)	11.6	4.5	(2.0)	14.1
Renewals of Vehicles and Equipment	7.1	2.1	(1.6)	7.6	2.3	(1.1)	8.8
Adult & Social Care Developments PCT / Public Health in Leicestershire	4.3	3.7	(0.5)	7.5	0.7	(0.2)	8.0
PCT Initiatives	0.0	3.9	0.0	3.9	2.7	(2.7)	3.9
Heath & Social Care Outcomes (PCT Monies)	0.0	0.0	0.0	0.0	1.5	0.0	1.5
Supporting People	0.0	0.0	0.0	0.0	8.7	0.0	8.7
	1.3	0.5	0.0	1.8	0.0	0.0	1.8
Place Based Budget	0	4.0	0.0	4.0	0.3	(0.3)	4.0
LAA	7.4	2.0	(4.2)	5.2	0.1	(5.0)	0.3
East Midlands Council	0.6	0.8	(0.4)	1.0	0.2	(0.5)	0.7
Central Maintenance Fund	1.0	0.2	(0.2)	1.0	0.4	0.0	1.4
Change Management							
- Organisational Change	5.7	0.5	(3.3)	2.9	0.0	(1.2)	1.7
- Invest to save	10.6	6.4	(7.4)	9.6	18.2	(5.5)	22.3
Children and Young People							
- Sure Start	1.5	0.0	(0.6)	0.9	0.0	(0.2)	0.7
- Dedicated Schools Grant	3.7	2.0	(2.8)	2.9	1.6	(2.7)	1.8
- Area Special School	0	2.0	0.0	2.0	0.0	0.0	2.0
- BSF/ Melton & Vale of Belvoir Review	1.0	0.0	(0.5)	0.5	0.0	(0.1)	0.4
Highways & Waste Management							
- Waste Strategy Implementation revenue	3.5	1.9	0.0	5.4	0.0	(0.2)	5.2
capital	0.7	0.0	0.0	0.7	0.0	(0.7)	0.0
- Commuted Sums	1.0	0.1	0.0	1.1	0.4	0.0	1.5
Shared Services	0.2	2.8	0.0	3.0	0.0	(0.7)	2.3
Transitional Grant Aided Fund	0.0	5.0	0.0	5.0	0.0	(1.5)	3.5
Community Planning	0.0	0.0	0.0	0.0	2.7	0.0	2.7
LCC Mortgage Scheme	0.0	0.0	0.0	0.0	2.0	0.0	2.0
Other (reserves below £1m)	5.6	6.6	(3.3)	8.9	7.5	(3.1)	13.3
<b>TOTAL</b>	<b>62.9</b>	<b>50.7</b>	<b>(27.1)</b>	<b>86.5</b>	<b>53.8</b>	<b>(27.7)</b>	<b>112.6</b>

## ***Details of the Main Earmarked Reserves***

### ***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 2012 and a reserve to meet future claims.

### ***Renewal of Vehicles and Equipment***

Resources for the funding of replacement vehicles and equipment.

### ***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/ Health & Social Care Outcomes***

Funding from the primary care trust relating to joint public health initiatives within Leicestershire.

### ***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.

### ***Organisational Change / Invest to Save / Severance***

A programme of projects to deliver efficiency savings and service improvements across the County Council and to fund potential restructuring costs of reconfiguring those services.

### ***Children and Young People's Services***

Delegated dedicated schools grant ring fenced for schools.

### ***Waste Strategy***

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

### ***Transitional Grant Aided Fund***

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

### ***Local Authority Mortgage Scheme***

New reserve established to make it easier for first time buyers to obtain mortgages to stimulate the local housing market and benefit the wider local economy.

#### 10. Other Operating Expenditure

	2010/11 £m	2011/12 £m
Flood Defence Levies	0.2	0.3
(Gains)/losses on the disposal of non-current assets (Excluding Academies)	(0.1)	0.0
(Gains)/losses on the disposal of Academies	0.0	76.3
<b>Total</b>	<b>0.1</b>	<b>76.6</b>

#### 11. Financing and Investment Income and Expenditure

	2010/11 £m	2011/12 £m
Interest payable and similar charges	17.3	17.4
Pensions interest cost and expected return on pensions assets	17.2	5.4
Interest receivable and similar income	(5.0)	(4.6)
Other investment income (surplus or deficit on Trading Accounts)	(0.3)	(1.7)
<b>Total</b>	<b>29.2</b>	<b>16.5</b>

#### 12. Taxation and non specific grant incomes

	2010/11 £m	2011/12 £m
Council tax income	(237.7)	(239.3)
Non domestic rates	(87.9)	(83.1)
Non ringfenced government grants	(40.1)	(33.7)
Capital grants and contributions	(49.0)	(44.3)
<b>Total</b>	<b>(414.7)</b>	<b>(400.4)</b>

### **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 County Fund via the Movement in Reserves Statement.

The IAS 19 Balance Sheet position as at 31 March 2012 has deteriorated since last year principally because financial assumptions as at 31 March 2012 are less favourable than they were at 31 March 2011. The discount rate used to value pension fund benefits has decreased, caused by a fall in corporate bond yields and a revised methodology. All else being equal this serves to increase the value of the liabilities and have a negative impact on the IAS 19 position. This was somewhat mitigated by the extension to the public sector pay restrictions until 2015 which reduced the County Council's pension liabilities. In addition investment performance has been lower than expected which has had a negative impact on the expected value of the County Council's pension assets. Overall the net liability on the fund has increased to £438.8m (31 March 2011, £330.1m).

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

	2010/11 £m	2011/12 £m
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services		
Current service cost	37.7	32.1
Past service cost/(gain)	(122.4)	0.0
Settlements and Curtailments	1.6	(5.2)
Financing and Investment Income and Expenditure		
Interest cost	72.5	60.8
Expected return on assets	(55.3)	(55.3)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(65.9)	32.4
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses	(220.0)	113.2
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	<b>(285.9)</b>	<b>145.6</b>
<b>Movements in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with IAS 19	<b>104.2</b>	<b>4.5</b>
<b>Actual amount charged against the County Fund Balance for Pensions in the year</b>		
Employers contributions payable to scheme	35.2	33.6
Unfunded benefits	3.1	3.3
Total amount charged against the County Fund Balance for Pensions in the year	<b>38.3</b>	<b>36.9</b>

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pension assets and liabilities line was at 31 March 2011/12 a loss of £407.5m and at 31 March 2010/11 was a loss of £293.2m.



**b) Pension Assets and Liabilities in Relation to Post-employment Benefits**

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

	2010/11 £m	2011/12 £m
<b>As at 1 April</b>	<b>(1,427.6)</b>	<b>(1,110.6)</b>
Current service cost	(37.7)	(32.1)
Interest Cost	(72.5)	(60.8)
Contributions by scheme participants	(12.6)	(11.8)
Actuarial (Losses) / Gains	236.2	(62.8)
Benefits paid	82.8	47.1
Past service costs	122.4	0.0
Entity combinations	0.0	0.0
(Losses) / Gains on curtailments	(1.6)	(3.1)
(Losses) / Gains on settlements	0.0	15.0
<b>As at 31 March</b>	<b>(1,110.6)</b>	<b>(1,219.1)</b>

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

	2010/11 £m	2011/12 £m
<b>As at 1 April</b>	<b>773.3</b>	<b>780.5</b>
Expected rate of return	55.3	55.3
Actuarial Gains / (Losses)	(16.1)	(51.5)
Employer contributions	35.2	34.8
Contributions by scheme participants	12.6	11.8
Benefits paid	(82.8)	(47.1)
Contributions in respect of unfunded benefits	3.0	3.2
(Losses) / Gains on settlements	0.0	(6.7)
<b>As at 31 March</b>	<b>780.5</b>	<b>780.3</b>

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 £4.0m (2010/11 gain of £66.3m).

The scheme history of the pension fund is as follows:

	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m
Present value of liabilities:	(887.3)	(878.3)	(1,427.6)	(1,110.6)	(1,219.1)
Fair value of assets:	743.7	552.3	773.3	780.5	780.3
<b>Surplus / (Deficit)</b>	<b>(143.6)</b>	<b>(326.0)</b>	<b>(654.3)</b>	<b>(330.1)</b>	<b>(438.8)</b>

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 £438.8m has a substantial impact on the net worth of the County Council as recorded in the Balance Sheet. However, 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 County Council in the year to 31 March 2013 is £32.0m.

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 31 March 2010.

The principal assumptions used by the actuary have been:

	31 March 2011	31 March 2012
Long-term expected rate of return on assets:		
Equity investments	7.5%	6.2%
Bonds	4.9%	3.9%
Property	5.5%	4.4%
Cash	4.6%	3.5%
Mortality assumptions (in years):		
Longevity at 65 for current pensioners:		
▪ Men	20.9	20.9
▪ Women	23.3	23.3
Longevity at 65 for future pensioners:		
▪ Men	23.3	23.3
▪ Women	25.6	25.6
Rate of inflation	2.8%	2.5%
Rate of increases in salaries	5.1%	4.8%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	5.5%	4.8%
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%

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

	31 March 2011	31 March 2012
Equity investments	82%	65%
Bonds	7%	16%
Property	11%	11%
Cash	0%	8%

**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.

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Difference between the expected and actual return on asset	(11.0)	(46.5)	22.0	(2.1)	(6.6)
Experience gains and (losses) on liabilities	(7.2)	0.1	(0.1)	4.0	(1.4)

**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 2011/12 the County Council paid £26.2m (2010/11 £28.0m) to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% (2010/11 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 2011/12 these amounted to £2.3m (2010/11 £2.1m), representing 1.18% (2010/11 1.02%) 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, Intangible Assets and Assets Held for Sale**

	Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure £m	Community Assets £m	Assets Under Construction £m	Surplus Assets £m	Total £m	Intangible Assets (Software Licences) £m	Assets Held for Sale £m
<b>Net book value as at 31 March 2010</b>	<b>704.1</b>	<b>3.3</b>	<b>233.9</b>	<b>11.7</b>	<b>17.6</b>	<b>0.0</b>	<b>970.6</b>	<b>0.5</b>	<b>0.2</b>
Additions	35.9	4.5	21.5	0.0	13.7	0.0	75.6	0.3	0.0
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	(10.4)	0.0	0.0	0.0	0.0	2.1	(8.3)	0.0	0.0
Derecognition-Disposals	(1.8)	0.0	0.0	0.0	0.0	0.0	(1.8)	0.0	0.0
Transfers between asset categories	13.7	0.0	0.0	0.0	(14.4)	0.3	(0.4)	0.0	0.4
Capital expenditure not increasing value	(14.2)	(3.7)	0.0	0.0	0.0	0.0	(17.9)	(0.3)	0.0
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	(14.6)	0.0	(0.2)
<b>Book value as at 31 March 2011</b>	<b>712.7</b>	<b>4.1</b>	<b>255.4</b>	<b>11.7</b>	<b>16.9</b>	<b>2.4</b>	<b>1,003.2</b>	<b>0.5</b>	<b>0.4</b>
Less: Depreciation this year									
Depreciation written out to the Revaluation Reserve	(3.1)	0.0	0.0	0.0	0.0	0.0	(3.1)	0.0	0.0
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	(20.2)	(0.2)	0.0
Less: Writing down leased assets	(0.1)	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0
<b>Net book value as at 31 March 2011</b>	<b>697.2</b>	<b>3.2</b>	<b>248.4</b>	<b>11.7</b>	<b>16.9</b>	<b>2.4</b>	<b>979.8</b>	<b>0.3</b>	<b>0.4</b>

	Land and Buildings	Vehicles Plant, Furniture & Equipment	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total	Intangible Assets (Software Licences)	Assets Held for Sale
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Net book value as at 31 March 2011</b>	<b>697.2</b>	<b>3.2</b>	<b>248.4</b>	<b>11.7</b>	<b>16.9</b>	<b>2.4</b>	<b>979.8</b>	<b>0.3</b>	<b>0.4</b>
Additions	34.0	4.4	19.0	0.0	1.7	0.0	59.1	0.5	0.0
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	42.8	0.0	0.0	0.0	0.0	0.3	43.1	0.0	0.0
Derecognition- Disposals	(82.4)	0.0	0.0	0.0	(1.0)	0.0	(83.4)	0.0	0.0
Transfers between asset categories	9.0	0.0	0.0	0.0	(10.7)	1.6	(0.1)	0.0	0.1
Capital expenditure not increasing value	(18.4)	(2.5)	0.0	0.0	0.0	0.0	(20.9)	(0.1)	0.0
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit on the Provision of Services	(19.1)	0.0	0.0	0.0	0.0	0.0	(19.1)	0.0	(0.2)
<b>Book value as at 31 March 2012</b>	<b>663.1</b>	<b>5.1</b>	<b>267.4</b>	<b>11.7</b>	<b>6.9</b>	<b>4.3</b>	<b>958.5</b>	<b>0.7</b>	<b>0.3</b>
Less: Depreciation this year									
Depreciation written out to the Revaluation Reserve	(3.9)	0.0	0.0	0.0	0.0	0.0	(3.9)	0.0	0.0
Depreciation / Amortisation written out to the Surplus/ Deficit on the Provision of Services	(12.5)	(0.9)	(7.5)	0.0	0.0	0.0	(20.9)	(0.1)	0.0
Less: Writing down leased assets	(0.1)	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0
<b>Net book value as at 31 March 2012</b>	<b>646.6</b>	<b>4.2</b>	<b>259.9</b>	<b>11.7</b>	<b>6.9</b>	<b>4.3</b>	<b>933.6</b>	<b>0.6</b>	<b>0.3</b>

### **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).
- **Land, community assets, assets under construction, surplus assets and assets held for sale** – are held at cost or market value or have an indefinite life 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:

	<b>2012/13 £m</b>	<b>2013/14 and later £m</b>
2011/12 and earlier year schemes	10.7	6.0

Major contracts entered into during 2011/12 and earlier, where significant payments remain to be made to contractors, include:

	<b>£m</b>
<b>Children and Young People's Service</b> Charnwood New Area Special School	9.3
<b>Adults and Communities</b> Leicester Forest East Library	0.6
<b>Corporate Resources</b> Office Accommodation Strategy – Invest to Save	1.8
Industrial Properties Extension	0.5

### **Academies, Foundation, Trust, Church and Other schools**

Foundation and Trust schools remain vested in the Governing Bodies of the individual Schools. Schools which have converted to Academies have taken the assets on 125 year finance leases. Foundation, Trust schools and Academies 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 31 March of Foundation, Trust schools and Academies.

	2010/11		2011/12	
	31 March Number	31 March £m	31 March Number	31 March £m
Foundation schools	4	25.1	3	19.3
Trust schools	2	14.3	3	31.3
Academies	0	0	15	82.1
Total	6	39.4	21	132.7

Church and Other schools, which are not owned by the Authority 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.

### **Revaluations**

The Authority carries out a rolling programme that ensure that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out by our internally RICS qualified valuers. Accounting Policy 6 within Note 48 provides further details.

	Land and Buildings £m	Surplus Assets £m	Total £m
Carried at Historical Cost	28.4	0.0	28.4
Valued at fair value as at:			
31 March 2012	311.1	0.7	311.8
31 March 2011	167.6	2.5	170.1
31 March 2010	74.5	0.1	74.6
31 March 2009	32.8	0.6	33.4
31 March 2008	32.2	0.4	32.6
<b>Total Cost or Valuation</b>	<b>646.6</b>	<b>4.3</b>	<b>650.9</b>



## 15. Movements in Heritage Assets

	Art Collection £m	Archaeo-logical Collection £m	Fashion Collection £m	Working Life Collection £m	Civic Collection £m	Total £m
<b>Net book value as at 1 April 2010</b>	<b>2.9</b>	<b>0.3</b>	<b>0.1</b>	<b>0.5</b>	<b>0.2</b>	<b>4.0</b>
Additions	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Disposals	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Transfers between asset categories	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit on the Provision of Services	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Depreciation	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>Book value as at 31 March 2011</b>	<b>2.9</b>	<b>0.3</b>	<b>0.1</b>	<b>0.5</b>	<b>0.2</b>	<b>4.0</b>
Additions	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Disposals	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	0.0	0.1	0.0	0.1	0.0	<b>0.2</b>
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit on the Provision of Services	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Depreciation	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>Book value as at 31 March 2012</b>	<b>2.9</b>	<b>0.4</b>	<b>0.1</b>	<b>0.6</b>	<b>0.2</b>	<b>4.2</b>

As per the accounting policy for Heritage Assets within note 48 assets and additions are recognised at cost and are revalued based on 50% of the insurance valuations which are reviewed annually. There have been no additions or disposals in 2010/11 or 2011/12. Due to no known additions or disposals since 2007, a summary of the movements in Heritage Assets would show no movements. Where disposals occur, sale proceeds will be accounted for in accordance with statutory requirements for the sale of non-current assets as these assets would meet the definition of a capital receipt.

## 16. 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
	31 March 2011 £m	31 March 2011 £m	31 March 2012 £m	31 March 2012 £m
<b>Financial Liabilities: (Borrowings)</b>				
at Amortised Cost	258.6	16.3	246.2	16.3
at Fair Value	63.1	0.0	63.0	0.0
<b>Total Borrowings</b>	<b>321.7</b>	<b>16.3</b>	<b>309.2</b>	<b>16.3</b>
<b>Financial Assets: (Investments)</b>				
at Amortised Cost	25.0	54.8	25.0	59.0
at Fair Value	0.0	0.0	0.0	0.0
<b>Total Investments</b>	<b>25.0</b>	<b>54.8</b>	<b>25.0</b>	<b>59.0</b>
<b>Debtors:</b>				
Loans and Receivables	49.6	0.0	49.8	0.0
Financial Assets carried at contract amounts	0.0	64.6	0.0	64.8
<b>Total Debtors</b>	<b>49.6</b>	<b>64.6</b>	<b>49.8</b>	<b>64.8</b>
<b>Total Financial Liabilities carried at contract amount</b>	<b>5.1</b>	<b>122.9</b>	<b>4.5</b>	<b>106.4</b>
<b>Total Finance Lease Liabilities</b>	<b>1.8</b>	<b>0.1</b>	<b>1.7</b>	<b>0.1</b>
<b>Total Cash and Cash Equivalents</b>	<b>0.0</b>	<b>45.9</b>	<b>0.0</b>	<b>48.9</b>

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

	2010/11		2011/12	
	At Amortised Cost £m	At Fair Value £m	At Amortised Cost £m	At Fair Value £m
<b>Financial Liabilities</b>				
Interest Paid	14.4	2.7	14.4	2.7

	2010/11		2011/12	
	Loans and Receivables £m	At Fair Value £m	Loans and Receivables £m	At Fair Value £m
<b>Financial Assets</b>				
Interest Received	2.6	0.0	2.3	0.0

***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 or fair value. 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 31 March 2012 for new debt with the same maturity date from comparable lenders.
- Investments; long term – estimated interest rates at 31 March 2012 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 2012	
	Carrying Amount £m	At Fair Value £m
Financial Liabilities	325.5	394.9
Financial Assets	128.4*	128.9

\*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.

## 17. Inventories

	31 March 2011 £m	31 March 2012 £m
<b><i>Inventories:</i></b>		
Highways brought forward	0.7	0.9
Purchases in Year	2.4	2.4
Issues in Year	(2.2)	(2.4)
<b>Highways carried forward</b>	<b>0.9</b>	<b>0.9</b>
Children & Young People's Service	0.2	0.2
Other Services	0.2	0.2
<b>CYPS &amp; Other Services carried forward</b>	<b>0.4</b>	<b>0.4</b>
<b>Sub Total</b>	<b>1.3</b>	<b>1.3</b>
<b><i>Work in Progress:</i></b>		
Highways	0.0	0.1
<b>Total</b>	<b>1.3</b>	<b>1.4</b>

## 18. 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 £6.1m (2010/11 £4.6m) which is invested on behalf of ESPO and £3.4m (2010/11 £2.3m) on behalf of residents in care homes. Both of these amounts are also included within the Creditors line on the Balance Sheet.

## 19. Long-Term Debtors

	31 March 2011 £m	31 March 2012 £m
<b><i>Long Term Debtors (amounts falling due after one year)</i></b>		
Outstanding debt relating to transferred services (e.g. Unitary Authority, Higher Education establishments, Police, ESPO)	45.0	42.7
Accommodation Charges at Elderly Persons Homes	3.1	3.1
Other Long Term Debtors	1.5	4.0
<b>Total</b>	<b>49.6</b>	<b>49.8</b>





































































































































































































































