Contents

Leicestershire County Council 2012/13 Statement of Accounts and Annual Governance Statement.

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 2012/13.

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 2012 the Council approved a net revenue budget for 2012/13 of £345.6m. In addition £3.4m of 2011/12 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	44.6	42.2	-2.4	1.8	-0.6
Adults & Communities	125.3	120.8	-4.5	1.9	-2.6
Highways & Transport	54.8	55.0	0.2	1.1	1.3
Environment	26.1	25.1	-1.0	1.0	0.0
Chief Executives	16.5	15.1	-1.4	0.5	-0.9
Corporate Resources	36.2	34.9	-1.3	0.5	-0.8
Contingencies etc	10.2	2.3	-7.9	0.0	-7.9
Central Items	35.3	44.8	9.5	1.8	11.3
	349.0	340.2	-8.8	8.6	-0.2
Funded by:					
Formula Grant	-104.4	-104.4	0.0	0.0	0.0
Council Tax	-241.2	-241.2	0.0	0.0	0.0
Carry forwards from 2011/12	-3.4	-3.4	0.0	0.0	0.0
	-349.0	-349.0	0.0	0.0	0.0
NET OUTTURN	0.0	-8.8	-8.8	8.6	-0.2

Review of the Year - Income and Expenditure

In overall terms the County Council underspent against the updated budget by £0.2m net of carry forwards (£8.6m) and approved repayment of debt (£4.7m). The significant underspends against the budget are set out below:

Underspends

Children and Young People's Service (£2.4m gross, £0.6m net)

The main underspends relate to an additional element of Early Intervention Grant (EIG), which has not been allocated to services due to uncertainties around future EIG funding, the withdrawal of the Attendance Improvement Service at the end of August 2012, and a saving on the new contract for careers guidance services (formerly Connexions). Overspends mainly relate to children's social care services, largely due to increased numbers of children placed in independent foster agencies as Foster Carers reach retirement age and leave the authority and increased expenditure on Agency Placements due to the need to make high cost placements.

Adults and Communities (£4.5m gross, £2.6m net)

The main underspend relates to residential services, as more people are being helped to live independently at home. Variations within the net underspend include a £4m overspend on direct payments partially offset by savings on supported living and day care, as clients transfer from these services.

Environment (£1.0m gross, £0.0m net)

This was mainly due to lower tonnages of waste than originally anticipated, a reduction in recycling credits, increased income from the disposal of electrical equipment, and slippage on the new waste database system.

Chief Executives (£1.4m gross, £0.9m net)

This underspend mainly relates to staff vacancies, savings on projects and growth for the Police and Crime Panel which has not been required.

Corporate Resources (£1.3m gross, £0.8m net)

Underspends mainly relate to staff vacancies, learning and development, and increased income. These are partially offset by an overspend on outdoor residential services.

Contingencies (£7.9m, gross and net)

The original budget included a contingency of £8.7m for inflation, of which £7.0m has been allocated regarding residential care charge increases, highways and winter maintenance, energy budgets, software contracts and insurance. The remaining balance is shown as an underspend.

The original budget included a contingency of £8m against delays in the achievement of savings. No major problems have been identified, other than on the home to school transport/ review of discretionary elements savings, which have been absorbed by net underspends on other services. Transfers of £3.2m were made regarding the highways maintenance and vehicle replacement budgets agreed by the Cabinet in July 2012 to the Highways and Transport and Revenue Funding of Capital budgets. The balance of £4.8m is shown as an underspend.

A contingency of £0.9m was made for the forecast overall costs of the Carbon Reduction Commitment (CRC) in 2012/13. The schools element has been charged to the schools budget, resulting in a reduced requirement of £0.5m. In addition, £0.5m of the CRC charge for 2011/12 has been met from the Dedicated Schools Grant earmarked fund and around £0.2m of 2011/12 CRC relating to street lighting is not required as this type of supply is currently classified as exempt, and the same exemption has applied in 2012/13. The combined effects of these reductions produce an overall saving of around £1.4m.

Overspends

Highways and Transport (£0.2m gross, £1.3m net)

The net overspend is mainly due to the Cabinet decision to defer consideration of the home to school transport/ review of discretionary elements (denominational and 16+) savings, and to an overspend on the winter maintenance budget due to the severe winter weather, particularly during March.

Central Items (£9.5m gross, £11.3m net)

This mainly relates to Cabinet approval to utilise underspends to fund voluntary contributions of minimum revenue provision (MRP) to reduce the capital financing requirement and ongoing capital financing costs. A total of £25.6m was applied which included £16.7m from in year underspends and £8.9m from earmarked reserves.

This is offset by underspends relating to capital financing (£3.5m), as anticipated external debt was not borrowed due to continued low interest rates and the level of internal balances, prior year adjustments (£1.8m) relating mainly to a £1.1m partial refund of the 2011-12 Local Authority Central Spend Equivalent Grant (LACSEG) top-slice, and to financial arrangements (£0.8m), mainly due to dividends received from Eastern Shires Purchasing Organisation (ESPO).

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 2012/13 the County Council spent £61.4m on capital projects. The table below shows the main areas of expenditure.

Department	Outturn £m
Children & Young People's Service	23.8
Adults and Communities	3.2
Environment and Transportation - Transportation	26.4
Environment and Transportation - Waste Management	0.8
Corporate Resources	7.2
Total	**61.4**

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	
▫ Charnwood Area Special School – replacement school	2.3
▫ Bringhurst Primary – new classrooms	0.8
▫ Enderby Danemill Primary – new classrooms	1.7
▫ St Peters Primary – new classrooms	1.1
▫ Stoney Stanton Manorfield Primary – new classrooms	1.2
▫ Earl Shilton Townlands Primary – new classrooms	0.8
Environment & Transportation	
▫ Loughborough Inner Relief Road	4.2
▫ Active & Sustainable Travel	2.2
▫ Street Lighting	1.3
▫ Highways Maintenance – roads, carriageways and footways	9.8
▫ Bridge maintenance	1.0
▫ Vehicle Replacements	1.9
Adults & Communities	
▫ Charnwood Day Centre Solution	1.3
▫ Leicester Forest East Library	0.6
Corporate Resources	
▫ Office Accommodation Strategy - Invest to Save Programme	3.1
▫ Aston Firs Travellers Site – Major refurbishment	1.4

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 £826.5m. The CFR was £339.6m and actual debt was £306.1m. The difference between the CFR and the actual debt is the temporary use of working cash balances held by the County Council. During 2012/13, 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 2012/13 Prudential Indicators that inform the County Council whether its capital investment plans are affordable, prudent and sustainable.

Academy Schools

During 2012/13 eighty two schools transferred to Academy Status resulting in the net book value of the schools, £181.1m (2011/12 fifteen schools at £66.6m) 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 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 2013/14 and later years.

EMSS

From 3rd September 2012 Leicestershire County Council (LCC) entered into a joint operation with Nottingham City Council (NCC) to provide shared transactional finance, human resources and payroll services to both councils under the name of East Midlands Shared Services (EMSS). EMSS operates under a Joint Committee established under section 102 of the Local Government Act 1972. The Joint Committee does not have a separate legal personality and is therefore not a separate entity.

Operations relating to EMSS are carried out at both NCC and LCC premises, with LCC being the employing authority and NCC the host authority. In line with the partnership agreement the net expenditure is shared between the two authorities by allocating an equal share of the financial benefits (savings) accruing from the operation of EMSS.

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 2013 is based on a council tax freeze for 2013/14 followed by annual increases of 1.5% in the following three years and assumes that the level of Government funding will decline by a further 29% over the four years of the MTFS. Major changes to local government funding from 2013/14, including the localisation of business rates and council tax support, may pose risks to the levels of income available to the County Council.

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 has reduced and the Consumer Prices Index is predicted to reduce further to around 2.4% by 2014/15 with the Retail Prices Index falling slightly to 2.8% by 2014/15.

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.

The reform of the Public Health system in England saw the responsibility for a large part of Public Health being transferred from the NHS to Local Authorities from 1 April 2013. The new responsibilities 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. The Statement of Accounts will include Public Health income and expenditure from 2013/14.

Changes in Accounting Standards

There were no material changes in accounting standards for 2012/13.

Contents of the Statement of Accounts

The following accounting statements represent the County Council's accounts for the 2012/13 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 25 June 2013, 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: 24 September 2013

Movement in Reserves Statement

Movement in reserves during 2012/13	***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**
Restated Balance at 31 March 2012**	32.0	112.6	0.9	6.3	151.8	155.2	307.0	
Deficit on provision of services	(118.0)	0.0	0.0	0.0	(118.0)	0.0	(118.0)	
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	(68.4)	(68.4)	13,14 15
Total Comprehensive Expenditure and Income	(118.0)	0.0	0.0	0.0	(118.0)	(68.4)	(186.4)	
Adjustments between accounting basis & funding basis under regulations	107.7	0.0	0.7	1.5	109.9	(109.9)	0.0	6,7
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	(10.3)	0.0	0.7	1.5	(8.1)	(178.3)	(186.4)	
Transfers to/from Earmarked Reserves	6.1	(6.1)	0.0	0.0	0.0	0.0	0.0	9
Increase/ (Decrease) in Year	(4.2)	(6.1)	0.7	1.5	(8.1)	(178.3)	(186.4)	
Balance at 31 March 2013 carried forward	**27.8**	**106.5**	**1.6**	**7.8**	**143.7**	**(23.1)**	**120.6**	

*See Note 8 for General Fund Balance breakdown between uncommitted funds and schools balances

**A balance of £9.7m has been restated relating to a correction to disposals of academies within Land & Buildings and this affects all Primary Statements for 2011/12

Restated 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	
Deficit on provision of services	(43.3)	0.0	0.0	0.0	(43.3)	0.0	(43.3)	
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	(43.3)	0.0	0.0	0.0	(43.3)	(70.0)	(113.3)	
Adjustments between accounting basis & funding basis under regulations	69.5	0.0	(2.2)	1.9	69.2	(69.2)	0.0	6,7
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	26.2	0.0	(2.2)	1.9	25.9	(139.2)	(113.3)	
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	(139.2)	(113.3)	
Balance at 31 March 2012 carried forward	**32.0**	**112.6**	**0.9**	**6.3**	**151.8**	**155.2**	**307.0**	

*See Note 8 for General Fund Balance breakdown between uncommitted funds and schools balances.

Comprehensive Income and Expenditure Statement

Restated 2011/12					2012/13		
Gross Exp	Income	Net Exp		Note	Gross Exp	Income	Net Exp
£m	£m	£m			£m	£m	£m
			CONTINUING SERVICES				
631.3	(508.2)	123.1	Children's and Education Services		590.8	(496.1)	94.7
192.4	(67.6)	124.8	Adult Social Care		202.3	(71.1)	131.2
78.1	(25.8)	52.3	Highways and Transport Services		75.9	(25.0)	50.9
24.3	(8.7)	15.6	Cultural & Related Services		24.3	(8.6)	15.7
33.7	(3.0)	30.7	Environmental & Regulatory Services		35.2	(3.4)	31.8
6.3	(0.9)	5.4	Planning Services		6.4	(0.7)	5.7
1.8	(0.6)	1.2	Central Services to the Public		1.7	(0.9)	0.8
0.4	(0.1)	0.3	Housing Services		0.1	(0.1)	0.0
20.5	(10.1)	10.4	Corporate and Democratic Core		25.2	(18.3)	6.9
5.0	(8.5)	(3.5)	Non Distributed Costs	4	4.3	(39.9)	(35.6)
993.8	**(633.5)**	**360.3**	**NET COST OF SERVICES**		**966.2**	**(664.1)**	**302.1**
0.3	0.0	0.3	Other Operating Expenditure (Excluding transfer of Academies)	10	0.3	0.0	0.3
66.6	0.0	66.6	Other Operating Expenditure (Transfer of Academies)	4,10	181.1	0.0	181.1
22.8	(6.3)	16.5	Financing and Investment Income and Expenditure	11	32.0	(4.8)	27.2
0.0	(400.4)	(400.4)	Taxation and Non-specific Grant Income	12	0.0	(392.7)	(392.7)
		43.3	**(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES**				**118.0**
		(43.2)	(Surplus) or deficit on revaluation of non current assets (Notes 14 and 15)				(15.1)
		113.2	Actuarial (gains) / losses on pension assets / liabilities (Note 13)				83.5
		70.0	**OTHER COMPREHENSIVE INCOME AND EXPENDITURE**				**68.4**
		113.3	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**				**186.4**

Balance Sheet as at 31 March 2013

Restated 31 March 2012 £m		Note	31 March 2013 £m	
	NON-CURRENT ASSETS			
	Property, Plant and Equipment			
656.3	Land and Buildings	14	471.8	
4.2	Vehicles, Plant, Furniture & Equipment	14	5.8	
259.9	Infrastructure	14	272.1	
11.7	Community Assets	14	11.7	
6.9	Assets Under Construction	14	4.3	
4.3	Surplus Assets	14	4.0	
943.3			**769.7**	
4.2	**Heritage Assets**	15	**4.4**	
0.6	**Intangible Assets**	14	**0.8**	
	Non-Operational Assets			
25.0	Long Term Investments	16	0.0	
49.8	Long Term Debtors	19	51.6	
74.8			**51.6**	
1,022.9	**Total Non-Current Assets**			**826.5**
	CURRENT ASSETS			
0.3	Assets Held for Sale	14	0.4	
1.4	Inventories	17	0.9	
64.8	Short Term Debtors	20	73.2	
48.9	Cash and Cash Equivalents	21	81.4	
59.0	Short Term Investments	16, 18	64.3	
174.4	**Total Current Assets**			**220.2**
	CURRENT LIABILITIES			
0.0	Bank Overdraft	21	(0.1)	
(16.3)	Short Term Borrowing	16	(16.2)	
(105.3)	Short Term Creditors	22	(93.6)	
(1.1)	Short Term Capital Grants Receipts in Advance	37	(2.2)	
(0.1)	Short Term Finance Lease Liabilities	39	(0.1)	
(8.0)	Short Term Provisions	23	(4.4)	
(130.8)	**Total Current Liabilities**			**(116.6)**
	NON CURRENT LIABILITIES			
(309.2)	Long Term Borrowing	16	(296.6)	
(1.7)	Long Term Finance Lease Liabilities	39	(1.6)	
(5.3)	Long Term Provisions	23	(8.7)	
(438.8)	Net Pensions Liability	13	(497.6)	
(4.5)	Long Term Capital Grants Receipts in Advance	37	(5.0)	
(759.5)	**Total Non Current Liabilities**			**(809.5)**
307.0	**Net Assets**			**120.6**

31 March 2012 £m		*Note*	31 March 2013 £m	
	FINANCED BY			
	Usable Reserves			
32.0	General County Fund	8	27.8	
112.6	Earmarked Revenue Reserves	9	106.5	
0.9	Capital Receipts Reserve		1.6	
6.3	Capital Grants Unapplied		7.8	
151.8	**Total Usable Reserves**			**143.7**
	Unusable Reserves			
161.9	Revaluation Reserve	7	127.4	
(438.8)	Pension Reserve	7	(497.6)	
448.9	Capital Adjustment Account	7	354.4	
3.6	Deferred Capital Receipts Reserve	7	4.7	
(6.3)	Financial Instruments Adjustment Account	7	(6.2)	
0.7	Collection Fund Adjustment Account	7, 45	0.5	
(14.8)	Short-Term Accumulating Compensated Absences Adjustment Account	7	(6.3)	
155.2	**Total Unusable Reserves**			**(23.1)**
307.0	**Total Reserves**			**120.6**

Cash Flow Statement

Restated 2011/12			2012/13	
£m		*Note*	£m	£m
43.3	Net (surplus) / deficit on the provision of services		118.0	
(124.4)	Adjust net (surplus) / deficit on the provision of services for non cash movements	24	(191.1)	
28.5	Adjust for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities	24	24.9	
11.0	Net Cash flows from Operating Activities	25	12.6	
(41.6)	Total Net cash flows from Operating Activities			(35.6)
26.1	Net cash flows from Investing Activities	26		(9.3)
12.5	Net cash flows from Financing Activities	27		12.5
(3.0)	**Net (Increase)/Decrease in Cash and Cash Equivalents**			**(32.4)**
(45.9)	Cash and Cash Equivalents at the Beginning of the Reporting Period			(48.9)
(48.9)	Cash and Cash Equivalents at the End of the Reporting Period			(81.3)

Notes to the Accounts

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

The CIPFA Code of Practice on Local Authority Accounting requires the County Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued by 1 January 2013 but not yet adopted by the Code for the relevant year. The following changes have not yet been implemented:

- IAS 19 Employee Benefits (amended). Applicable to accounting periods starting on or after 1 January 2013. The key change affecting local government pension scheme employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to the Comprehensive Income and Expenditure Statement (CIES), however, from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the expected return on assets assumption). For 2012/13 this would result in a £4.7m increase in expenditure charged to the CIES.

- IAS 1 Presentation of Financial Statements (amended). The changes are presentational only and will not impact on any of the reported amounts in the CIES.

2. 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 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 judgement 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 judgement serves to confirm the latest financial information available for MMI showing projected net liabilities of £205m. The scheme of arrangement has now been triggered by the company's directors and an initial payment (levy) will be requested by the scheme administrator. As the levy will be due later in 2013 a Provision of £2.2m 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 2012/13 eighty two schools have converted to Academy status. The assets have been transferred to the Academies as 125 year finance leases. This has resulted in the land remaining on the County Council's Balance Sheet as 125 years is not a major part of the land's indefinite life. The buildings are not included on the County Council's Balance Sheet as they have been leased for the major part of their remaining useful life.

- The County Council has determined that the East Midlands Shared Services Joint Committee meets the definition of a jointly controlled operation. The County Council has therefore accounted for its share of the Joint Committee's income and expenditure within its accounts as detailed in note 33.

3. 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 2013 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	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. The carrying value of Property, Plant and Equipment at 31 March 2013 is £769.7m	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 £2.6m for every year that useful lives had to be reduced.

Insurance Reserve	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. Following the Supreme Court Judgement 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 £205m. The County Council's share of this is based upon the value of its current paid and outstanding claims. It has been confirmed that a levy will be required in the short term (£2.2m 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.	The position is regularly reviewed to ensure that there are sufficient funds in the insurance reserve to fund future uninsured liabilities. As at 31 March 2013 the Uninsured Loss Reserve has a balance of £4.8m to fund the risk related to MMI and any other uninsured losses.
Pensions Liability	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. The carrying value of the Pension Liability at 31 March 2013 is £497.6m	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 £131.6m. A one year increase in member life expectancy compared with the assumption used would increase the liabilities by £40.3m. However, the assumptions interact in complex ways. During 2012/13, the County Council's actuaries advised that the net pensions liability had decreased by £56.8m as a result of estimates being corrected as a result of experience and increased by £85.9m attributable to updating of the assumptions.
Debtors	At 31 March 2013, the County Council had a balance of sundry debtors of £22.7m and secured memo debt (elderly persons debt secured against properties) of £6.5m. 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.	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.

4. *Material Items of Income and Expense*

During 2012/13 eighty two schools transferred to Academy Status resulting in the net book value of the schools, £181.1m (2011/12 fifteen schools at £66.6m) 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 2013/14 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 2012/13 there was an overall net reduction in liabilities to the County Council's pension scheme totalling £39.9m (2011/12 £8.5m) on settlement which has been credited to the Non Distributed Cost line in the CIES.

5. *Events after the Balance Sheet Date*

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 25 June 2013. 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 2013, 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 2013 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 nine 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 £29.3m.

6. *Adjustments between Accounting Basis and Funding Basis under Regulations*

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of he reserves that the adjustments are made against.

General County Fund Balance

The General County Fund is the statutory fund into which all the receipts of an Authority to be paid into and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General County Fund Balance, which is not necessarily in accordance with proper accounting practice. The General County Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and when this has to take place by.

	Usable Reserves			
2012/13	**General County Fund Balance £m**	**Capital Receipts Reserve £m**	**Capital Grants Unapplied £m**	**Movement in Unusable Reserves £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	35.8			(35.8)
Revaluation losses on Property, Plant and Equipment	16.3			(16.3)
Amortisation of intangible assets	0.3			(0.3)
Capital grants and contributions	(37.4)			37.4

	Usable Reserves			
2012/13	**General County Fund Balance £m**	**Capital Receipts Reserve £m**	**Capital Grants Unapplied £m**	**Movement in Unusable Reserves £m**
Revenue expenditure funded from capital under statute	1.5			(1.5)
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	186.7			(186.7)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(15.3)			15.3
Principal repayments of transferred Debt	2.3			(2.3)
Voluntary provision for the Repayment of Debt	(25.6)			25.6
Capital expenditure charged against the General Fund	(16.8)			16.8
Adjustments primarily involving the Capital Grants Unapplied Account				
Application of capital grants and contributions credited to the Comprehensive Income and Expenditure Statement yet to be applied	(1.5)		1.5	0.0
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	(5.6)	2.7		2.9
Use of the Capital Receipts Reserve to finance new capital expenditure		(3.8)		3.8
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		1.8		(1.8)
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	(0.1)			0.1
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(24.6)			24.6

	Usable Reserves			
2012/13	**General County Fund Balance £m**	**Capital Receipts Reserve £m**	**Capital Grants Unapplied £m**	**Movement in Unusable Reserves £m**
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	0.2			(0.2)
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	(8.5)			8.5
Total Adjustments	**107.7**	**0.7**	**1.5**	**(109.9)**

	Usable Reserves			
2011/12	**General County Fund Balance £m**	**Capital Receipts Reserve £m**	**Capital Grants Unapplied £m**	**Movement in Unusable Reserves £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	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	73.7			(73.7)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(15.6)			15.6

	Usable Reserves			
2011/12	**General County Fund Balance £m**	**Capital Receipts Reserve £m**	**Capital Grants Unapplied £m**	**Movement in Unusable Reserves**
Principal Repayments of transferred Debt	2.4			(2.4)
Capital expenditure charged against the General Fund	(6.0)			6.0
Adjustments primarily involving the Capital Grants Unapplied Account				
Application of capital grants and contributions credited to the Comprehensive Income and Expenditure Statement yet to be applied	(1.9)		1.9	0.0
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	(7.1)	3.5		3.6
Use of the Capital Receipts Reserve to finance new capital expenditure		(5.7)		5.7
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	(0.2)			0.2
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4.5)			4.5
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	0.7			(0.7)
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	2.6			(2.6)
Total Adjustments	**69.5**	**(2.2)**	**1.9**	**(69.2)**

7. *Unusable Reserves*

Revaluation Reserve

	2011/12 £m	2012/13 £m
Balance at 1 April	**137.6**	**161.9**
Upward revaluation of assets	52.8	28.5
Downward revaluation of assets losses not charged to the Surplus or Deficit on the Provision of Services	(9.6)	(13.4)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(15.0)	(45.6)
Difference between fair value depreciation and historical cost depreciation	(3.9)	(4.0)
Balance at 31 March	**161.9**	**127.4**

Capital Adjustment Account

	2011/12 £m	2012/13 £m
Balance at 1 April	**504.2**	**448.9**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	(41.9)	(31.8)
Revaluation losses on Property, Plant and Equipment	(19.3)	(16.3)
Amortisation of intangible assets	(0.2)	(0.3)
Revenue expenditure funded from capital under statute	(2.6)	(1.5)
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	(58.7)	(141.1)
Capital financing applied in year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	5.7	3.8
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	42.5	37.4
Application of grants to capital financing from the Capital Grants Unapplied Account	0.0	0.0
Statutory provision for the financing of capital investment charged against the General Fund Balance	15.5	15.2
Voluntary provision for the financing of capital investment charged against the General Fund Balance	0.0	25.6
Principal Repayments of transferred Debt	(2.3)	(2.3)
Capital expenditure charged against the General County Fund Balance	6.0	16.8
Balance at 31 March	**448.9**	**354.4**

Deferred Capital Receipts Reserve

	2011/12 £m	2012/13 £m
Balance at 1 April	**0.0**	**3.6**
Deferred Capital Receipts recognised in year	3.6	2.9
Transfer to the Capital Receipts Reserve upon receipt of cash	0.0	(1.8)
Balance at 31 March	**3.6**	**4.7**

Financial Instruments Adjustment Account

	2011/12 £m	2012/13 £m
Balance at 1 April	**(6.5)**	**(6.3)**
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:		
Annual write down of premiums paid on rescheduled debt	0.9	0.8
Annual write down of discounts received on rescheduled debt	(0.7)	(0.7)
Balance at 31 March	**(6.3)**	**(6.2)**

Pensions Reserve

	2011/12 £m	2012/13 £m
Balance at 1 April	**(330.1)**	**(438.8)**
Actuarial gains or losses on pensions assets and liabilities	(113.2)	(83.5)
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	(32.4)	(7.0)
Employer's pensions contributions and direct payments to pensioners payable in the year	36.9	31.7
Balance at 31 March	**(438.8)**	**(497.6)**

Collection Fund Adjustment Account

	2011/12 £m	2012/13 £m
Balance at 1 April	**1.4**	**0.7**
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	(0.7)	(0.2)
Balance at 31 March	**0.7**	**0.5**

Short-term Accumulating Compensated Absences Adjustment Account

	2011/12 £m	2012/13 £m
Balance at 1 April	**(12.2)**	**(14.8)**
Settlement or cancellation of accrual made at the end of the preceding year	12.2	14.8
Amounts accrued at the end of the current year	(14.8)	(6.3)
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)**	**8.5**
Balance at 31 March	**(14.8)**	**(6.3)**

8. General County Fund Balance

The balance of the fund as at 31 March 2013, £27.8m (2011/12 £32.0m), contains the following earmarked sums:

	2011/12 £m	2012/13 £m
Delegated Funding for Schools	18.1	8.4
Carry forward of underspendings across other services	3.4	8.6
Carry forward of resources for funding of Capital	0.1	0.1
Earmarked Reserves as at 31 March	**21.6**	**17.1**
Uncommitted balance	10.4	10.7
Balance at 31 March	**32.0**	**27.8**

9. *Movement in Earmarked Revenue Reserves*

	Balance at 31 March 2011 £m	Transfers From Revenue £m	Transfers To Revenue £m	Balance at 31 March 2012 £m	Transfers From Revenue £m	Transfers To Revenue £m	Balance at 31 March 2013 £m
Insurance	11.6	4.5	(2.0)	14.1	0.2	(2.9)	11.4
Renewals of Vehicles and Equipment	7.6	2.3	(1.1)	8.8	0.3	(1.6)	7.5
Adult & Social Care Developments	7.5	0.7	(0.2)	8.0	0.3	(2.1)	6.2
PCT / Public Health in Leicestershire	3.9	2.7	(2.7)	3.9	2.9	(1.3)	5.5
PCT Initiatives	0.0	1.5	0.0	1.5	0.0	(1.5)	0.0
Heath & Social Care Outcomes (PCT Monies)	0.0	8.7	0.0	8.7	2.2	(0.5)	10.4
Housing Related Support	1.8	0.0	0.0	1.8	0.0	(1.1)	0.7
Supporting Leicestershire Families	4.0	0.3	(0.3)	4.0	5.4	(1.0)	8.4
LAA	5.2	0.1	(5.0)	0.3	0.0	(0.3)	0.0
East Midlands Council	1.0	0.2	(0.5)	0.7	0.2	(0.3)	0.6
Central Maintenance Fund	1.0	0.4	0.0	1.4	0.0	(0.2)	1.2
Change Management							
- Organisational Change	2.9	0.0	(1.2)	1.7	0.0	0.0	1.7
- Invest to Save/ Severance	9.6	18.2	(5.5)	22.3	4.9	(15.6)	11.6
Children and Young People							
- Area Special School	2.0	0.0	0.0	2.0	0.0	0.0	2.0
- Transitional Grant Aided Fund	5.0	0.0	(1.5)	3.5	0.0	0.0	3.5
Highways & Waste Management							
- Waste Strategy Implementation revenue	5.4	0.0	(0.2)	5.2	0.0	(0.8)	4.4
- Commuted Sums	1.1	0.4	0.0	1.5	0.1	0.0	1.6
Shared Services	3.0	0.0	(0.7)	2.3	0.0	(0.9)	1.4
Broadband	0.0	0.0	0.0	0.0	6.0	0.0	6.0
Community Planning	0.0	2.7	0.0	2.7	0.5	(2.0)	1.2
LCC Mortgage Scheme	0.0	2.0	0.0	2.0	1.1	(3.1)	0.0
Economic Development	0.0	0.0	0.0	0.0	3.2	0.0	3.2
Other (reserves below £1m)	11.0	7.5	(4.1)	14.4	2.9	(5.9)	11.4
Sub-Total	**83.6**	**52.2**	**(25.0)**	**110.8**	**30.2**	**(41.1)**	**99.9**
CYPS - Dedicated Schools Grant	2.9	1.6	(2.7)	1.8	5.4	(0.6)	6.6
TOTAL	**86.5**	**53.8**	**(27.7)**	**112.6**	**35.6**	**(41.7)**	**106.5**

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 2013 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.

Supporting Leicestershire Families
This funding has been earmarked to fund both the programme team and the new services under the supporting Leicestershire's Families programme (formerly known as Troubled Families).

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.
Finance to ease the impact of significant reductions in government grants.

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.

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.

Broadband
The Council Tax freeze grant for 2012/13 was approved to be set aside to develop super-fast broadband to areas with poor service.

Economic Development
Funding earmarked for economic development proposals.

10. Other Operating Expenditure

	2011/12 £m	2012/13 £m
Flood Defence Levies	0.3	0.3
(Gains)/losses on the disposal of non-current assets (Excluding Academies)	0.0	0.0
(Gains)/losses on the disposal of Academies	66.6	181.1
Total	**66.9**	**181.4**

11. Financing and Investment Income and Expenditure

	2011/12 £m	2012/13 £m
Interest payable and similar charges	17.4	16.9
Pensions interest cost and expected return on pensions assets	5.4	15.1
Interest receivable and similar income	(4.6)	(4.5)
Other investment income (surplus or deficit on Trading Accounts)	(1.7)	(0.3)
Total	**16.5**	**27.2**

12. Taxation and non specific grant incomes

	2011/12 £m	2012/13 £m
Council tax income	(239.3)	(241.0)
Non domestic rates	(83.1)	(102.4)
Non ringfenced government grants	(33.7)	(10.4)
Capital grants and contributions	(44.3)	(38.9)
Total	**(400.4)**	**(392.7)**

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 County Fund via the Movement in Reserves Statement.

The IAS 19 balance sheet position as at 31st March 2013 has deteriorated since last year principally because financial assumptions as at 31st March 2013 are less favourable than they were at 31st March 2012. The main reason is a reduction in the discount rate used to value pension fund benefits due to a fall in bond yields. 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 investment returns being higher than expected which has had a positive impact on the actual value of the County Council's pension assets. Overall the net liability on the fund has increased to £497.6m (31 March 2012, £438.8m).

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

	2011/12 £m	2012/13 £m
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service cost	32.1	28.8
Past service cost/(gain)	0.0	0.3
Settlements and Curtailments	(5.2)	(37.2)
Financing and Investment Income and Expenditure		
Interest cost	60.8	56.3
Expected return on assets	(55.3)	(41.2)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	32.4	7.0
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses	113.2	83.5
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**145.6**	**90.5**
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	**4.5**	**24.6**
Actual amount charged against the County Fund Balance for Pensions in the year		
Employers contributions payable to scheme	33.6	28.7
Unfunded benefits	3.3	3.0
Total amount charged against the County Fund Balance for Pensions in the year	**36.9**	**31.7**

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 at 31 March 2012/13 was a loss of £493.3m and at 31 March 2011/12 was a loss of £407.5m.

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:

	2011/12 £m	2012/13 £m
As at 1 April	**(1,110.6)**	**(1219.1)**
Current service cost	(32.1)	(28.8)
Interest Cost	(60.8)	(56.3)
Contributions by scheme participants	(11.8)	(9.8)
Actuarial (Losses) / Gains	(62.8)	(142.1)
Benefits paid	47.1	45.8
Past service costs	0.0	(0.3)
Entity combinations	0.0	0.0
(Losses) / Gains on curtailments	(3.1)	(2.7)
(Losses) / Gains on settlements	15.0	70.2
As at 31 March	**(1,219.1)**	**(1,343.1)**

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

	2011/12 £m	2012/13 £m
As at 1 April	**780.5**	**780.3**
Expected rate of return	55.3	41.2
Actuarial Gains / (Losses)	(51.5)	56.3
Employer contributions	34.8	30.8
Contributions by scheme participants	11.8	9.8
Benefits paid	(47.1)	(45.8)
Contributions in respect of unfunded benefits	3.2	3.2
(Losses) / Gains on settlements	(6.7)	(30.3)
As at 31 March	**780.3**	**845.5**

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 £107.3m (2011/12 gain of £4.0m).

The scheme history of the pension fund is as follows:

	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
Present value of liabilities:	(878.3)	(1,427.6)	(1,110.6)	(1,219.1)	(1,343.1)
Fair value of assets:	552.3	773.3	780.5	780.3	845.5
Surplus / (Deficit)	**(326.0)**	**(654.3)**	**(330.1)**	**(438.8)**	**(497.6)**

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 £497.6m 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 council in the year to 31st March 2014 is £26.7m.

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 2012	31 March 2013
Long-term expected rate of return on assets:		
Equity investments	6.2%	4.5%
Bonds	3.9%	4.5%
Property	4.4%	4.5%
Cash	3.5%	4.5%
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	2.5%	2.8%
Rate of increases in salaries	4.8%	5.1%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	4.5%
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 2012	31 March 2013
Equity investments	65%	65%
Bonds	16%	26%
Property	11%	9%
Cash	8%	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.

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Difference between the expected and actual return on asset	(46.5)	22.0	(2.1)	(6.6)	7.0
Experience gains and (losses) on liabilities	0.1	(0.1)	4.0	(1.4)	0.0

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 2012/13 the County Council paid £16.3m (2011/12 £26.2m) to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% (2011/12 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 2012/13 these amounted to £2.1m (2011/12 £2.3m), representing 1.79% (2011/12 1.18%) 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
Net book value as at 31 March 2011	**697.2**	**3.2**	**248.4**	**11.7**	**16.9**	**2.4**	**979.8**	**0.3**	**0.4**
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	(72.7)	0.0	0.0	0.0	(1.0)	0.0	(73.7)	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)
Book value as at 31 March 2012	**672.8**	**5.1**	**267.4**	**11.7**	**6.9**	**4.3**	**968.2**	**0.7**	**0.3**
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
Net book value as at 31 March 2012	**656.3**	**4.2**	**259.9**	**11.7**	**6.9**	**4.3**	**943.3**	**0.6**	**0.3**

	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
Net book value as at 31 March 2012	**656.3**	**4.2**	**259.9**	**11.7**	**6.9**	**4.3**	**943.3**	**0.6**	**0.3**
Additions	22.9	4.3	20.1	0.0	2.7	0.0	50.0	0.5	0.0
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	15.3	0.0	0.0	0.1	0.0	(0.3)	15.1	0.0	0.0
Derecognition-Disposals	(184.7)	0.0	0.0	0.0	0.0	(1.7)	(186.4)	0.0	(0.3)
Transfers between asset categories	3.1	0.0	0.0	0.0	(5.3)	1.8	(0.4)	0.0	0.4
Capital expenditure not increasing value	(10.0)	(1.7)	0.0	0.0	0.0	0.0	(11.7)	0.0	0.0
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit on the Provision of Services	(16.1)	0.0	0.0	(0.1)	0.0	(0.1)	(16.3)	0.0	0.0
Book value as at 31 March 2013	**486.8**	**6.8**	**280.0**	**11.7**	**4.3**	**4.0**	**793.6**	**1.1**	**0.4**
Less: Depreciation this year									
Depreciation written out to the Revaluation Reserve	(4.0)	0.0	0.0	0.0	0.0	0.0	(4.0)	0.0	0.0
Depreciation / Amortisation written out to the Surplus/ Deficit on the Provision of Services	(10.9)	(1.0)	(7.9)	0.0	0.0	0.0	(19.8)	(0.3)	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
Net book value as at 31 March 2013	**471.8**	**5.8**	**272.1**	**11.7**	**4.3**	**4.0**	**769.7**	**0.8**	**0.4**

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

At 31 March 2013, the County Council has entered into a number of contracts for the acquisition, construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £31.1m, (similar commitments at 31 March 2012 were £16.7m).

Major contracts, include:

	£m
Loughborough Town Centre – major infrastructure works	11.4
Charnwood Area Special School – replacement school	7.0
Whetstone Bulking Transfer Station – new facility	3.1
Office accommodation – fire services former headquarters	1.9
Snibston Discovery Park – refurbishment of scheduled monument	1.4

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.

	2011/12		2012/13	
	31 March Number	**31 March £m**	**31 March Number**	**31 March £m**
Foundation schools	3	19.3	3	19.3
Trust schools	3	31.3	3	31.3
Academies	15	82.1	97	265.2
Total	21	132.7	103	315.8

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	19.3	0.0	19.3
Valued at fair value as at:			
31 March 2013	289.3	0.1	289.4
31 March 2012	63.1	1.1	64.2
31 March 2011	46.1	2.7	48.8
31 March 2010	34.6	0.1	34.7
31 March 2009	19.4	0.0	19.4
Total Cost or Valuation	**471.8**	**4.0**	**475.8**

15. Movements in Heritage Assets

	Art Collection £m	Archaeo-logical Collection £m	Fashion Collection £m	Working Life Collection £m	Civic Collection £m	Total £m
Net book value as at 31 March 2011	**2.9**	**0.3**	**0.1**	**0.5**	**0.2**	**4.0**
Additions	0.0	0.0	0.0	0.0	0.0	**0.0**
Disposals	0.0	0.0	0.0	0.0	0.0	**0.0**
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	0.0	0.1	0.0	0.1	0.0	**0.2**
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit on the Provision of Services	0.0	0.0	0.0	0.0	0.0	**0.0**
Depreciation	0.0	0.0	0.0	0.0	0.0	**0.0**
Net Book value as at 31 March 2012	**2.9**	**0.4**	**0.1**	**0.6**	**0.2**	**4.2**
Additions	0.0	0.0	0.0	0.4	0.0	**0.4**
Disposals	0.0	0.0	0.0	0.0	0.0	**0.0**
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	**0.0**
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit on the Provision of Services	0.0	0.0	0.0	0.0	0.0	**0.0**
Capital expenditure not increasing value	0.0	0.0	0.0	(0.2)	0.0	**(0.2)**
Depreciation	0.0	0.0	0.0	0.0	0.0	**0.0**
Net Book value as at 31 March 2013	**2.9**	**0.4**	**0.1**	**0.8**	**0.2**	**4.4**

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. There have been no material additions and no disposals in 2011/12 or 2012/13. Due to no material additions or actual 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 2012 £m	**31 March 2012 £m**	**31 March 2013 £m**	**31 March 2013 £m**
Financial Liabilities: (Borrowings)				
at Amortised Cost	246.2	16.3	233.6	16.2
at Fair Value	63.0	0.0	63.0	0.0
Total Borrowings	**309.2**	**16.3**	**296.6**	**16.2**
Financial Assets: (Investments)				
at Amortised Cost	25.0	59.0	0.0	64.3
at Fair Value	0.0	0.0	0.0	0.0
Total Investments	**25.0**	**59.0**	**0.0**	**64.3**
Debtors:				
Loans and Receivables	49.8	0.0	51.6	0.0
Financial Assets carried at contract amounts	0.0	64.8	0.0	73.2
Total Debtors	**49.8**	**64.8**	**51.6**	**73.2**
Total Financial Liabilities carried at contract amount	**4.5**	**106.4**	**5.0**	**95.8**
Total Finance Lease Liabilities	**1.7**	**0.1**	**1.6**	**0.1**
Total Cash and Cash Equivalents	**0.0**	**48.9**	**0.0**	**81.3**

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

	2011/12		2012/13	
	At Amortised Cost £m	At Fair Value £m	At Amortised Cost £m	At Fair Value £m
Financial Liabilities				
Interest Paid	14.4	2.7	14.0	2.7

	2011/12		2012/13	
	Loans and Receivables £m	At Fair Value £m	Loans and Receivables £m	At Fair Value £m
Financial Assets				
Interest Received	2.3	0.0	2.2	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 2013 for new debt with the same maturity date from comparable lenders.
- Investments; long term – estimated interest rates at 31 March 2013 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 2013	
	Carrying Amount £m	At Fair Value £m
Financial Liabilities	312.8	399.6
Financial Assets	141.4*	148.0

*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.

17. Inventories

	31 March 2012 £m	31 March 2013 £m
Inventories:		
Highways brought forward	0.9	0.9
Purchases in Year	2.4	1.9
Issues in Year	(2.4)	(2.3)
Highways carried forward	**0.9**	**0.5**
Children & Young People's Service	0.2	0.2
Other Services	0.2	0.2
CYPS & Other Services carried forward	**0.4**	**0.4**
Sub Total	**1.3**	**0.9**
Work in Progress:		
Highways	0.1	0.0
Total	**1.4**	**0.9**

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 £3.6m (2011/12 £3.4m) which is invested on behalf of residents in care homes. This amount is also included within the Creditors line on the Balance Sheet.

19. Long-Term Debtors

	31 March 2012 £m	31 March 2013 £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)	42.7	40.5
Accommodation Charges at Elderly Persons Homes	3.1	3.6
Other Long Term Debtors	4.0	7.5
Total	**49.8**	**51.6**

20. Short-Term Debtors

Short – Term Debtors	31 March 2012			31 March 2013		
	Debtors £m	Payments in Advance £m	Total £m	Debtors £m	Payments in Advance £m	Total £m
Central Government Bodies	7.1	0.0	7.1	12.1	0.0	12.1
Other Local Authorities	17.8	0.0	17.8	14.5	0.1	14.6
NHS Bodies	4.3	0.0	4.3	0.3	0.0	0.3
Public Corporations and Trading Funds	0.2	0.0	0.2	0.2	0.0	0.2
Other Entities and Individuals	26.3	9.1	35.4	37.3	8.7	46.0
Total	**55.7**	**9.1**	**64.8**	**64.4**	**8.8**	**73.2**

21. Cash and Cash Equivalents

	31 March 2012 £m	31 March 2013 £m
Net Cash Balance at Year End:		
School & Imprest Accounts	2.0	1.3
Main Bank Accounts	(0.8)	(1.4)
Short-Term Deposits with Banks and Building Societies	47.7	81.4
Cash and Cash Equivalents	**48.9**	**81.3**

These figures include uninvested cash held on behalf of residents in Care Homes £1.4m (2011/12 £0.9m)

22. Short-Term Creditors

Short – Term Creditors	31 March 2012			31 March 2013		
	Creditors £m	Receipts in Advance £m	Total £m	Creditors £m	Receipts in Advance £m	Total £m
Central Government Bodies	17.4	0.4	17.8	21.6	0.2	21.8
Other Local Authorities	9.6	0.7	10.3	10.9	0.9	11.8
NHS Bodies	0.2	0.2	0.4	0.2	0.1	0.3
Public Corporations and Trading Funds	0.1	0.4	0.5	0.2	0.2	0.4
Other Entities and Individuals	64.1	12.2	76.3	49.9	9.4	59.3
Total	**91.4**	**13.9**	**105.3**	**82.8**	**10.8**	**93.6**

23. Provisions

Short Term	Balance at 31 March 2012	Additional provisions during the year	Amounts used during the year	Balance at 31 March 2013
	£m	£m	£m	£m
Insurance:				
Fire	0.2	0.1	(0.2)	0.1
Public/Employers Liability	0.7	0.0	(0.1)	0.6
Fidelity & Money	0.0	0.0	0.0	0.0
Uninsured Losses	1.9	0.3	0.0	2.2
LMS Insurance Provision	0.1	0.0	(0.1)	0.0
	2.9	**0.4**	**(0.4)**	**2.9**
Redundancy Provision	1.6	0.0	(1.3)	0.3
Leased Car Provision	0.1	0.3	(0.4)	0.0
CRC Liability	0.8	0.6	(0.8)	0.6
A&C Residential Care	2.5	0.0	(2.5)	0.0
Property Maintenance	0.0	3.0	(3.0)	0.0
Other	0.1	0.5	0.0	0.6
	5.1	**4.4**	**(8.0)**	**1.5**
Total Short Term	**8.0**	**4.8**	**(8.4)**	**4.4**

Long Term	Balance at 31 March 2012	Additional provisions during the year	Amounts used during the year	Balance at 31 March 2013
	£m	**£m**	**£m**	**£m**
Insurance:				
Fire	0.2	0.1	(0.1)	0.2
Public/Employers Liability	4.4	3.8	(0.4)	7.8
LMS Insurance Provision	0.0	0.2	(0.1)	0.1
	4.6	**4.1**	**(0.6)**	**8.1**
A&C Mental Health Refunds	0.4	0.1	0.0	0.5
Leased Car Provision	0.2	0.8	(0.9)	0.1
Other	0.1	0.0	(0.1)	0.0
	0.7	**0.9**	**(1.0)**	**0.6**
Total Long Term	**5.3**	**5.0**	**(1.6)**	**8.7**

Total Short and Long Term Provisions	**13.3**	**9.8**	**(10.0)**	**13.1**

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 2013 and a reserve to meet future claims. The provision is expected to be used within the next seven years.

Leased Car Provision
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 2013 where the timing or amounts are uncertain.

Carbon Reduction Commitment (CRC) Liability
Provision established to fund the retrospective purchase of CRC allowances that are based on emissions, i.e. carbon dioxide produced as energy is used.

Adults & Communities Residential Care
Provision was to meet the costs of increases in residential care charges from 2011/12 that were confirmed and utilised in 2012/13.

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

	2011/12 £m		2012/13 £m	
Non cash transactions:				
Movement on provisions	(5.8)		0.2	
Movement on pensions (IAS19)	4.5		24.6	
Depreciation of fixed assets and impairment	(65.3)		(52.4)	
Gain or Loss on disposal of non-current assets (Incl Academies)	(66.6)		(181.1)	
Movement on Financial Instruments Adjustment Account	0.2		0.1	
		(133.0)		(208.6)
Revenue items on an accruals basis:				
Change in creditors	11.2		14.0	
Change in debtors	(0.9)		0.4	
Change in long term debtors	(1.7)		3.6	
Change in Inventories	0.1		(0.5)	
Change in landfill allowances	(0.1)		0.0	
		8.6		17.5
Total adjustments to net surplus or deficit on the provision of services on non cash movements:		**(124.4)**		**(191.1)**
Items classified elsewhere in the statement:				
Movement in Accrued Interest	1.8		0.1	
Servicing of finance	(12.8)		(12.4)	
Principal repayment on transferred debt	(2.3)		0.0	
Movement on the Collection Fund Adjustment Account	(0.7)		(0.2)	
Capital Grants Received	42.5		37.4	
Total adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**28.5**		**24.9**

25. Cash Flow Statement- Operating Activities

	2011/12 £m	2012/13 £m
Interest received	(6.5)	(4.5)
Interest Paid	17.5	17.1
Net Cash Flows from Operating Activities	**11.0**	**12.6**

26. Cash Flow Statement - Investing Activities

	2011/12 £m	2012/13 £m
Purchase of property, plant and equipment, investment property and intangible assets	68.9	53.4
Purchase of short-term and long-term investments	6.1	0.0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7.1)	(5.6)
Proceeds from short-term and long-term investments	0.0	(19.8)
Capital Grants and Contributions	(42.5)	(37.4)
Other receipts from investing activities	0.7	0.1
Net Cash Flows from Investing Activities	**26.1**	**(9.3)**

27. Cash Flow Statement - Financing Activities

	2011/12 £m	2012/13 £m
Cash receipts of short-term and long-term borrowing	0.0	0.0
Repayments of short-term and long-term borrowing	12.5	12.5
Net Cash Flows from Financing Activities	**12.5**	**12.5**

28. *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 Service Reporting Code of Practice. However, decisions about resource allocation are taken by the County Council'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 2012/13

	2012/13					
	CYPS £m	**A & C £m**	**E & T £m**	**Corporate Resources £m**	**Chief Executives' £m**	**Total £m**
Fees, Charges and Other Service Income	(36.3)	(65.3)	(26.3)	(22.0)	(13.0)	**(162.9)**
Grants	(453.0)	(16.5)	(2.3)	(0.2)	(3.1)	**(475.1)**
Total Income	**(489.3)**	**(81.8)**	**(28.6)**	**(22.2)**	**(16.1)**	**(638.0)**

Employee Expenses	244.7	49.8	20.1	40.9	13.2	**368.7**
Other Operating Expenses	294.8	152.8	88.5	16.2	18.0	**570.3**
Support Service Recharges	24.9	19.0	(11.6)	(31.7)	(0.6)	**0.0**
Total Expenses	**564.4**	**221.6**	**97.0**	**25.4**	**30.6**	**939.0**
Net Cost of Services	**75.1**	**139.8**	**68.4**	**3.2**	**14.5**	**301.0**

Income & Expenditure 2011/12 Comparative Figures

	2011/12					
	CYPS £m	**A & C £m**	**E & T £m**	**Corporate Resources £m**	**Chief Executives' £m**	**Total £m**
Fees, Charges and Other Service Income	(65.3)	(64.3)	(28.9)	(14.1)	(6.8)	**(179.4)**
Grants	(449.3)	(11.2)	(1.1)	(0.0)	(1.2)	**(462.8)**
Total Income	**(514.6)**	**(75.5)**	**(30.0)**	**(14.1)**	**(8.0)**	**(642.2)**
Employee Expenses	385.8	51.0	20.9	34.3	13.7	**505.7**
Other Operating Expenses	174.5	146.7	88.8	18.0	13.3	**441.3**
Support Service Recharges	28.0	18.4	(11.1)	(34.5)	(0.8)	**0.0**
Total Expenses	**588.3**	**216.1**	**98.6**	**17.8**	**26.2**	**947.0**
Net Cost of Services	**73.7**	**140.6**	**68.6**	**3.7**	**18.2**	**304.8**

Key	
CYPS	Children 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 County Council'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.

2011/12 £m		**2012/13 £m**
304.8	Net Cost of Services in the Service Analysis	301.0
0.0	Net Expenditure of Services Not Included in the Main Analysis	0.0
62.0	Amounts in the Comprehensive Income and Expenditure Statement Not Reported in Service Management Accounts	7.5
(6.5)	Amounts Reported to Management Not Included in the Comprehensive Income and Expenditure Statement	(6.4)
360.3	**Net Cost of Services in Comprehensive Income and Expenditure Statement**	**302.1**

- ***Reconciliation to Subjective Analysis 2012/13***

	Service Analysis £m	Not Reported in Management Accounts £m	Not Included in CIES £m	Net Cost of Services (Sub-Total) £m	Corporate Accounts £m	Total £m
Fees, Charges & Other Service Income	(162.9)	(41.3)	15.2	(189.0)	0.0	**(189.0)**
Profit or Loss on Disposal of Fixed Assets	0.0	0.0	0.0	0.0	181.1	**181.1**
Interest and Investment Income	0.0	0.0	0.0	0.0	(4.5)	**(4.5)**
Income from Council Tax	0.0	0.0	0.0	0.0	(241.0)	**(241.0)**
Government Grants	(475.1)	0.0	0.0	(475.1)	(151.7)	**(626.8)**
Total Income	**(638.0)**	**(41.3)**	**15.2**	**(664.1)**	**(216.1)**	**(880.2)**
Employee Expenses	368.7	0.9	0.0	369.6	0.0	**369.6**
Other Service Expenses	570.3	2.9	(15.4)	557.8	0.0	**557.8**
Depreciation, Amortisation, Impairment and Capital Financing Charges	0.0	53.4	(6.2)	47.2	0.0	**47.2**
IAS 19 and Other Pension Cost Adjustments	0.0	(6.4)	0.0	(6.4)	15.1	**8.7**
Prior Year Adjustments	0.0	(2.0)	0.0	(2.0)	0.0	**(2.0)**
Interest Payments	0.0	0.0	0.0	0.0	16.9	**16.9**
Precepts & Levies	0.0	0.0	0.0	0.0	0.3	**0.3**
Surplus or Deficit on Trading Accounts	0.0	0.0	0.0	0.0	(0.3)	**(0.3)**
Total Operating Expenses	**939.0**	**48.8**	**(21.6)**	**966.2**	**32.0**	**998.2**
(Surplus)/Deficit on the Provision of Services	**301.0**	**7.5**	**(6.4)**	**302.1**	**(184.1)**	**118.0**

- ***Reconciliation to Subjective Analysis 2011/12 Comparison***

	Service Analysis £m	Not Reported in Management Accounts £m	Not Included in CIES £m	Net Cost of Services (Sub-Total) £m	Corporate Accounts £m	Total £m
Fees, Charges & Other Service Income	(179.4)	(10.5)	19.2	(170.7)	0.0	**(170.7)**
Profit or Loss on Disposal of Fixed Assets	0.0	0.0	0.0	0.0	66.6	**66.6**
Interest and Investment Income	0.0	0.0	0.0	0.0	(4.6)	**(4.6)**
Income from Council Tax	0.0	0.0	0.0	0.0	(239.3)	**(239.3)**
Government Grants	(462.8)	0.0	0.0	(462.8)	(161.1)	**(623.9)**
Total Income	**(642.2)**	**(10.5)**	**19.2**	**(633.5)**	**(338.4)**	**(971.9)**
Employee Expenses	505.7	1.0	0.0	506.7	0.0	**506.7**
Other Service Expenses	441.3	2.2	(21.6)	421.9	0.0	**421.9**
Depreciation, Amortisation, Impairment and Capital Financing Charges	0.0	67.4	(4.1)	63.3	0.0	**63.3**
IAS 19 and Other Pension Cost adjustments	0.0	3.1	0.0	3.1	5.4	**8.5**
Prior Year Adjustments	0.0	(1.4)	0.0	(1.4)	0.0	**(1.4)**
Interest Payments	0.0	0.0	0.0	0.0	17.4	**17.4**
Precepts & Levies	0.0	0.0	0.0	0.0	0.3	**0.3**
Surplus or Deficit on Trading Accounts	0.0	0.2	0.0	0.2	(1.7)	**(1.5)**
Total Operating Expenses	**947.0**	**72.5**	**(25.7)**	**993.8**	**21.4**	**1,015.2**
(Surplus)/Deficit on the Provision of Services	**304.8**	**62.0**	**(6.5)**	**360.3**	**(317.0)**	**43.3**

29. *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	(22.0)	(0.7)	(1.8)	(24.5)
Expenditure	21.9	0.9	1.4	24.2
(Surplus)/Deficit in 2012/13	**(0.1)**	**0.2**	**(0.4)**	**(0.3)**
(Surplus)/Deficit in 2011/12	(1.0)	0.1	(0.8)	(1.7)

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 net position would have been breakeven (2011/12 Surplus £0.9m).

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).

30. *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 PCT acts as the host authority. The County Council contributed £1.2m (2011/12 £1.0m) to the pool. The draft memorandum account shows total expenditure of £5.5m (2011/12 £4.6m) and gross income of £5.5m (2011/12 £4.6m). 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.

	2011/12 £m	2012/13 £m
Funding Provided to the Pooled Budget		
Leicestershire County Council	1.0	1.2
Primary Care Trusts / Leicester City Council / Rutland County Council	3.6	4.3
Total	**4.6**	**5.5**
Expenditure Met from the Pooled Budget		
Leicestershire County Council	1.0	1.2
Primary Care Trusts / Leicester City Council / Rutland County Council	3.6	4.3
Total	**4.6**	**5.5**
Net Surplus Arising on the Pooled Budget	**0.0**	**0.0**

b) *The provision of services for adults with learning difficulties*. The other member that contributes to this pool is Leicestershire County & Rutland NHS. The County Council acts as host to the arrangement. The County Council contributed £8.3m (2011/12 £7.0m) to the pool. The memorandum account shows total expenditure of £17.1m (2011/12 £14.4m) and gross income from the partners of £16.6m (2011/12 £14.0m). Any net over/underspend arising on the pooled budget is paid by/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.

	2011/12 £m	2012/13 £m
Funding Provided to the Pooled Budget		
Leicestershire County Council	7.0	8.3
Primary Care Trust	7.0	8.3
Rutland County Council	0.0	0.0
Total	**14.0**	**16.6**
Expenditure Met from the Pooled Budget		
Leicestershire County Council	7.2	8.6
Primary Care Trust	7.2	8.5
Rutland County Council	0.0	0.0
Total	**14.4**	**17.1**
Net Deficit Arising on the Pooled Budget	**0.4**	**0.5**

31. Members' Allowances

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

	2011/12 £000	2012/13 £000
Total	**1,066**	**1,052**

32. Related Party Transactions

Details of the total Government grants received are shown in Notes 12 and 37. The employers' contribution paid to the Pension Fund is shown in Note 13. Interests in consortia and other organisations are disclosed in Note 33. Details of the related party transactions with the Eastern Shires Purchasing Organisation (ESPO) are included within note 33.

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 significant influence over 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 28 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March are shown in Note 37.

Members

Members of Leicestershire County Council have direct control over the council's financial and operating polices. The total of members' allowances paid in 2012/13 is shown in Note 31. During 2012/13, works and services to the value of £210,000 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 £0.8m (2011/12, £0.7m), in which 11 members (2011/12, 11 members) have an interest. In addition, payments totalling less than £0.1m have been made during 2012/13 (2011/12, £0.2m) to organisations, in which one member has a position on the governing body (2011/12, 4 members). 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

Officers

There were no interests declared by senior officers of the County Council.

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 30.

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 Limited. The Assistant Director of Strategic Finance, Property & Procurement is a Director of Connexions. 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 2012/13 the draft accounts report a deficit in the income and expenditure account of approximately £0.2m (2011/12 surplus of £0.3m). The company's net assets as at the 31 March 2013 are approximately £0.9m (2011/12 net assets worth £1.1m). The County Council made contributions of £2.1m (2011/12 £4.6m) to Leicester Shire Connexions Service Limited and received less than £0.1m during the 2012/13 (2011/12 less than £0.1m). The outstanding debtor and creditor balances at 31 March 2013 were nil (2011/12 nil). A copy of Connexions statement of accounts is available from: Connexions, Halford House, 91 Charles Street, Leicester, LE1 1HL.

   Significant changes have taken place to national policy which has a direct impact on the role of Connexions and the County Council's relationship with it. A procurement process was undertaken in 2012 which saw the award of the contract to another provider. The County Council is currently considering its future role within the company.

b) At the start of the financial year the County Council was one of eight local authority members of East Midlands Broadband Consortia Limited (EMBC). The company provided the National Education Network for schools through a safe and secure educational broadband connection. The contract with EMBC expired on the 31st October 2012; payments made by the County Council relating to the contract up to this date totalled £1.7m. Upon expiry of the contract EMBC restructured and was renamed emPSN Services Limited, with the County Council membership reducing to 9.8%. The Director of Corporate Resources represents the County Council as a member of emPSN Infrastructure Limited.

For 2012/13 the draft accounts report a profit of £0.2m (2011/12 £0.0m), net assets as at 31 March 2013 of £0.3m (2011/12 net assets £0.1m). There are no other significant transactions between emPSN and the County Council.

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

c) The Council provides funding to Leicester Shire Promotions Limited (LPL) to provide tourism services in the County. A review of tourism started in 2011/12 concluded with the Council deciding to carry out a competitive procurement process for the provision of tourism support services for three years from April 1st 2013, with provision included for a possible two year extension. That contract was won by Leicester Shire Promotions Limited.

The County Council made contributions of £0.3m to LPL during 2012/13 (2011/12 £0.3m). Income, debtor and creditor balances were all less than £0.1m during 2012/13 (2011/12 £0.1m).

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:

	2011/12 £m	**2012/13 £m**
Income	(8.4)	(9.0)
Expenditure	13.7	14.7
Net Cost	**5.3**	**5.7**

From 1 April 2011 responsibility for Concessionary Travel transferred from District Councils to the County Council and the County Council's Formula Grant was increased to reflect this change.

33. *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 2012/13 a net surplus of £1.0m (2011/12 £1.7m surplus) was reported on net service income of £18.1m (2011/12 £17.7m). Turnover between the County Council and ESPO totalled £3.1m (2011/12 £4.9m) in respect of stores issues and direct orders. The County Council had an outstanding creditor balance of £0.0m (2011/12 £0.1m) and an outstanding debtor balance of £0.0m as at 31 March 2013 (2011/12 £0.2m).

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 2013 is £8.8m (2011/12 £9.3m).

The County Council in effect owns approximately one seventh of ESPO assets and liabilities net £1.4m (2011/12 £1.2m). 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.

b) East Midlands Councils

East Midlands Councils (EMC) 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)
- From April 2011 to administer a programme of regional improvement and efficiency work on behalf of the East Midlands Improvement and Efficiency Partnership (EMIEP), total £3.4m. The programme of works include improvement, efficiency, productivity, climate change and procurement. At the end of 2012/13 a balance of £0.9m was remaining which is included as receipts in advance on the County Council's Balance Sheet.

The County Council is a member and the servicing authority for EMC. The accounts for EMC are included within the Comprehensive Income and Expenditure Statement under the heading of Planning Services.

In March 2013 the County Council submitted notice of its intention to terminate its membership of EMC with effect from 31 March 2014 and as a consequence to no longer act as the servicing authority for EMC from that date. The notice was subject to the qualification that the County Council may wish to reconsider its position in light of any review which may be undertaken by EMC of its purpose, structures and financial arrangements.

Income and Expenditure

	2011/12 £m	**2012/13 £m**
Income	(2.1)	(1.5)
Transfer (from) / to Reserve	(0.2)	(0.1)
Expenditure	2.3	1.6
(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 2012/13 the estimated turnover is £35.1m (2011/12 actual turnover: £34.8m). The County Council received £0.4m of income during 2012/13 from Leicester, Leicestershire and Rutland Combined Fire Authority (2011/12 £0.3m). The County Council had an outstanding debtor balance of £0.1m as at 31 March 2013 (2011/12 £0.1m).

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.

d) East Midlands Shared Services

From 3rd September 2012 Leicestershire County Council (LCC) entered into a joint operation with Nottingham City Council (NCC) to provide shared transactional finance, human resources and payroll services to both councils under the name of East Midlands Shared Services (EMSS). EMSS operates under a Joint Committee established under section 102 of the Local Government Act 1972. The Joint Committee does not have a separate legal personality and is therefore not a separate entity.

Operations relating to EMSS are carried out at both LCC and NCC premises, with LCC being the employing authority and NCC the host authority. In line with the partnership agreement the net expenditure is shared between the two authorities by allocating an equal share of the financial benefits (savings) accruing from the operation of EMSS. This has resulted in a share of costs for LCC of 40.9%. EMSS does not separately own any assets or liabilities.

A summary of the income and expenditure of EMSS and the associated amounts included in LCC's accounts for the period September 2012 to March 2013 are shown below:

EMSS	Total EMSS (Sep12 to Mar13) £m	Amounts Included in LCC CIES (Sep12 to Mar13) £m
Income		
External Income	(1.1	(0.7)
External Income from NCC		(1.8)
Total Income	**(1.1)**	**(2.5)**
Expenditure		
Total EMSS Expenditure	3.8	-
Direct costs incurred by LCC	-	3.5
Third party payments to NCC	-	0.1
Total Expenditure	**3.8**	**3.6**
Net Expenditure	**2.7**	**1.1**

34. *Officers' Remuneration*

The Accounts and Audit 2011 regulations require the Council to disclose remuneration for all employees earning over £50,000, plus additional disclosure for senior officers who are statutory officers or have the power to direct or control the major activities of the County Council.

a) Senior Officers Remuneration

The remuneration paid to the County Council's senior officers is as follows:

Post Holder Information (Post Title)	Salary £000	Compen-sation for Loss of Office £000	Benefits in Kind £000	Remuneration Excluding Employers Pension Contribution £000	Employers Pension Contributions (N1) £000	Remuneration Including Employers Pension Contribution £000
2012/13						
Chief Executive - John Sinnott	187	0	3	190	35	225
Director of Corporate Resources	144	0	2	146	27	173
Director of Children & Young People's Service to Dec 2012 (N2)	96	37	3	136	96	232
Director of Children & Young People's Service to Jan-Mar 2013 (N3)	29	0	0	29	5	34
Director of Environment & Transport (N4)	128	0	0	128	24	152
Director of Adults & Communities	128	0	2	130	24	154
County Solicitor	116	0	0	116	22	138
Executive Director (East Midlands Councils)	89	0	1	90	16	106
Total	917	37	11	965	249	1,214
2011/2012						
Chief Executive - John Sinnott	187	0	4	191	33	224
Director of Corporate Resources	144	0	3	147	26	173
Director of Children & Young People's Service	128	0	3	131	23	154
Director of Environment & Transport (N4)	128	0	1	129	23	152
Director of Adults & Communities	128	0	4	132	23	155
County Solicitor (N5)	57	0	2	59	80	139
Head of Legal Services (N5)	93	0	0	93	16	109
Executive Director (East Midlands Councils) (N6)	96	0	1	97	17	114
Total	961	0	18	979	241	1,220

There were no payments made for bonuses, expense allowances or other payments.
N1 – Revised employer's pension contribution rates in 2012/13
N2 – Director left LCC in December 2012. The annualised salary for this post was £128k
N3 – Assistant Director took on responsibilities of Director from January 2013. The annualised salary for this post is £128k
N4 – During 2011/12 and 2012/13, the Director was seconded for 3 days a week to the Department for Transport. Reimbursements of £100k for 2012/13 and £75k for 2011/12 were received.
N5 – Head of Legal Services took on responsibilities of County Solicitor from October 2011. The annualised salary for this post was £112k.
N6 – During 2011/12, the Director was seconded to the LGA on a full time basis. A reimbursement of £99k was received.

b) Other Employees

The Authority's other employees whose remuneration, taxable expenses and severance (if applicable), was £50,000 or more are detailed below. This information does not include employer's pension contributions. The reduction in the number earning over £50,000 is due to the continuing reorganisation of the County Council and the transfer to Academy Status for a significant number of schools. Figures for Academies are not included in the table below.

	2011/12						2012/13					
	Including Severance			Excluding Severance			Including Severance			Excluding Severance		
Remuneration Band	**Schools**	**Non School**	**Number of Employees**	**Schools**	**Non Schools**	**Number of Employees**	**Schools**	**Non Schools**	**Number of Employees**	**Schools**	**Non Schools**	**Number of Employees**
£50,000 - £54,999	133	58	191	129	53	182	74	51	125	72	52	124
£55,000 - £59,999	96	16	112	93	13	106	52	12	64	51	10	61
£60,000 - £64,999	50	25	75	49	24	73	31	24	55	31	24	55
£65,000 - £69,999	30	6	36	28	5	33	8	8	16	8	3	11
£70,000 - £74,999	17	5	22	17	3	20	6	5	11	6	5	11
£75,000 - £79,999	10	3	13	9	3	12	6	4	10	4	3	7
£80,000 - £84,999	8	3	11	7	3	10	2	2	4	2	2	4
£85,000 - £89,999	8	6	14	8	6	14	2	10	12	2	8	10
£90,000 - £94,999	1	3	4	1	3	4	0	2	2	0	1	1
£95,000 - £99,999	1	1	2	1	1	2	2	4	6	1	2	3
£100,000 - £104,999	3	0	3	3	0	3	0	0	0	0	0	0
£105,000 - £109,999	2	0	2	1	0	1	1	0	1	1	0	1
£110,000 - £114,999	1	1	2	1	1	2	0	1	1	0	1	1
£115,000 - £119,999	0	0	0	0	0	0	0	0	0	0	0	0
£120,000 - £124,999	0	0	0	0	0	0	0	0	0	0	0	0
£125,000 - £129,999	0	0	0	0	0	0	0	0	0	0	0	0
£130,000 - £134,999	0	0	0	0	0	0	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	0	0	0	0	0	0	0	0	0
£140,000 - £144,999	0	0	0	0	0	0	0	0	0	0	0	0
£145,000 - £149,999	0	0	0	0	0	0	0	0	0	0	0	0
£150,000 - £154,999	0	0	0	0	0	0	0	0	0	0	0	0
£155,000 - £159,999	0	0	0	0	0	0	0	0	0	0	0	0
£160,000 - £164,999	0	0	0	0	0	0	0	0	0	0	0	0
£165,000 - £169,999	0	0	0	0	0	0	0	0	0	0	0	0
£170,000 - £174,999	1	0	1	0	0	0	0	0	0	0	0	0
Total	361	127	**488**	347	115	**462**	184	123	**307**	178	111	**289**

c) Exit Packages

The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below:

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in each Cost Band*	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £m	2012/13 £m
£0 - £20,000	371	111	225	97	596	208	4.2	1.5
£20,001 - £40,000	52	17	92	16	144	33	4.0	0.9
£40,001 - £60,000	6	6	9	1	15	7	0.7	0.3
£60,001 - £80,000	0	4	1	2	1	6	0.1	0.4
£80,001 - £100,000	0	1	2	1	2	2	0.2	0.2
£100,001 - £150,000	1	0	0	2	1	2	0.1	0.2
£150,001 - £200,000	0	0	0	1	0	1	0.0	0.2
Total	**430**	**139**	**329**	**120**	**759**	**259**	**9.3**	**3.7**

*The above table includes accrued liabilities. See note 41 for further details

**Note, the numbers shown are the actual number of officers, not full time equivalents.

35. Audit Costs

	2011/12 £m	2012/13 £m
Fees payable to external auditor:		
- annual audit	0.2	0.1
- certification of grant claims *	0.0	0.0
- other **	0.0	0.0
Total	**0.2**	**0.1**

* Grant claims continue to be accounted for on the basis of actual payments in year (£11,000 2011/12), rather than an estimation of costs relating to 2012/13 grant claims.

** Other includes Tax helpline of £3,000 (2011/12 £2,000).

36. Dedicated Schools Grant

Leicestershire County Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2012. 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 2012/13 are as follows:

	Schools Budget Funded by DSG					
	2011/12			2012/13		
	Central Exp £m	Individual Schools Budget £m	Total £m	Central Exp £m	Individual Schools Budget £m	Total £m
Final DSG before Academy recoupment	(49.6)	(352.7)	(402.3)	(48.4)	(353.7)	(402.1)
Academy figure recouped	0.4	18.1	18.5	1.1	137.6	138.7
Total DSG after Academy recoupment	(49.2)	(334.6)	(383.8)	(47.3)	(216.1)	(263.4)
Brought forward from previous year	(1.8)	(1.1)	(2.9)	(1.8)	0.0	(1.8)
Carry forward agreed in advance	0.2	0.0	0.2	0.0	0.0	0.0
Agreed initial budgeted distribution	(50.8)	(335.7)	(386.5)	(49.1)	(216.1)	(265.2)
In year adjustments	0.3	(0.3)	0.0	0.1	(0.1)	0.0
Final budgeted distribution	(50.5)	(336.0)	(386.5)	(49.0)	(216.2)	(265.2)
Actual central expenditure	49.0	0.0	49.0	44.0	0.0	44.0
Actual ISB deployed to schools	0.0	336.0	336.0	0.0	214.6	214.6
Local Authority Contribution	0.0	0.0	0.0	0.0	0.0	0.0
Carry Forward	**(1.5)**	**0.0**	**(1.5)**	**(5.0)**	**(1.6)**	**(6.6)**

37. 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.

	2011/12 £m	2012/13 £m
Revenue:		
Revenue Support Grant	25.7	2.0
Local Service Support Grant	1.4	1.4
Council Tax Freeze Grant	6.0	6.0
New Homes Bonus Scheme Grant	0.6	1.0
Capital:		
Department for Education:		
Devolved Formula Capital	5.8	2.8
Early Years 2 Year Olds	0.0	0.7
Basic Need	8.8	8.1
Maintenance	12.5	6.7
Short Breaks for Disabled Children	0.3	0.3
Department for Transport:		
Sustrans	0.0	0.6
Local Sustainable Transport Fund	0.0	0.9
Better Bus Area Grant	0.0	2.2
Maintenance Block	10.8	10.9
ITS Block	3.9	3.5
Department for Communities & Local Government:		
Community Capacity Grant	1.2	0.0
Department of Health		
LASSL	0.0	1.3
Other Contributions:	1.0	0.9
Total (Note 12 non ringfenced government grants and capital grants and contributions)	**78.0**	**49.3**

(ii) Credited to Services

	2011/12 £m		2012/13 £m	
Chief Executives				
Youth Justice Board	0.8		0.8	
Troubled Families Programme	0.0		1.2	
Early Intervention Grant	0.0		0.8	
		0.8		2.8
Children and Young People's Service – Education:				
Dedicated Schools Grant	383.8		402.1	
Standards Fund	0.8		0.0	
Asylum Seekers	1.0		0.0	
Young Peoples Learning Agency	41.7		22.3	
Early Intervention Grant	18.3		19.3	
ICT Harnessing Technology Grant	1.1		0.0	
Pupil Premium Grant	3.8		5.0	
		450.5		448.7
Adults and Communities – Dept of Health:				
Learning Disability Commissioning Transformation Grant	10.6		10.9	
Skills Funding Agency	0.0		5.3	
		10.6		16.2
Environment and Transportation - Dept of Transport				
Highways Maintenance Efficiency Programme	0.7		1.1	
Loughborough Inner Relief Road	0.0		4.6	
Local Sustainable Transport Fund Grant	0.0		0.8	
		0.7		6.5
Other		11.5		9.8
Total		**474.1**		**484.0**

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 2012 £m	31 March 2013 £m
Dept for Education:		
Short Breaks for Disabled Children	0.0	0.2
Dept for Transport:		
ITS Block Grant	0.5	0.0
Better Bus Area Fund	0.0	1.9
Section 106 Housing Developer Contributions	0.3	0.0
Other Grants and Contributions	0.3	0.1
Total	**1.1**	**2.2**

Long-Term Capital Grants Receipts in Advance:

	31 March 2012 £m	31 March 2013 £m
East Midlands Development Agency:		
Land Reclamation Grant	0.4	0.4
Section 106 Housing Developer Contributions	4.1	4.6
Total	**4.5**	**5.0**

38. 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.

	2011/12 £m	2012/13 £m
Opening Capital Financing Requirement	**387.9**	**380.4**
Capital Investment:		
Property, Plant and Equipment	59.1	50.5
Intangible Assets	0.5	0.5
Revenue Expenditure funded from Capital under Statute	13.9	10.4
Long Term Debtor – LAMS (N1)	0.0	5.4
Sources of Finance:		
Capital Receipts	(5.7)	(3.8)
Government grants and other contributions	(53.8)	(46.2)
Direct revenue contributions	(6.0)	(16.8)
Statutory Minimum Revenue Provision	(15.5)	(15.2)
Additional (Voluntary) Minimum Revenue Provision (N2)	0.0	(25.6)
Closing Capital Financing Requirement	**380.4**	**339.6**
Explanation of Movements in Year		
Increase in underlying need to borrow:		
Supported by government financial assistance	0.0	0.0
Unsupported by government financial assistance	8.0	0.0

(N1) Local Authority Mortgage Scheme - during 2012/13 the County Council advanced a total of £5.4m to Lloyds TSB to make it easier for first time buyers to obtain mortgages, thus stimulating the local housing market and benefiting the wider local economy. The advance has been funded through earmarked revenue reserves (included within Direct Revenue Contributions in the table above). The advance will be repaid in five years' time (2017/18).

(N2) During 2012/13 the County Council made an additional MRP contribution of £25.6m, funded from revenue and reserve balances, to reduce the capital financing requirement. This reduces the need to borrow saving future capital financing costs.

39. Leases

a) Amounts Paid to Lessors

Finance lease rentals paid to lessors in the year totalled £0.4m (2011/12 £0.4m). Lease rentals paid to lessors during the year in respect of operating leases for vehicles and equipment totalled £1.3m (2011/12 £1.6m).

b) Amounts Received from Lessees

Lease rentals on council owned buildings received from lessees during the year in respect of operating leases totalled £1.3m (2011/12 £1.3m). Lease rentals contractually agreed to be received in 2013/14 is £0.2m. During 2012/13 eighty two schools transferred to Academy Status resulting in the net book value of the schools, £181.1m being written out of the Authority's Balance Sheet as these have been transferred on 125 year finance lease terms (2011/12 fifteen schools, £66.6m). No consideration was or will be received by the Authority for these finance leases.

c) Leased Assets

The County Council has a liability to make payments for the following leases during 2013/14 and beyond and the comparators in 2011/12 for 2012/13 and beyond are as follows:

	2011/12				2012/13			
	Finance Lease Principal (NPV) £m	Finance Cost £m	Finance Leases Total £m	Operating Leases £m	Finance Lease Principal (NPV) £m	Finance Cost £m	Finance Leases Total £m	Operating Leases £m
Lease Payments due:								
Within 1 year	0.1	0.2	0.3	0.5	0.1	0.2	0.3	0.4
2 to 5 years	0.3	0.8	1.1	1.3	0.3	0.8	1.1	1.0
Over 5 years	1.4	4.6	6.0	0	1.3	4.5	5.8	0
Total	**1.8**	**5.6**	**7.4**	**1.8**	**1.7**	**5.5**	**7.2**	**1.4**

Finance Leased Assets have a carrying value within Land & Buildings within Property, Plant and Equipment of £1.1m as at 31 March 2013 (2011/12 £1.2m).

40. Impairment Losses

During 2012/13, the County Council has not recognised any impairment losses (2011/12 nil). However, revaluations downwards of £13.4m have been recognised in the Revaluation Reserve and revaluations downwards of £16.3m have been recognised in the Comprehensive Income and Expenditure Statement as shown in Note 7.

41. *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 (not full time equivalents) expected to accept the offer. The total termination benefits for 2012/13 are £3.7m (2011/12 £9.4m).

Details of actual and accrued benefits are shown below:

- **2012/13 - Actual**

	2011/12			2012/13		
	Number of Officers Schools	**Number of Officers Non-Schools**	**Amount (£m)**	**Number of Officers Schools**	**Number of Officers Non-Schools**	**Amount (£m)**
Department:						
Children & Young People's Services (Including Schools)	299	22	3.3	55	15	1.1
Environment & Transport		8	0.2		10	0.1
Adults & Communities		43	0.4		31	0.3
Corporate Resources		37	0.6		47	1.1
Chief Executive's (Incl East Midlands Council)		35	0.5		10	0.2
Total	**299**	**145**	**5.0**	**55**	**113**	**2.8**

- **2012/13 - Accrued Liabilities***

	2011/12			2012/13		
	Number of Officers Schools	**Number of Officers Non-Schools**	**Amount (£m)**	**Number of Officers Schools**	**Number of Officers Non-Schools**	**Amount (£m)**
Department:						
Children & Young People's Services (Including Schools)	77	146	2.7	31	28	0.7
Environment & Transport		5	0.1			
Adults & Communities		62	1.0			
Corporate Resources		13	0.3		32	0.2
Chief Executive's (Incl East Midlands Council)		12	0.3			
Total	**77**	**238**	**4.4**	**31**	**60**	**0.9**

* Accrued liabilities includes provisions of £0.3m (2011/12 £1.6m)

42. *Contingent Liabilities*

a) Municipal Mutual Insurance 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 judgement 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 judgement serves to confirm the latest financial information available for MMI showing projected net liabilities of £205m. The scheme of arrangement has now been triggered by the company's directors and an initial payment (levy) will be requested later this year by the scheme administrator. As the levy is due this year a Provision of £2.2m 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.

   However it should be noted that there is a contingent liability for any additional deficit due to the uncertainty of the value of incurred but not reported (IBNR) claims. A reserve has been established to reduce the risk to the County Council of any further liabilities under the MMI scheme of arrangement and in respect of other failed insurers such as The Independent Insurance Company Limited. and any uninsured losses.

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.

43. *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 risk – 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 polices approved by the County Council in the Annual Treasury Management Strategy. The County 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 County 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, with the exception of the UK. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

Banking groups 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 1 year, as long as their short-term ratings do not fall below F1 (Fitch) and P-2 (Moody's), and their long-term ratings are maintained at least at A (Fitch) and A-2 (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 Long Term Rating	Aa2	Aa3	Aa3
Fitch Viability Rating	a+	a+	a
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 Long Term Rating	Aa1	Aa2
Fitch Viability Rating	aa-	aa-
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 12 months.

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 31 March 2013 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 2012 £m	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 12 %	Estimated maximum exposure to default and uncollecta-bility £m	Amount at 31st March 2013 £m
Deposits with banks and financial institutions	131.8	0	0	0	145.0
Sales ledger	21.2	0.27	0	0.1	22.7
Total	**153.0**				**167.7**

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 £22.7m (2011/12 £21.2m) of which £1.5m (2011/12 £1.4m) is secured debt for residential care charges. The sales ledger debt due but not impaired amount can be analysed by age as follows:

	2011/12 £m	2012/13 £m
Less than three months	17.1	17.7
Three to six months	1.0	1.3
Six months to one year	1.3	1.4
More than one year	1.8	2.3
Total	**21.2**	**22.7**

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	
	2012 £m	**2013 £m**
Lender:		
Public Works Loan Board	200.6	188.1
Banks and building societies	105.5	105.5
Total by Lender	**306.1**	**293.6**
Analysis of maturity of these loans:		
Maturing -		
Between 1 and 2 years	12.5	8.0
Between 2 and 5 years	19.0	21.0
Between 5 and 10 years	12.0	2.5
Between 10 and 15 years	7.3	7.3
Between 15 and 20 years	1.8	1.3
Between 20 and 25 years	0.0	0.0
Between 25 and 30 years	0.0	0.0
Between 30 and 35 years	23.2	30.5
Between 35 and 40 years	57.7	80.9
Between 40 and 45 years	99.6	78.8
Over 45 years	73.0	63.3
Total by Maturity	**306.1**	**293.6**

In addition to the principal outstanding, as above, there are Lender Option Borrower Option (LOBO) adjustments of £3.0m (2011/12 £3.1m), making the total of Long Term Borrowing £296.6m (2011/12 £309.2m) 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 in the 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 2013, 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	1.6
Increase in government grant receivable for financing costs	0.5
Impact on Surplus or Deficit on the Provision of Services	**2.1**
Decrease in fair value of fixed rate investment assets	(0.6)
Impact on Other Comprehensive Income and Expenditure	**(0.6)**
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)	(56.5)

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 have no exposure to loss arising from movements in exchange rates.

44. 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.

45. 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 Leicester-shire District Council £m	Total £m
2012/2013								
Council Tax Arrears	1.9	2.9	1.5	1.0	1.4	0.5	1.6	10.8
Impairment Allowance for Bad/Doubtful Debts	(0.6)	(1.1)	(0.4)	(0.3)	(0.1)	(0.1)	(0.9)	(3.5)
Council Tax Overpayments & Prepayments	(0.2)	(0.9)	(0.4)	(0.4)	(0.3)	(0.2)	(0.5)	(2.9)
Collection Fund (surplus) / deficit	**(0.4)**	**0.2**	**(0.1)**	**0.0**	**0.2**	**(0.2)**	**(0.2)**	**(0.5)**
Cash	(0.7)	(1.1)	(0.6)	(0.3)	(1.2)	0.0	0.0	(3.9)
2011/2012								
Council Tax Arrears	1.4	2.8	1.7	0.8	1.2	0.5	1.5	9.9
Impairment Allowance for Bad/Doubtful Debts	(0.4)	(1.1)	(0.4)	(0.2)	(0.1)	(0.1)	(0.8)	(3.1)
Council Tax Overpayments & Prepayments	(0.4)	(1.0)	(0.4)	(0.6)	(0.3)	(0.2)	(0.5)	(3.4)
Collection Fund (surplus) / deficit	**(0.3)**	**(0.1)**	**(0.1)**	**0.0**	**0.1**	**(0.2)**	**(0.1)**	**(0.7)**
Cash	(0.3)	(0.6)	(0.8)	0.0	(0.9)	0.0	(0.1)	(2.7)

The County Council's Collection Fund Adjustment Account therefore has a credit balance of £0.5m at 31 March 2013 (credit balance of £0.7m as at 31 March 2012.)

46. Heritage Assets: Further Information on the Authority's Collections

The Art Collection

The collection consists of numerous paintings which were mostly purchased between the 1930's and 1980's. The majority of the paintings are loaned to schools, community centres, day centres and other public buildings within Leicestershire. Some of the notable paintings of most value are works of the nineteenth century local artist John Ferneley and other artists including Christopher Wood, Robert Colquhoun and William Scott.

The Archaeological Collection

This collection consists of the Hallaton treasure, the largest hoard of British Iron Age coins, which was initially discovered near Hallaton in 2000. The hoard includes over 5,000 silver and gold coins, a silver-gilt Roman parade helmet, jewellery, and other objects. Most of the items date to around the time of the Roman Conquest of Britain in the 1st century AD. It was purchased recently in 2007 for £0.3m and restored in 2011 and revalued to £0.4m.

The Working Life Collection

The collection consists mainly of donated steam locomotives which were operational during the mid 1950's. It also consists of the Whitwick hearse, an ice cream van and the Blue Box Century Theatre. These are all located at Snibston Discovery Park. The Century Theatre is thought to be the only solid structure, fully equipped, mobile theatre in the world. The dream of John Ridley, an engineer, was turned into reality in a Hinckley yard between 1948 and 1952. Converted from wartime military trailers and tractors, the theatre travelled in convoy of 32 vehicles to provide quality theatre around the country for 23 years. Many famous names are associated with the theatre including Laurence Olivier, Agatha Christie, Enid Blyton, Judi Dench, Helen Mirren, Tom Courtney, Derek Fowlds and Eileen Derbyshire. It is now permanently based at Snibston, primarily as an historical artefact, but it continues to provide quality touring theatre, music, comedy and educational activities for the community.

The Fashion Collection

This collection is solely made up of the Symington collection which was created by the Market Harborough company R. & W. H. Symington, which began to make corsets for fashionable Victorian ladies in the 1850s. The company eventually grew into an international concern and one of its most famous products, the Liberty Bodice, was produced for almost seventy years.

This unique collection was donated to Leicestershire County Council's Museums Service in 1980. Although it includes some pieces made by their competitors, the collection essentially tells the story of the Symington company over a period of one hundred and thirty years. It includes garments and supporting advertising material, which provide an insight into the development of corsetry, foundation garments and swimwear from the late 19th century through to the beginning of the 1990s

The Civic Collection

This collection comprises of the Melton Mowbray Horse Fair painting by John Ferneley and Silver and Insignia held by Leicestershire County Council.

47. 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 2012 £m	**Income £m**	**Expenditure £m**	**Balance at 31 March 2013 £m**
Trust Funds:				
Kibworth High School Endowment	0.2	0	0	0.2
Bradgate Park & Swithland Wood Charity *	1.0	(1.0)	1.0	1.0
Others	0.2	0	0	0.2
Total Trust Funds	**1.4**	**(1.0)**	**1.0**	**1.4**

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

48. 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 2012/13 and the Service Reporting Code of Practice (SeRCOP) 2012/13 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 act. These accounts are principally maintained on an historical cost basis, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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 23.

Such provisions are charged to the appropriate service within the Comprehensive Income and Expenditure Statement when created in the year the Authority becomes aware of the obligation. Payments when eventually made are charged directly to the provision held on the Balance Sheet. 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, three non cash backed capital reserves exist as part of the system of capital accounting. These are:

i) Revaluation Reserve

The Revaluation Reserve represents the gains in asset values arising from the revaluation of fixed assets since 1 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) Deferred Capital Receipts Reserve

There is an additional Unusable Capital Reserve for deferred capital receipts as these are not recognised as Usable Capital receipts until they are backed by cash receipts, at which point they will be transferred to the Usable Capital Receipts Reserve.

iv) 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 11 and 13 respectively.

c) *Other*

There are also three other non cash backed reserves that are held for statutory accounting purposes. These are:

i) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

ii) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

iii) Short-Term Accumulating Compensated Absences Adjustment Account

The Short-Term Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General County Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General County Fund Balance is neutralised by transfers to or from the account.

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.

Some categories of Non-Current Assets are revalued 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*** covers the purchase of software licences which do not have a physical substance but are controlled by the Authority as a result of a past event. The 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. Assets Held For Sale are revalued within the year to ensure the open market value is accurate.

  The current asset values used in the accounts are based on a certificate issued by the County Council's Strategic Property Manager as at 1 April 2012. 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 assets 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.
- ***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 1 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 assessed each year-end as to whether there is any indication that an asset may be impaired. Where impairment losses are identified they are 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, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised. The reversal of impairment losses is also assessed at the end of each financial year.

7. Heritage Assets

The Authority's Heritage Assets are held in the Authority's museums and other cultural sites. We have categorised these Heritage Assets into 5 collections and these are held primarily to increase the knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment within Non-Current Assets. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below. The Authority's collections of Heritage Assets are categorised as follows;

- ***The Art Collection***
- ***The Archaeological Collection***
- ***The Working Life Collection***
- ***The Fashion Collection***
- ***The Civic Collection***

Heritage Assets- General

Valuations for all of the above collections are based on 50% of the insurance valuation which is reviewed on an annual basis as the insurance policies are for double the market value. Assets are initially recognised at cost and will then be revalued for insurance purposes and will be valued at 50% of this valuation.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment to Heritage Assets, e.g. where an item has suffered a physical deterioration or where there is a doubt to the authenticity of a piece of art. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment (accounting policy 6 above). Proceeds from the sale of Heritage Assets are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital receipts (accounting policy 11 below).

8. 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.

9. 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.

10. Charges to Revenue for Non-current Assets

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.

11. 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. Where Capital Receipts are deferred they are recognised in the Unusable Deferred Capital Receipts Reserve until backed by cash receipts at which point they are transferred to the Usable 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.

12. Accruals of Income and Expenditure

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 31 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.

13. Government Grants

The County Council accounts for grant in accordance with IAS 20. Government grants are accounted for on an accruals basis. Revenue grants that have met any conditions attached have been credited to the appropriate service lines within the Comprehensive Income and Expenditure Statement. Conditions are stipulations that specify how the funding must be utilised by the recipient otherwise the funding must be returned. Where conditions have not been met, the grants will be held as creditors on the Balance Sheet.

Capital grants that have met any conditions attached and have been applied to fund capital expenditure are 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.

14. Inventories and Work in Progress

Inventories are included within the Balance Sheet and are valued at the lower of cost and net realisable value with allowance for obsolescent or slow moving stocks where material. Leicestershire Highways, Central Print and Catering trading accounts value their inventories using the average cost formula. Other immaterial stocks, e.g. cleaning materials, books and stationery, are fully charged to the Comprehensive Income and Expenditure Statement in the year of purchase. Work in progress is shown at cost price.

15. 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 directly to services, FTE's, gross cost and running costs.

16. 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.

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 1 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.

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 COPLAA.

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 31 March with similar contractual terms will show a gain or loss that is taken to the Comprehensive Income and Expenditure Statement.

17. 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. Both 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, quoted securities held as assets in the defined benefit pension scheme are valued at bid price.

  Note: In Leicestershire, the Local Government Pension Scheme is administered by Leicestershire County Council and the Pension Fund accounts are included later within the Statement of Accounts.

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.

- ***The Local Government Pension Scheme***

  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 assets of the fund are shown at fair value;

- Quoted securities- current bid price
- Unquoted securities- professional estimate
- Unitised securities- current bid price
- Property- market value

The change in the net pensions liability is analysed into seven components:

- Current service cost- the increase in liabilities as a result of years of service earned this year- allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost- the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years- debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost- the expected increase in the present value of liabilities during the year as they move one year closer to being paid- debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets- the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return- credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or losses on settlements and curtailments- the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees- debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Actuarial gains and losses- changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions- charged to the Pension Reserve.
- Contributions paid to the Pension Fund- cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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 the 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.

18. Value Added Tax (VAT)

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

19. 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.

20. 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. Due to the lack of market activity the Council holds surplus allowances at nil value.

21. 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.

Council tax included in the Comprehensive Income and Expenditure Statement for the year is 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.

22. 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 42.

23. 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.

24. Accounting for the Costs of the Carbon Reduction Commitment Scheme

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used) a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to service areas on the basis of energy consumption.

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 24 September 2013.

N RUSHTON
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 31 March 2013.

B D ROBERTS
DIRECTOR OF CORPORATE RESOURCES
24 SEPTEMBER 2013

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 30,922 contributors to the Fund at 31 March 2013 and 21,352 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 LLP 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) 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.

e) 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.

3. In 2012/13 the average employer rate was 17.8% of pay (17.0% 2011/12).

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 LLP 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 Trading, De Montfort University, Harborough District Council, Hinckley & Bosworth Borough Council, Leicester City Council, Leicester, Leicestershire and Rutland Combined Fire Authority, Office of the Police and Crime Commissioner for Leicestershire, Leicestershire County Council, Leicestershire & Rutland Probation Board, Loughborough University, Melton Borough Council, North West Leicestershire District Council, Oadby & Wigston Borough Council, Rutland County Council, Brooksby Melton College, Gateway Sixth Form College, Leicester College, Loughborough College, Regent College, South Leicestershire College, Stephenson College, Wyggeston QE1 College, Academies consisting of Brooke Hill, Casterton Business and Enterprise College, Catmose Federation, Fairfield, Forest Way, Glen Hills, Humphrey Perkins, John Ferneley, Kibworth High, Krishna Avanti Free School, Limehurst, Lutterworth High, Manor High, Rawlins, Martin High, Robert Smyth, Samworth Enterprise, South Wigston High, Stephenson Studio School, Uppingham Community College, Welland Park, Woodbrook Vale, Countesthorpe Community College, Guthlaxton, Lutterworth College, Bosworth, Belvoir and Melton, John Cleveland College, Redmoor High, Abington, Wreake Valley, Roundhill, Market Bosworth High, Gartree, Dorothy Goodman, Stafford Leys, The Meadow, Blessed Cyprian Tansi MAT, Great Bowden, Huncote, Discovery Schools, Meadowvale, Farndon Fields, Ridgeway, Ivanhoe College, Winstanley, Newbridge, Heathfield, Brookvale High, St Dominics Catholic MAT, Leysland High, Thomas Estley, Mount Grace, Brockington, Castle Rock, Cosby, Ashby School, Groby Community College, King Edward – Coalville, Ibstock Community College, Long Field, Bushloe, Ashby Hill Top, Broomfield, Merton, Eastfield, Gaddesby, Pochin School, Lady Jane Grey, Castle Donington College, Thrussington, Church Hill Infant, Queniborough, Church Hill Junior, Leicester Academies Charity Trust, St Michael & All Angels, Birkett House, Bottesford, Broom Leys, Barwell C of E Beacon, Holywell, Rendell, Measham, Mountfields Lodge, Outwoods Edge, St

Peters C of E, Millfield LEAD, Ivanhoe Under 5's, Ratby, Stonebow, Cobden, Red Hill Field, Swallowdale, Asfordby Hill, Great Dalby, Ash Field, Queensmead, Corpus Christie MAT, Parish and Town Councils consisting of Anstey, Asfordby, Ashby, Ashby Woulds, Barrow Upon Soar, Braunstone, Broughton Astley, Countesthorpe, Glen Parva, Leicester Forest East, Lutterworth, Market Bosworth, Mountsorrel, Shepshed, Sileby, Syston, Thurmaston, Whetstone. Other employers consist of ABM Catering, Age Concern, Bradgate Park Trust, Capita Business Services, Capita Managed IT Solutions, Connexions Services, Connexions Trading, East Midlands Shared Services, East West Community Project, Family Action, Fusion Lifestyle, G Purchase, G4S, Highfields Community Association, Howells Solicitors, ICare, Melton Learning Hub, National Youth Agency, Rushcliffe Care, Seven Locks Housing, SLM Community Leisure, Spire Homes, Three Oaks Homes, VISTA, Voluntary Action Leicester.

Fund Account for the Year Ended 31 March 2013

2011/12 £m		Notes	2012/13 £m	
	Contributions and Benefits			
132.5	Contributions	3	133.5	
6.3	Transfers in	4	8.9	
138.8			142.4	
(116.9)	Benefits	5	(120.6)	
(7.7)	Leavers	6	(8.0)	
(1.1)	Administrative Expenses	7	(1.2)	
(125.7)			(129.8)	
13.1	**Net additions from dealings with members**			**12.6**
	Returns on investments			
32.3	Investment income	8	19.4	
(15.4)	Change in market value of investments	9	265.6	
(7.7)	Investment management expenses	11	(7.0)	
9.2	**Net returns on investments**			**278.0**
22.3	**Net increase in the fund during the year**			**290.6**
	Net assets of the scheme			
2,314.2	At 1 April			2,336.5
2,336.5	**At 31 March**			**2,627.1**

Net Assets Statement as at 31 March 2013

2011/12 £m		Notes	2012/13 £m
2,338.0	Investment assets	9	2,625.9
(8.8)	Investment liabilities	9	(5.5)
2,329.2			**2,620.4**
9.9	Current Assets	13	9.5
(2.6)	Current Liabilities	13	(2.8)
2,336.5	**Net Assets of the Fund at 31 March**		**2,627.1**

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 103 to 126 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 International Financial Reporting Standard (IFRS) and the Code of Practice on Local Authority Accounting issued by Chartered Institute of Public Finance and Accountancy.

2. Accounting policies

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

Investments

Equities traded through the Stock Exchange Electronic Trading Service (SETS) are valued at bid price. Other quoted securities and financial futures are valued at the last traded price. Private equity investments and unquoted securities are valued by the fund managers at the year end bid price, or if unavailable in accordance with generally accepted guidelines. Accrued interest is excluded from the market value of fixed interest securities and index-linked securities but is included in investment income receivable.

Pooled Investment Vehicle units are valued at either the closing bid prices or the closing single price reported by the relevant investment managers, which reflect the accepted market value of the underlying assets.

Private equity, global infrastructure and hedge fund valuations are based on valuations provided by the managers at the year end date. If valuations at the year end are not produced by the manager, the latest available valuation is adjusted for cash flows in the intervening period.

Property investments are stated at open market value based on an expert valuation provided by a RICS registered valuer and in accordance with RICS guidelines.

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 matched 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 but excluding translation gains and losses arising from assets denominated in foreign currency.

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

	2011/12 £m	2012/13 £m
Employers		
Normal	92.7	94.5
Voluntary additional	0.0	0.5
Advanced payments for early retirements	4.2	3.9
Additional payments for ill-health retirements	0.1	0.3
Members	34.9	33.8
Normal	0.6	0.5
Purchase of additional benefits		
Total	**132.5**	**133.5**

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. Additional payments for ill-health retirements are paid by the insurance company, where the employer has taken out ill-health insurance and the claim has been accepted as valid. Purchase of additional benefits by members allows extra service to be credited on top of any service earned via employment. Termination valuation payments relate to the actuarially assessed deficit within an employer's sub-fund when their last active employee leaves

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

	2011/12 £m	2012/13 £m
Leicestershire County Council	46.7	40.3
Scheduled bodies	79.2	87.4
Admitted bodies	6.6	5.8
Total	**132.5**	**133.5**

4. Transfers In

	2011/12 £m	2012/13 £m
Individual transfers in from other schemes	6.3	8.9
Bulk transfers from other schemes	0.0	0.0
Total	**6.3**	**8.9**

5. *Benefits*

	2011/12 £m	2012/13 £m
Pensions	79.0	87.6
Lump sum retirement benefit	35.1	29.3
Lump sum death benefit	2.8	3.7
Total	**116.9**	**120.6**

The benefits paid can be analysed by type of Member Body as follows:-

	2011/12 £m	2012/13 £m
Leicestershire County Council	44.7	48.0
Scheduled bodies	64.5	67.4
Admitted bodies	7.7	5.2
Total	**116.9**	**120.6**

6. *Payments to and on account of leavers*

	2011/12 £m	2012/13 £m
Individual transfers to other schemes	7.7	8.0
Group transfers to other schemes	0	0
Total	**7.7**	**8.0**

7. *Administration Expenses*

	2011/12 £m	2012/13 £m
Administration and processing	1.0	1.0
Actuarial fees	0.1	0.1
Computer system costs	0.0	0.1
Total	**1.1**	**1.2**

8. *Investment Income*

	2011/12 £m	2012/13 £m
Income from fixed interest securities	0.3	0.1
Dividends from equities	16.0	2.5
Income from index-linked securities	1.1	2.2
Income from pooled investment vehicles	7.9	10.3
Net rents from properties	6.1	5.3
Interest on cash or cash equivalents	0.5	0.2
Net Currency Profit / (Loss)	0.2	(1.2)
Securities Lending Commission	0.1	0.0
Insurance Commission	0.1	0.0
Total	**32.3**	**19.4**

9. *Investments*

	Value at 1 April 2012 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2013 £m
Equities	78.2	46.6	(47.7)	12.2	89.3
Index-linked securities	135.8	206.7	(117.5)	20.3	245.3
Fixed Income Securities	26.0	0.0	(26.8)	0.8	0.0
Pooled investment vehicles	1,955.5	988.5	(1,021.7)	236.3	2,158.6
Properties	66.0	4.3	(0.2)	(3.6)	66.5
Cash and currency	56.9	0.0	(2.8)	0.0	54.1
Derivatives contracts	4.1	27.5	(28.7)	(0.4)	2.5
Other investment balances	6.7	0.0	(2.6)	0.0	4.1
Total	**2,329.2**	**1,273.6**	**(1,248.0)**	**265.6**	**2,620.4**

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 (£178.9m), the Legal & General Europe (ex UK) index fund (£147.3m), the Legal & General North America index fund (£169.5m), the Legal & General FTSE RAFI North America fund (£134.4m), that exceed 5% of the total value of net assets.

The Fund has no investments which exceed 5% of any class or type of security.

	2011/12 £m	2012/13 £m
Equities		
UK quoted	20.8	20.8
Overseas quoted	57.4	68.5
	78.2	**89.3**
Fixed Interest Securities		
Overseas Government quoted	**26.0**	**0.0**
Index Linked Securities		
UK quoted	59.2	99.8
Overseas quoted	76.6	145.5
	135.8	**245.3**
Pooled investment vehicles (unquoted)		
Property funds	197.1	172.4
Private equity	110.7	113.4
Corporate bond funds	123.1	145.6
Hedge funds	122.3	46.0
Equity-based funds	1,200.0	1,298.7
Commodity-based funds	72.5	82.1
Timberland fund	0.0	34.1
Managed futures fund	0.0	82.9
Targeted return fund	124.7	130.8
Infrastructure fund	5.1	52.6
	1,955.5	**2,158.6**
Properties		
UK (Note 12)	**66.0**	**66.5**
Cash and currency	**56.9**	**54.1**
Derivatives contracts		
Forward foreign exchange assets	9.0	4.9
Currency option assets	0.9	0.8
Other option assets	0.4	1.5
Other future assets	2.6	0.8
Forward foreign exchange liabilities	(6.9)	(4.9)
Currency option liabilities	(0.1)	(0.1)
Other option liabilities	(0.0)	(0.0)
Other Future Liabilities	(1.8)	(0.5)
Sterling Denominated	**4.1**	**2.5**
Other Investment Balances	**6.7**	**4.1**
Total Investments	**2,329.2**	**2,620.4**

Pooled investment vehicles included within Private equity and corporate bonds investments in fund-of-funds which have an underlying value of £110.3m in private equity and £9.5m in corporate bonds

10. *Derivatives*

The Fund holds derivatives for a number of different reasons. Forward foreign exchange contracts are held to benefit from expected changes in the value of currencies relative to each other. Futures can be held to gain full economic exposure to markets without the requirement to make the full cash investment, and the Fund held futures in North American equity markets in order to ensure that cash was available for the Fund's asset allocation manager to run its portfolio efficiently and without the requirement for the Fund to lose market exposure. Options are generally used to express an investment view but can give a much higher economic exposure than is required to be paid for the options – they also ensure that the potential loss is limited to the amount paid for the option.

Forward Foreign Exchange Contracts
All forward foreign exchange contracts are classed as 'Over the Counter' and at 31 March the net exposure to forward foreign exchange contracts can be summarised as follows:

	2011/12 £m	2012/13 £m
Active currency positions (those whose purpose is solely to seek economic gain) Administration, management and custody	0.5	1.0
Passive currency positions (those whose purpose is to hedge the Fund's benchmark exposure to currencies back to sterling)	(2.6)	(1.0)
Total	**(2.1)**	**(0.0)**

Options
All options held by the Fund were exchange traded. The value of these options and the assets to which they were exposed can be summarised as follows:

	2011/12 £m	2012/13 £m
Commodity-based	0.0	0.2
Currency-based	0.8	0.7
Interest rate-based	0.0	0.2
Equity rate-based	0.4	1.1
Total	**1.2**	**2.2**

Futures
All futures held by the Fund were exchange traded. The value of these options and the assets to which they were exposed can be summarised as follows:

	2011/12 £m	2012/13 £m
Commodity-based	(0.4)	0.0
Bond-based	(0.0)	0.1
Equity market volatility-based	(0.0)	0.0
European dividend-based	(0.2)	(0.1)
Equity market-based	1.4	0.3
Total	**0.8**	**0.3**

11. *Investment Management Expenses*

	2011/12 £m	2012/13 £m
Administration, management and custody	7.6	6.9
Other advisory fees	0.1	0.1
Total	**7.7**	**7.0**

12. *Property Investments*

	31 March 2012 £m	31 March 2013 £m
Freehold	53.5	51.9
Long Leasehold (over 50 years unexpired)	8.0	8.7
Short Leasehold (under 50 years unexpired)	4.5	5.9
Total	**66.0**	**66.5**

All properties, except the Fund's farm investment, were valued on an open market basis by Nigel Holroyd and Adrian Payne of Colliers Capital UK at 31 March 2013. The Fund's farm was valued on an open market basis by James Forman of Leicestershire County Council. All valuers are Associates of the Royal Institute of Chartered Surveyors.

13. *Current Assets and Liabilities*

	2011/12 £m	2012/13 £m
Contributions due from employers	6.4	6.1
Cash Balances	0.0	0.4
Other Debtors	0.2	0.4
Due from Leicestershire County Council	0.0	0.0
Due from Ministry of Justice	3.3	2.6
Current assets	**9.9**	**9.5**
Due to Leicestershire County Council	(0.7)	(0.4)
Fund Management Fees Outstanding	(1.3)	(1.8)
Other Creditors	(0.6)	(0.6)
Current liabilities	**(2.6)**	**(2.8)**
Net current assets and liabilities	**7.3**	**6.7**

Contributions due at the year end were received by the due date.

The amount due from the Ministry of Justice relates to the actuarially assessed deficit in respect of Magistrates' Court staff that were formerly in the LGPS. The amount is payable over 10 years at £365,000 per annum.

14. *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 2012 £m	%	At 31 March 2013 £m	%
Investment Manager				
Legal & General	1,073.2	46.1	941.8	36.0
Aegon Asset Management	142.1	6.1	226.3	8.6
Ruffer LLP	166.8	7.2	186.2	7.1
Aviva Investors	209.0	9.0	183.5	7.0
Pictet Asset Management	124.7	5.3	130.8	5.0
Kleinwort Benson Investors	0.0	0.0	114.9	4.4
Adams Street Partners	107.6	4.6	110.3	4.2
Kempen Capital	0.0	0.0	108.7	4.1
Delaware Investments	80.9	3.5	88.5	3.4
Colliers Capital UK	86.9	3.7	86.6	3.3
Aspect Capital	0.0	0.0	82.9	3.2
JP Morgan Asset Management	76.3	3.3	80.2	3.1
Investec Asset Management	67.2	2.9	78.0	3.0
Prudential / M&G	41.6	1.8	55.9	2.1
Industry Funds Management	0.0	0.0	36.9	1.4
Capital International	41.3	1.8	36.5	1.4
Stafford Timberland	0.0	0.0	34.1	1.3
Kravis Kohlberg Roberts	5.1	0.2	15.7	0.6
Fauchier Partners	92.5	4.0	13.6	0.5
Internally Managed and Currency Managers	9.7	0.4	5.6	0.2
Catapult Venture Managers	3.1	0.1	3.1	0.1
UBS Global Asset Management	0.5	0.0	0.3	0.0
Standard Life Investments	0.7	0.0	0.0	0.0
Total	**2,329.2**		**2,620.4**	

15. *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.

16. *Operation and Management of fund*

Details of how the Fund is administered and managed are included in the 2012/13 Pension Fund Annual Report.

17. *Employing bodies and fund members*

A full list of bodies that have active members within the Fund is included on page 100.

18. *Actuarial valuation*

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

19. *Valuation of financial instruments carried at fair value*

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of the information used to determine fair values.

Level 1
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprised quoted equities, quoted fixed interest securities, quoted index-linked securities and pooled investment vehicles where the underlying assets fall into one of these categories.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, hedge funds and infrastructure, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Leicestershire County Council Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The values of the investment in hedge funds and infrastructure are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following tables provide an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31st March 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets at fair value	2,075,704	304,195	245,986	2,625,885
Financial liabilities at fair value	(5,482)			(5,482)
Net financial assets	**2,070,222**	**304,195**	**245,986**	**2,620,403**

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31st March 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets at fair value	1,790,118	309,806	238,079	2,338,003
Financial liabilities at fair value	(8,844)			(8,844)
Net financial assets	**1,781,274**	**309,806**	**238,079**	**2,329,159**

20. The Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore the aim on investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's required cash flows. These investment risks are managed as part of the overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Management Board.

a) Market risk
Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, Leicestershire County Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks via an annual strategy review which ensures that market risk remains within acceptable levels. On occasions equity futures contracts and exchange traded option contracts on individual securities may be uses to manage market risk on investments, and in exceptional circumstances over-the-counter derivative contracts may be used to manage specific aspects of market risk.

Other price risk
Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such investments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. For all investments held by the Fund, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure that it is within the limits specified in the Fund's investment strategy.

Other price risk – sensitivity analysis
Following analysis of historic data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, Leicestershire County Council has determined that the following movements in market prices risk are reasonably possible for the 2013/14 reporting period:

Asset type	Potential market movements (+/-)
Overseas government bonds	8%
Global credit	10%
Global government index-linked bonds	8%
UK equities	16%
Overseas equities	19%
UK property	15%
Private equity	28%
Infrastructure	14%
Commodities	14%
Hedge funds	12%
Timberland	16%
Cash	1%

The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of assets. The sensitivities are consistent with the assumptions contained in the annual strategy review and the analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown in the second table):

Asset type	Value at 31st March 2013	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	20,769	16	24,092	17,446
Overseas equities	68,470	19	81,479	55,462
Global index-linked bonds	245,364	8	264,993	225,735
Pooled property funds	172,366	15	198,221	146,511
Pooled private equity funds	113,350	28	145,088	81,612
Pooled global credit funds	145,578	10	160,136	131,020
Pooled hedge funds	46,022	12	51,545	40,499
Pooled equity funds	1,298,675	19	1,545,423	1,051,927
Pooled commodity funds	82,123	14	93,620	70,626
Pooled targeted return funds	130,800	12	146,496	115,104
Pooled timberland fund	34,069	16	39,520	28,618
Pooled manager futures fund	82,942	12	92,895	72,989
Pooled infrastructure funds	52,545	14	59,901	45,189
UK property	66,505	15	76,481	56,529
Cash and currency	54,101	1	54,642	53,560
Options, futures, other investment balances, current assets and current liabilities	13,428	1	13,562	13,294
Total assets available to pay benefits	**2,627,107**		**3,048,094**	**2,206,121**

Asset type	Value at 31st March 2012	Percentage change	Value on increase	Value on decrease
	£000	**%**	**£000**	**£000**
UK equities	20,745	16.0	24,064	17,426
Overseas equities	57,427	16.0	66,615	48,239
Global index-linked bonds	135,791	8.0	146,654	124,928
Overseas government bonds	26,012	8.0	28,093	23,931
Pooled property funds	197,058	8.0	212,823	181,293
Pooled private equity funds	110,639	22.0	134,980	86,298
Pooled global credit funds	123,050	10.0	135,355	110,745
Pooled hedge funds	122,326	8.0	132,112	112,540
Pooled equity funds	1,200,001	16.0	1,392,001	1,008,001
Pooled commodity funds	72,529	16.0	84,134	60,924
Pooled targeted return funds	124,693	8.0	134,668	114,718
Pooled infrastructure fund	5,114	17.0	5,983	4,245
UK property	65,986	8.0	71,265	60,707
Cash and currency	56,915	0.0	56,915	56,915
Options, futures, other investment balances, current assets and current liabilities	18,289	0.0	18,289	18,289
Total assets available to pay benefits	**2,336,575**		**2,643,951**	**2,029,199**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is not highly exposed to interest rate risk but monitoring is carried out to ensure that the exposure is close to the agreed asset allocation benchmark.

The Fund's direct exposure to interest rate movements as at 31st March 2013 and 31st March 2012 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31st March 2012	As at 31st March 2013
Cash and Currency	56,915	54,101
Fixed interest securities	149,062	145,578
Total	**205,977**	**199,679**

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets to pay benefits, A 1% movement in interest rates (100 BPS) is consistent with the level of sensitivity expected within the Fund's asset allocation strategy and the Fund's investment advisors expect that long-term average rates are expected to move less than 100 BPS from one year to the next and experience suggest that such movements are likely. The analysis that follows assumes that ll other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Asset type	Carrying amount as at 31st March 2013	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and Currency	54,101	541	(541)
Fixed interest securities	145,578	1,456	(1,456)
Total	**199,679**	**1,997**	**(1,997)**

Asset type	Carrying amount as at 31st March 2012	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and Currency	56,915	569	(569)
Fixed interest securities	149,062	1,491	(1,491)
Total	**205,977**	**2,060**	**(2,060)**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk in financial instruments that are denominated in any other currency other than sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than sterling.

The Fund's currency rate risk is actively managed and the neutral position is to hedge 50% of the exposure back to sterling. The table below summarises the Fund's unhedged currency exposure at as 31st March 2013 and as at the previous period end:

Currency exposure – asset type	Asset value as at 31st March 2012	Asset value as at 31st March 2013
	£000	**£000**
Overseas equities	57,427	60,168
Overseas government index-linked bonds	76,582	145,531
Overseas government bonds	26,012	0
Private equity pooled funds	107,518	108,479
Pooled hedge Funds	90,439	13,763
Overseas and Global equity-based pooled funds	694,027	939,917
Commodity-based pooled funds	72,529	90,425
Infrastructure pooled funds	5,114	52,545
Timberland pooled fund	0	31,981
Total overseas assets	**1,129,648**	**1,442,809**

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment

rate movements is 13% (as measured by one standard deviation).

A 13% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of the long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 13% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure – asset type	**Asset value as at 31st March 2013**	**Change to net assets available to pay benefits**	
		+13%	**-13%**
	£000	**£000**	**£000**
Overseas equities	60,168	67,990	52,346
Overseas government index-linked bonds	145,531	164,450	126,612
Private equity pooled funds	108,479	122,581	94,377
Pooled hedge Funds	13,763	15,552	11,974
Overseas equity-based pooled funds	939,917	1,062,106	817,728
Commodity-based pooled funds	90,425	102,180	78,670
Infrastructure pooled funds	52,545	59,376	45,714
Timberland pooled fund	31,981	36,139	27,823
Total change in assets available	**1,442,809**	**1,630,374**	**1,255,244**

Currency exposure – asset type	**Asset value as at 31st March 2012**	**Change to net assets available to pay benefits**	
		+13%	**-13%**
	£000	**£000**	**£000**
Overseas equities	57,427	64,893	49,961
Overseas government index-linked bonds	76,582	86,538	66,626
Overseas government bonds	26,012	29,394	22,630
Private equity pooled funds	107,518	121,495	93,541
Pooled hedge Funds	90,439	102,196	78,682
Overseas equity-based pooled funds	694,027	784,251	603,803
Commodity-based pooled funds	72,529	81,958	63,100
Infrastructure pooled funds	5,114	5,779	4,449
Total change in assets available	**1,129,648**	**1,276,504**	**982,792**

The Fund has two active currency managers with portfolios based on a notional value of £340m each (i.e. £680m in total), although this is the maximum exposure

combination the managers have an average target volatility of 2.5% and as a result the Fund is exposed to currency risk through these portfolios. The table below shows the likely impact onto the net assets available to pay benefits.

Currency exposure – asset type	**Asset value as at 31st March 2013**	**Change to net assets available to pay benefits**	
		+2.5%	**-2.5%**
	£000	**£000**	**£000**
Active currency portfolios	680,000	697,000	663,000
Total change in assets available	**680,000**	**697,000**	**663,000**

Currency exposure – asset type	**Asset value as at 31st March 2012**	**Change to net assets available to pay benefits**	
		+2.5%	**-2.5%**
	£000	**£000**	**£000**
Active currency portfolios	680,000	697,000	663,000
Total change in assets available	**680,000**	**697,000**	**663,000**

b) Credit risk
Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

Deposits are not made with banks and financial institutions unless they are rated independently and have a high credit rating. Many of the Fund's investment managers use the money market fund run by the Fund's custodian to deposit any cash within their portfolios, although 1 manager (Kames Capital) lends cash directly to individual counterparties in the London money markets. Any cash held directly by the Fund is deposited in an instant access high interest account with National Westminster Bank.

The Fund believes it has managed its exposure to credit risk, and has never had any experience of default of uncollectible deposits. The Fund's cash holding at 31st March 2013 was £54.101m (31st March 2012: £56.915m).

c) Liquidity risk
Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. All of the Fund's cash holdings are available for immediate access, although on some occasions this will involve withdrawing cash balances from the portfolios of investment managers.

The Fund is allowed to borrow to meet short-term cash flow requirements, although this is an option that is only likely to be used in exceptional circumstances.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash. As at 31st March 2013 the value of illiquid assets (considered to be the Fund's investments in property, hedge funds, private equity, timberland and infrastructure) was £480.981m, which represented 18.3% of total Fund assets. (31st March 2012: £501.123m, which represented 21.5% of total Fund assets).

The Fund remains cash flow positive for non-investment related items so there is no requirement to produce detailed cash flow forecasts. All investment related cash flows are known about sufficiently far in advance that they can be covered by taking action in a manner that is both cost-effective and in line with the Fund's investment strategy.

All financial liabilities at 31st March 2013 are due within one year.

Refinancing risk
The key risk is that the Fund will be forced to sell a significant proportion of its financial instruments at a time of unfavourable interest rates, but this appears a highly unlikely scenario. The Fund's investment strategy and the structure of its portfolios have sufficient flexibility to ensure that any required sales are considered to be the ones that are in the best financial interests of the Fund at that time. There are no financial instruments that have a refinancing risk as part of the Fund's treasury management and investment strategies.

Securities Lending
As at 31 March 2013, £1.5m of stock was on loan to an agreed list of approved borrowers through the Fund's Custodian in its capacity as agent lender. The loans were all in respect of equities and were covered by £1.5m of non-cash collateral.

Collateral is marked to market, adjusted daily and held by the custodian on behalf of the Fund. Income from stock lending amounted to £0.019m during the year and is detailed in note 8 to the accounts.

The Fund retains its economic interest in stocks on loan, and therefore the value is included in the Fund valuation, however there is an obligation to return collateral to the borrowers, therefore its value is excluded from the Fund valuation. The securities lending programme is indemnified, giving the Fund further protection against losses.

Reputational Risk
The Fund's prudent approach to the collective risks listed above and through best

practice in corporate governance, ensures that reputational risk is kept to a minimum.

21. *Related Party Transactions*

From the information currently available there were no material transactions with related parties in 2012/13 that require disclosure under FRS8.

22. *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.

23. *Contractual Commitments*

At 31 March 2013, the Fund had the following contractual commitments:-

a) Undrawn commitments totalling $96,596,000 (£63,614,870) to twenty three different pooled private equity funds managed by Adams Street Partners (31 March 2012 £58,778,125 to twenty two different funds).

b) An undrawn commitment of £971,829 to two private equity funds managed by Catapult Venture Managers (31 March 2012 £1,414,003 to two funds).

c) An undrawn commitment of €21,725,000 (£18,372,07 7) to the Stafford International Timberland VI Fund (31 March 2012 £nil).

d) An undrawn commitment of $34,028,000 (£22,409,694) to the KKR Global Infrastructure Fund (31 March 2012 (£29,762,478).

e) An undrawn commitment of £28,332,000 to the M & G Debt Opportunities Fund (31 March 2012 £nil).

24. *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) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

During 2012/13 £1.8m in contributions were paid to Prudential and at the year end the capital value of all AVC's was £13.4m.

25. 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)

26. 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 2012/13 or 2011/12. There were occasions on which contributions were paid over by the employer later than the statutory date, and these instances are technically classed as self investment. In no instance were the sums involved material, and neither were they outstanding for long periods.

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.

27. *Analysis of Investments*

	At 31 March 2012 £m	%	At 31 March 2013 £m	%
Fixed & Variable Interest Stocks				
United Kingdom:				
- Indexed Linked	59.2	2.5	99.8	3.8
- Overseas Index Linked	76.6	3.3	145.5	5.5
- Overseas Government Bonds	26.0	1.1	0.0	0.0
- Corporate Bonds	123.1	5.3	145.6	5.6
	284.9	**12.2**	**390.9**	**14.9**
Equities - United Kingdom	**526.7**	**22.5**	**379.5**	**14.4**
Equities – Overseas				
Global Dividend Focused	0.0	0.0	224.6	8.5
North America	245.0	10.5	330.3	12.6
Europe	212.2	9.1	180.7	6.9
Japan	29.3	1.3	34.1	1.3
Pacific ex Japan	121.4	5.2	89.1	3.4
Emerging Markets	143.6	6.1	149.6	5.7
	751.5	**32.2**	**1,008.4**	**38.4**
Private Equity	**110.6**	**4.7**	**113.4**	**4.3**
Hedge Funds	**122.3**	**5.2**	**46.0**	**1.7**
Targeted Return	**124.7**	**5.4**	**213.7**	**8.1**
Commodity Funds	**72.5**	**3.1**	**82.1**	**3.1**
Infrastructure Funds	**5.1**	**0.2**	**86.6**	**3.4**
Property				
United Kingdom:				
- Retail	29.2	1.3	29.0	1.1
- Offices	14.1	0.6	14.2	0.5
- Industrial	12.9	0.6	11.8	0.5
- Hotel	8.7	0.4	10.3	0.4
- Agriculture	1.0	0.0	1.2	0.0
Indirect	197.1	8.4	172.4	6.6
	263.0	**11.3**	**238.9**	**9.1**
Cash and Currency				
Cash and deposits	56.9	2.5	54.1	2.1
Foreign exchange derivatives	2.9	0.1	0.8	0.0
Other derivatives contracts	1.2	0.0	1.8	0.1
Other Net Assets (Liabilities)	14.2	0.6	10.9	0.4
	75.2	**3.2**	**67.6**	**2.6**
Total	**2,336.5**	**100.0**	**2,627.1**	**100.0**

28. Pension Fund Accounts Reporting Requirement

A. *Introduction*

CIPFA's Code of Practice on Local Authority Accounting 2012/13 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.

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.

I have been instructed by the Administering Authority to provide the necessary information for the Leicestershire County Council Pension Fund, which is in the remainder of this note.

B. *Balance sheet*

Year ended	31 Mar 2013 £m	31 Mar 2012 £m
Present value of Promised Retirement Benefits	4,110	3,452

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2013 comprises £2,488m in respect of employee members, £574m in respect of deferred pensioners and £1,048m 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, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

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).

C. Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2013 is to decrease the actuarial present value by £418 m.

D. Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2013 % p.a.	31 Mar 2012 % p.a.
Inflation/Pensions Increase Rate	2.8%	2.5%
Salary Increase Rate*	5.1%	4.8%
Discount Rate	4.5%	4.8%

*Salary increases are 1% p.a. nominal until 31 March 2015 reverting to the long term rate thereafter

E. Longevity assumption

The life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the Medium Cohort and a 1% p.a. underpin from 2007. 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

This assumption is the same as at 31 March 2012.

F. Commutation assumption

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 for post-April 2008 service.

G. Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2013 for IAS19 purposes' dated 24 April 2013. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Barry McKay

Barry McKay FFA

16 May 2013

For and on behalf of Hymans Robertson LLP

Audit Opinion

Independent auditors' report to the Members of Leicestershire County Council

Report on Statement of Accounts

We have audited the statement of accounts of Leicestershire County Council for the year ended 31 March 2013 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet as at the end of the period, the Cash Flow Statement, the accounting policies and the related notes. The financial reporting framework that has been applied in its preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the CIPFA Service Reporting Code of Practice 2012/13.

Respective responsibilities of the Director of Corporate Resources and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Corporate Resources is responsible for the preparation of the statement of accounts and for being satisfied that it gives a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13. Our responsibility is to audit and express an opinion on the statement of accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the statement of accounts

An audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the statement of accounts. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited statement of accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on statement of accounts

In our opinion the statement of accounts:

- gives a true and fair view of the state of the Authority's affairs as at 31 March 2013 and of the Authority's income and expenditure and cash flows for the year then ended; and
- has been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13.

Opinion on other matter prescribed by the Code of Audit Practice

In our opinion, the information given in the explanatory foreword for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Authority to consider it at a public meeting and to decide what action to take in response ; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

Report on the pension fund accounts

We have audited the pension fund accounting statements contained within the Statement of Accounts of Leicestershire County Council for the year ended 31 March 2013 which comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Respective responsibilities of the Director of Corporate Resources and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Corporate Resources is responsible for the preparation of the pension fund accounting statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. Our responsibility is to audit and express an opinion on the pension fund accounting statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for [*Authority Name's*] members as a body in accordance with the Audit Commission Act 1998, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in March 2010 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the pension fund accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the pension fund accounting statements sufficient to give reasonable assurance that the pension fund accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed;

the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the pension fund accounting statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited pension fund accounting statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund accounting statements

In our opinion the pension fund accounting statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013, and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matter prescribed by the Code of Audit Practice

In our opinion, the information given in the explanatory foreword for the financial year for which the pension fund accounting statements are prepared is consistent with the pension fund accounting statements.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditors' responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Leicestershire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

Our audit cannot be formally concluded and a certificate issued in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission because the Authority has not yet prepared its Pension Fund Annual Report and Accounts on which we are required to give an audit opinion.

Richard Bacon

Richard Bacon
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

Date: 27 September 2013

(a) The maintenance and integrity of the Leicestershire County Council website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of the statement of accounts may differ from legislation in other jurisdictions.

Independent auditors' report to the Members of Leicestershire County Council

Issue of opinion on statement of accounts

In our audit report for the year ended 31 March 2013 issued on 27 September 2013, we reported that, in our opinion the statement of accounts:

- gave a true and fair view of the state of the Council's affairs as at 31 March 2013 and of the Council's income and expenditure and cash flows for the year then ended; and
- had been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13.

Issue of opinion on other matter prescribed by the Code of Audit Practice

In our audit report for the year ended 31 March 2013 issued on 27 September 2013, we reported that, in our opinion, the information given in the explanatory foreword for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

Issue of matters on which we are required to report by exception

In our audit report for the year ended 31 March 2013 issued on 27 September 2013, we reported that, we had nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Council to consider it at a public meeting and to decide what action to take in response ; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

Issue of opinion on the pension fund accounting statements

In our audit report for the year ended 31 March 2013 issued on 27 September 2013 we reported that, in our opinion the pension fund's accounting statements:

- gave a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013, and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- had been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Issue of opinion on other matter prescribed by the Code of Audit Practice

In our audit report for the year ended 31 March 2013 issued on 27 September 2013 we reported that, in our opinion, the information given in the explanatory foreword for the financial year for which the pension fund accounting statements are prepared is consistent with the pension fund accounting statements.

Issue of use of resources conclusion

In our audit report for the year ended 31 March 2013 issued on 27 September 2013, we reported that in our opinion, on the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we were satisfied that, in all significant respects, Leicestershire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

In our report dated 27 September 2013 we explained that the audit could not be formally concluded on that date until we had completed our review of the Pension Fund Annual Report and issued our report on the Pension Fund financial statements. These matters have now been dealt with.

APB Practice Note 7 "Audit of financial statements of public sector bodies in the United Kingdom" states that, when issuing the audit completion certificate, there is no requirement for the auditor to seek out information that may have implications for the audit opinion that has already been given. Accordingly, we have not sought out information that may have implications for the audit report that we issued on 27 September 2013.

No other matters have come to our attention since 27 September 2013 that would have a material impact on the financial statements on which we gave an unqualified opinion and use of resources conclusion.

We certify that we have completed the audit of the accounts of Leicestershire County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Richard Bacon

Richard Bacon
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Date: 8 November 2013

Annual Governance Statement (AGS) 2012/13

1. SCOPE OF RESPONSIBILITY

Leicestershire County Council (LCC) 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 and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.

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 2013 and up to the date of approval of the annual report and statement of accounts. The County Council's governance environment is consistent with the six core principles of the CIPFA/SOLACE framework, within each principle we have identified the sources of assurance.

PRINCIPLE A: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Under this principle, there is a requirement of local authorities to:

- Exercise strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users.
- Ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning.
- Ensure the authority makes best use of resources and that tax payers and service users receive excellent value for money.

Description of Governance Mechanisms: *Evidence and documents that demonstrate compliance / good practice*	**Assurances received**	**Areas for improvement**
• Leicestershire Together – Strategic Partnership priorities • Service/Business Plans supported by relevant strategies • Community engagement and Communication Strategy • Partnership protocols and arrangements. • Performance trends and reports on the progress of service delivery • Formal complaints policy and procedures that inform positive service improvement • Comparison of information on LCC's economy, efficiency and effectiveness of services • Instruction on how to measure Value for Money • Environmental impact of policies, plans and decisions	• Leicestershire's strategic outcomes for 2012/13 were agreed by the Leicestershire Together Board. Leicestershire Together has developed the overall vision for the County and a supporting outcome framework to guide the work of the County Council and partner agencies; • Outcomes are delivered through supported commissioning, service plans and strategies which set out objectives and targets in relation to the Council's priority outcomes. • Communication strategy that is based on an audience-led approach, allowing the Authority to better target communications more cost effectively at the residents who use or need LCC services; • Variety of mechanisms for capturing and reporting service user views, including new customer service centre user feedback survey and enhanced adult social care surveys; • Performance trends reported through dashboards and used for partnership boards and departments; including targets agreed in Environment Strategy. • Annual Performance Report considered by Cabinet, Scrutiny and Council – supported by approved Medium Term Financial Strategy and Annual Statement of Accounts; • Formal, publicly accessible complaints policy which ensures complaints are tracked and monitored, including effective 'fast-tracking' and production of case reviews. Action plans are formulated showing 'lessons learned' which feed into wider departmental plans; • Value for Money (VfM) Strategy sets out the overall framework within which the efficiencies included within the Medium Term Financial Strategy (MTFS) will be achieved; • Variety of benchmarking arrangements in place across services to assess comparative effectiveness, including CIPFA Value for Money (VFM) benchmarking club. Data analysed and supplemented with internal information to understand local performance, with appropriate action taken to review and reduce spend. Analysis also used to inform service plan change projects to further improve value for money. • Reporting on the Environmental Management System includes review of compliance with environmental regulation and response to relevant complaints.	• Increase and enhance 'lessons learned' through the complaints process. • Improve VfM measures at departmental level

PRINCIPLE B: Members and officers working together to achieve a common purpose with clearly defined functions and roles

Under this principle, there is a requirement of local authorities to:

- Ensure effective leadership throughout the authority and be clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function;
- Ensure a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard;
- Ensure relationships between the authority, its partners and the public are clear so that each knows what to expect of the other.

Description of Governance Mechanisms – *Evidence and documents that demonstrate compliance / good practice*	**Assurances received**	**Areas for improvement**
• Job descriptions for: Chief Executive, Leader; S151 Officer; Monitoring Officer; Head of Internal Audit • Member/Officer Protocol • Constitution • Scheme of delegation, standing orders and financial regulations • Effective Chief Executive and Leader pairing • Compliance with Role of Chief Financial Officer (CFO) and Role of Head of Internal Audit • Monitoring officer provisions • Scheme for member remuneration and allowances • Conditions of employment including; appraisal arrangements; pay and conditions policies; structured pay scales • Effective performance management system including progress on Key Performance Indicators and identifying areas of improvement • Business and financial planning process • Protocols for consultation • Protocols for partnership working	• Constitution sets out Council's political structure and roles and responsibilities of the Executive, Committees, the full Council and Chief Officers and the rules under which they operate. There are specific job descriptions for Cabinet and Scrutiny Committee Members. • Constitution sets out 'Responsibility for Functions' including scheme of delegation to heads of departments and panels. Also includes financial procedure rules and fundamental principles on 'Member/Officer Relations'. • Regular meetings take place between the Leader and the Chief Executive and the Leader and the Deputy Leader. • Assessment of compliance with the Statement on the Role of the CFO and Role of the Head of Internal Audit. • Monitoring Officer and CFO are responsible for ensuring an appropriate framework exists to ensure procedures are followed. • Members Allowances Scheme is reviewed by an Independent Remuneration Panel with recommendations adopted. Allowances received by every member are also published. • Employment Committee manage and govern all pay matters and are responsible for terms and conditions of service, including remuneration. Pay Policy Statement ensures the Authority manages its policy on pay and benefits in a fair, non-discriminatory, consistent and transparent way. • Progress reporting to Lead Members and dedicated Scrutiny Panel on performance against key indicators. Dashboards published ensuring public and stakeholders are clear what the Council and partners are trying to achieve and of progress against the priorities. • Established Strategic Finance function maintains sound financial frameworks and supports delivery of MTFS. • Directed reviews' of formal partnership working arrangements. • Performance reports to partnership boards. • Various forums and frameworks for consultation ensuring clear channels of communication with all sections of the community and other stakeholders.	• Ensure changes to Scrutiny Function post election address the continued need for performance monitoring; • Review of partnership protocols and governance arrangements

PRINCIPLE C: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Under this principle, there is a requirement of local authorities to:

- Ensure authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance;
- Ensure that organisational values are put into practice and are effective.

Description of Governance Mechanisms – *Evidence and documents that demonstrate compliance / good practice*	**Assurances received**	**Areas for improvement**
• Annual Governance Statement • Member and Officers Codes of Conduct • Performance appraisal • Procedures for responding to behaviour complaints • Anti –fraud and anti-corruption policies • Standing orders and financial regulations • Register of Interests and Gifts and Hospitality – members and staff • Ethical awareness training and dealing with conflicts of interest • Communicating shared values with members, staff, the community and partners • Whistleblowing arrangements • Decision making practices/framework • Protocols for partnership working	• AGS produced by compiling and scrutinising information from Departmental Self Assessments, Corporate Assurance Statement and assurance from Internal Audit Service. • Adopted Code of Conduct for Members - 'Standards of Conduct' information provides guidance to help elected members exhibit high standards of personal conduct. • Corporate Governance Committee is primarily responsible for the promotion and maintenance of high standards of conduct by members and co-opted members, including agreeing criteria for assessing complaints against members. • Adopted Employee Code of Conduct which is supported by regular items on the Council's intranet reminding staff of the Register of Interests, Register of Gifts and Hospitality and Whistleblowing procedures. Monitoring Officer reviews all registers annually. • 'Dignity At Work' Policy and Procedures provides employees with examples of unacceptable behaviour, and is complimented by other HR policies • Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. Managers align employees PDR priorities and objectives to the service, department and Council's priorities. • 'Leading for High Performance' programme underpins the approach to performance management and covers importance of maintaining strong ethical governance. • Approved Anti Fraud & Corruption (F&C) Policy, Strategy and Procedures, complimented by mandatory Fraud Awareness E-Learning module. Annual assessment against reputable publications provides knowledge of fraud exposure and directs potential improvements. • Constitution sets out 'Meeting Procedure Rules' and Financial Rules and Regulations • Annual reminder to Members of the importance of keeping their register entries up to date - with Registers' made available for public inspection. • Organisational Values considered during the PDR, complimented by departmental notices displaying visions and achievements. Chief Executive's 'News for All' and Corporate Management Team Road shows contains information for all staff. • Embedded 'Whistleblowing' procedures and Supplier Whistleblowing Policy.	• Refresh Anti F&C Policy, Strategy and Procedures. • Use Counter Fraud Checklist to target areas for potential improvement. • Review Officer Code of Conduct.

PRINCIPLE D: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Under this principle, there is a requirement of local authorities to:

- Be rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny;
- Have good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs;
- Ensure that an effective risk management system is in place;
- Use their legal powers to the full benefit of the citizens and communities in their area.

Description of Governance Mechanisms – *Evidence and documents that demonstrate compliance / good practice*	**Assurances received**	**Areas for improvement**
• Role and responsibility for scrutiny – including improvements to proposals as a result of scrutiny • Corporate Governance Committee • Internal Audit function • Decision making protocols / records of decisions and supporting materials • Members' and officers' code of conduct • Terms of reference and membership • Training for committee members including information needs to support decision making • Calendar of dates for submitting, publishing and distributing timely reports • Approved Risk Strategy/Policy • Effective counter fraud arrangements • Legal advice provided by officers	• Overview and Scrutiny committees are in place with Chairman's annual report and regular position statements to Council. Cabinet consults with the Scrutiny Commission before taking decisions on major policy issues. • Budget & Performance Monitoring Scrutiny Panel receive reports on the revenue budget and capital programme and performance reports in relation to targets and commitments and action plans arising from inspection and assessment reports. • Internal Audit Service annual plan of audits provide assurance that the internal control systems of the Authority are operating effectively. • Terms of References for Committees and decision making protocols are detailed in the Constitution - records of decisions, with supporting materials are available through the Decision Enquiry System. • Member Learning and Development Working Party oversee implementation of Learning & Development Strategy which includes induction for members and identification of development needs. • Corporate research and information function co-located with performance and business intelligence function – enabling provision of good quality information drawing on census, research and variety of other sources and tools. • Information Governance Group is the steering committee that sets the strategic direction for information and data governance across the Council. • Council's risk management framework recently aligned with local government best practice – providing assurance to senior management, Members and public that the Council is mitigating the risks of not achieving key priorities. • Members of the Corporate Governance Committee actively engage and take interest risk management, including detailed scrutiny of the Corporate Risk Register. • Counter fraud arrangements assessed against reputable publications to ascertain fraud exposure and direct potential improvements. • Monitoring of reports to ensure propriety of decision making and that legal advice is included where necessary and appropriate.	• Enhance organisational business intelligence particularly around delivery of outcomes.

PRINCIPLE E: Developing the capacity and capability of members and officers to be effective

Under this principle, there is a requirement of local authorities to:

- Make sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles;
- Develop the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.
- Encourage new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

Description of Governance Mechanisms – *Evidence and documents that demonstrate compliance / good practice*	**Assurances received**	**Areas for improvement**
• Induction programme • Officer training and development plans • Availability and communication of activities • Performance reviews of officers • Succession Planning • Member training and development • Community and Stakeholder forums • Residents' panel structure	• Learning and Development Plan's approved by DMT/ Departmental Workforce Groups and are reviewed and updated on a periodic basis enabling L&D service to respond to need not anticipated or known at the beginning of the training plan process. • Induction available to all managers and staff with core training provided for specific roles. • Relevant L&D activities communicated through intranet, email updates, newsletters, briefings and staff workers groups. • Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. Managers at all grades assessed against Leadership Behaviours which underpin the management competency framework • Performance management and reporting systems in place at various levels, allowing outcomes to be cascaded and linked to individual development plans. • People Strategy Board agreed pilot approach to Talent Management and Succession Planning which is due to commence during 2013. • Member development sessions cover both functional roles and responsibilities of the Council as well as those related to good governance. • Community Forums, covering the whole of Leicestershire aim to ensure that services provided in an area match the needs of the local community. • Community Forum Budgets empower communities to play a role in decision making by allowing them to put forward project ideas and have a key role in choosing which projects are supported. • Community Forums, Community Forum Budgets and Big Society work help to identify community members as a potential basis for future community talent and service.	• Enhance Succession Planning. • Review of Mandatory E-Learning programmes and training.

PRINCIPLE F: Engaging with local people and other stakeholders to ensure robust public accountability

Under this principle, there is a requirement of local authorities to:

- Exercise leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships;
- Take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service;
- Make best use of human resources by taking an active and planned approach to meet responsibility to staff.

Description of Governance Mechanisms – *Evidence and documents that demonstrate compliance / good practice*	**Assurances received**	**Areas for improvement**
• Database of stakeholders • Annual report • Citizen survey • Record of public consultations • Process for dealing with competing demands within the community • Communication Strategy • Annual financial statements • Freedom of Information Act publication scheme • Council tax leaflet • LCC Website • Best practice standards in recruitment and staff terms and conditions	• Full public annual report providing information on outcomes, achievements, satisfaction and progress against key priorities and plans. • LCC recognise the importance to consult, involve and listen to citizens so that services can be improved and future plans made – a wide range of techniques used for dialogue with the community including budget, priorities, community safety, customer service and individual service user groups. • Leicestershire 'Place Survey' – citizens giving their views on how to make the County a better place to live. • Web based consultation undertaken on the MTFS with results reported to full Council. • Communication strategy based on an audience-led approach allowing targeted communications at the residents who use or need LCC services, resulting in increase in satisfaction levels • The Account Statements set out the published statement of accounts of the Authority year on year. The accounts have been produced in line with the various regulations that govern local authority accounting. LCC also published its Council Tax Leaflet on the website • Freedom of Information (FOI) and Environmental Information Regulations Policy underpin the key principles of the Information Management Strategy in that he Council embraces a culture that is open, accessible and accountable, aiming to publish as much information as possible. Robust FOI practices enable the Council to meet obligations and aid understanding of public interests, helping to shape future service delivery. • LCC website is frequently used as a medium to inform and engage with the public and updates on the homepage direct residents to key information. Introduction of dialogue via other media such as Face book and Twitter. • The Information and Data Team keep an updated report on website usage. • Recruitment undertaken in accordance with policy and procedures.	• Enhance engagement with officers and public

3. REVIEW OF EFFECTIVENESS

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 Service's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The CIPFA Governance Framework details the key sources of typical systems and processes that an authority can adopt to ensure it has an effective system of internal control. Using this guidance, the County Council can provide assurance that it has effective governance arrangements, which have been established through the following:

Code of Corporate Governance

The Chief Executive has a duty to monitor and review the operation of the Constitution and the Monitoring Officer 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.

Internal Audit Service

Internal Controls of Leicestershire County Council

The Council's Internal Audit Service Annual Plan coverage during 2012/13 was developed using a risk based approach, aligned to the Corporate Risk Register where possible to ensure current and emerging risks were adequately covered. Internal Audit Service reports provide an overall assurance assessment on the adequacy and effectiveness of the Council's internal control environment, with areas of weakness identified and recommendations for improvements made.

Governance and Risk Management

During the year, significant pieces of work included a corporate wide audit in respect of the Efficiency & Service Reduction Programme and examining the decision making process of Integrated Commissioning Board, both resulted in a substantial assurance rating. The Head of Internal Audit Service routinely attends relevant meetings to determine how governance issues are identified and managed and has concluded overall, based on the findings of work undertaken, that governance procedures at both strategic and operational level are robust.

Specific risk framework audits and other audits were conducted, ensuring that management has identified, evaluated and managed risks to reduce risk exposure and achieve objectives. LCC has an improved risk management framework and the Head of Internal Audit Service is of the opinion that presentations on specific risks to the Corporate Governance Committee are beneficial to Members understanding of their roles relating to risk management.

Internal Financial Controls

A number of financial systems were undertaken on the County Council's general ledger activities and other operating financial systems. The Head of Internal Audit Service has concluded overall, based on the findings of work undertaken, that general assurance can be given that the operation and management of the core financial systems of the County Council are of a sufficient standard to provide for the proper administration of its financial affairs.

Effectiveness of Internal Audit Service

The County Council is required to conduct an annual review of the effectiveness of its internal audit function and for the Corporate Governance Committee to review its findings. This review is considered part of the system of internal control and informs this Annual Governance Statement. A self assessment of compliance against the 'Code of Practice for Internal Audit in Local Government in the UK' confirms that overall, the Council continues to undertake an effective internal audit function and internal audit continues to be an effective part of the internal control process. Any areas where there is 'partial' compliance will be improved, both through the implementation of process and structure changes, and the adoption of, and conformance to, the new mandatory 'Public Sector Internal Audit Standards (PSIAS) being introduced from April 2013.

Risk Management

Governance of Risk

The County Council's Code of Corporate Governance sets out a requirement to ensure that an effective risk management system is in place. Following an independent review of the current risk management framework, several recommendations were made to bring the Council in line with local government best practice. To this effect, the Council has adopted guidance from the ALARM (Association of Local Authority Risk Managers) Risk Management Toolkit - An essential guide for managing risk in public service organisations.

In order for risk management to be most effective and become an enabling tool, the Authority must ensure a robust, consistent, communicated and formalised process is established across the County Council. Revision of the framework, included the implementation of new risk assessment criteria and corresponding risk matrix; and aims to ensure that links to Departmental Risk Registers are strengthened, thereby ultimately improving the flow of risk information throughout the Authority. This revision also included a refresh of the Corporate Risk Register and Risk Management Policy and Strategy – these along with supporting documentation, form an integrated framework that supports the County Council in the effective management of risk.

The new structure will enhance the effectiveness of the current approach to managing risks by developing and applying a more quantitative approach to decision making processes throughout the Council. In implementing a management of risk system, the Council seeks to provide assurance to all our stakeholders that the identification, evaluation and management of risk play a key role in the delivery of our strategy and related objectives.

Overview & Scrutiny Committees

Role of Scrutiny

The County Council operates a Cabinet governance structure and benefits from a culture of scrutiny. In Leicestershire, the role of Overview and Scrutiny includes holding the Executive to account and supporting the Council's work through review and scrutiny of Cabinet decisions and Council performance. It also assists in research, policy review and development.

The Overview and Scrutiny process focus on things that matter to local people and this will involve, amongst other things, an appropriate dialogue with the Executive to ensure that duplication is avoided and the Council's resources are put to effective use.

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. Three examples relating to policy decisions made during 2012/13 were:

- A review of progress with the delivery of the Extra Care Strategy;
- Review of the Criteria for the Statutory Assessment of Special Education Needs;
- Scrutiny of the Youth Justice Strategic Plan

The Leadership Centre for Local Government has identified three themes for improved scrutiny and during the past year, these have been adopted through the following:

Leading beyond authority boundaries

- Inviting the Chairman of the Leicester and Leicestershire's Enterprise Partnership (LLEP) which covers the City and the County, to report on first year activity.
- Working jointly with the City Council to challenge the decision by NHS England to stop children's heart surgery at Glenfield Hospital.

Authority recognition of and support for scrutiny

- A policy officer that supports members in scrutinising health bodies.
- Identifying relevant development for Scrutiny Commissioners.

Members taking responsibility for their own effectiveness

- The Chairmen and Spokesmen of each scrutiny body meet regularly to plan the agendas for meetings and consider suggestions for Review Panels.
- An annual workshop to review past performance, plan for the coming year and review working practices.

The Children and Young People's Service Overview and Scrutiny Committee reviews and scrutinises the Council's functions in relation to the provision of services to children, young people and their families. This includes examining information from Ofsted inspection reports and scrutinising progress against areas for improvement. The Adults, Communities and Health Overview and Scrutiny

Committee reviews and scrutinises the Council's functions in relation to social care provision for adults and provision for communities. It also scrutinises the activities of the Leicestershire County and Rutland Primary Care Trust which has responsibility for commissioning health care services.

The establishment of scrutiny contributes to good governance by being a key component of accountable decision making. Members of the public are welcome to attend meetings of Overview and Scrutiny Committees, ask questions and present petitions on council and other matters affecting the community.

Corporate Governance Committee

The Corporate Governance Committee is responsible for both Corporate Governance and Standards of Conduct matters.

Corporate Governance:

Its role in relation to Corporate Governance matters is to promote and maintain high standards of corporate governance within the Authority, ensuring that there is an adequate risk management framework in place, the Council's performance is properly monitored and there is proper oversight of the financial reporting processes. The Committee agrees the annual audit plan and receives and considers reports on:

- Risk management and the Corporate Risk Register;
- 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
- Treasury management

Standards of Conduct

Its role in relation to Standards of Conduct matters is to promote and maintain high standards of conduct by elected members and co-opted members and deal with a variety of associated matters. It also:

- Advises on matters relating to the conduct of employees.
- Makes recommendations to the County Council on the adoption or revision of the Members' Code of Conduct,
- Monitors the operation of the code
- Provides advice and training to county councillors.

These arrangements have ensured the smooth handling of complaints, including assessing, reviewing and conducting hearings.

External Audit

The County Council's external auditors PricewaterhouseCoopers detail findings from their planned audit work of the Council, to those charged with governance through:

Medium Term Financial Strategy Report

The County Council has set a challenging and robust MTFS after going through a process of consultation. The PwC audit plan highlighted a specific audit risk in relation to savings requirements detailed within the MTFS. Key conclusions from work undertaken on the County Council's approved MTFS can provide the public with assurance that the Authority has:

- Robust programme management arrangements in place and has made significant strides over the past few years to identify savings and deliver more efficient services;

- Applied a number of prudent assumptions in setting its MTFS which will help managing financial risks which exist over the plan period;

- Demonstrated value for money on a number of key areas when compared with other County Councils, using the Audit Commission value for money profile;

- Set aside an appropriate level of earmarked reserves and a level of contingency to manage future cost pressures;

- Prioritised its services in the areas of greatest need.

Governance structures in each department have overseen the delivery of past plans through: strong leadership from Directors; agreed priorities which have influenced spending decisions; a well established reporting framework with clear accountability; and business partners who support the delivery of savings projects and improve information to support decision making. Members have a significant involvement in the development of the MTFS through meetings, briefings for individual political parties and detailed scrutiny.

Overall, the County Council's performance in the 'PwC Benchmarking Club' has historically been at or consistently near the top for a number of years in terms of value for money achieved when compared to other, similar authorities.

Report to those charged with Governance

Under International Auditing Standards, external auditors are required to report to those charged with governance (Corporate Governance Committee) on the significant findings from their audit before giving their audit opinion, the purpose of which is to highlight any significant matters. The report concluded that no significant audit and accounting issues were identified and that there were no material deficiencies in internal control, leading to an overall unqualified opinion.

Audit opinion for the 2011/12 Statement of Accounts, incorporating value for money conclusion

The audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. For 2011/12, the County Council's statement of accounts presented a true and fair view, in accordance with the relevant codes and regulation.

The County Council's Constitution includes Standing Financial Instructions, Contract Procedure Rules and Schemes of Delegation to Chief Officers. These translate into key operational internal controls such as: control of access to systems, offices and assets; segregation of duties; reconciliation of records and accounts; decisions and transactions authorised by nominated officers; and production of suitable financial and operational management information. These controls demonstrate governance structures in place throughout the Authority which contribute to the production of the Annual Statement of Accounts and positive opinion presented by our external auditors.

The County Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements. Having regard to the guidance on the specified criteria by the Audit Commission, external auditors are satisfied that, in all significant respects, Leicestershire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Organisational Governance and Performance Framework

The Corporate Management Team received a quarterly report covering corporate County Council performance and an Organisational Governance Dashboard which includes information relating to audit and risk management, information issues, procurement, complaints, employees and safeguarding.

Annual Governance Assurance Statements

The annual review of effectiveness requires the sources of assurance, which the County Council relies on, to be brought together and reviewed from both a department and corporate view.

To ensure this Annual Governance Statement presents an accurate picture of governance arrangements currently in place, each directorate was required to complete a 'Governance Self Assessment', which provided details of the measures in place within their department to ensure compliance (or otherwise) with the County Council's Code of Corporate Governance. Where department's have identified specific 'areas of improvement', these are incorporated into an action plan for DMT's to discuss and prioritise implementation during the course of the next financial year.

In order to assist the Head of Internal Audit Service's opinion on the adequacy and effectiveness of the Authority's governance arrangements, sample checking of the self-assessments and supporting evidence was conducted. This included:

- Confirmation of Directors' involvement;
- Selecting areas across the range of the six core principles to test the existence of sufficient evidence to support a department's response;
- Brief interviews with Lead Members' and 'stop and ask' surveys of staff to evaluate their knowledge of department and corporate principles, plans and policies.

Based on the samples of 'Key Areas of Internal Control' that were reviewed across the six core principles, evidence was provided to confirm adequate controls are in place. Lead Members confirmed that processes in place to inform and update them on the key risks and issues within their specific portfolio were satisfactory and staff surveys showed that the majority of employees have sound knowledge of the areas tested. Assurance can be provided that processes are in place to ensure any areas for improvement will be progressed into the future.

The Role of the Chief Financial Officer (CFO)

CIPFA has issued the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).* The statement sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

Leicestershire County Councils' financial arrangements fully conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).* As CFO, the Director of Corporate Resources is a key member of the Corporate Management Team and is responsible for the proper administration of the Council's financial arrangements and leads a fully resourced and suitably qualified Strategic Finance Function. The CFO is actively involved in and able to bring influence to bear on all material business decisions to ensure immediate and long term implications, opportunities and risks, are fully considered and in alignment with the MTFS and other corporate strategies. The CFO has completed an assurance statement, providing evidence against core activities and responsibilities which strengthen governance and financial management across the Authority.

The Role of the Head of Internal Audit

CIPFA has issued the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010).* The statement sets out five principles that define the core activities and behaviours that belong to the role of the head of internal audit and the organisational requirements needed to support them.

The Council's Internal Audit Service arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010).* The Head of Internal Audit Service (HoIAS) works with key members of the Corporate Management Team to give advice and promote good governance throughout the organisation. The HoIAS leads and directs the Internal Audit Service so that it makes a full contribution to and meets the needs of the Authority and external stakeholders, escalating any concerns and giving assurance on the County Council's control environment. The HoIAS has completed an assurance statement, providing evidence against core activities and responsibilities which strengthen governance, risk management and internal audit across the Authority.

Transparency

The County Council is committed to publishing as much information and data it can, free of charge. The 'Open Data' area on the LCC website has been created to help the Council to:

- Increase openness and transparency
- Make data held freely available online (subject to the Data Protection Act)
- Encourage the public to interact with and use the data that is available.
- Publish data in a machine readable format so that is can be re-used.

The County Council already makes available a large amount of information through several means:

- Leicestershire County Council Website - including website A to Z
- FOI Disclosure log (including responses) received since 2008

- Libraries and other publications including: Business Matters Newsletter; Events Guides; Education; Emergency Management; Leicestershire Matters and Press Releases

The County Council's communication strategy is based on an audience-led approach which has allowed the Authority to better target communications more cost effectively at the residents who use or need our services, resulting in the number of residents who feel informed by the council increasing from 52% to 79% and satisfaction levels rising from 39% to 51%.

Freedom of Information

The main aim of the Freedom of Information (FOI) Act and the Environmental Information Regulations (EIR) legislation is to make public authorities more open and transparent and the Council has a Policy which sets out the approach to handling requests. This legislation helps the Council to create a climate of openness and dialogue with all its stakeholders, which in turn helps to increase public confidence in the way that the Council is operating. Robust FOI and EIR practices will not only enable the Council to meet its obligations, but will also aid the Council in understanding what the public is interested in, helping the Council to shape service delivery.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the above, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

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 2012/13 are sound. However, details of a governance issue that has been highlighted are set out below:

The County Council was subject to adverse publicity from January 2012 regarding the use of County Council resources by the former Leader. The County Council has responded positively in that:

I. The Corporate Governance Committee has received regular and detailed reports allowing Members to ensure that issues have been properly addressed;
II. Complaints have been addressed through Standards procedures;
III. Action was taken to address the matter by the controlling Conservative Group;
IV. The three Political Groups have all taken steps to strengthen their conduct and behaviour procedures

Progress on issues previously identified:

The table below describes the governance issue identified during 2011/12 and the progress made against addressing this during 2012/13:

Issue	Update on position	Carry forward for 2013/14	Lead Officer
Information security breach: • An incident reported to the Information Commissioner. • Following the remedial action that has been taken by the County Council, no Enforcement Notice served. • A Letter of Undertaking signed by the Chief Executive outlining actions to ensure that personal data are processed in accordance with the Seventh Data Protection Principle. • Key issue was to raise awareness across the Authority on the importance of Information Security.	Action Plan put in place resulted in following: • Increase in the number of incidents reported, which is considered positive as highlights greater emphasis and level of understanding; • Corporate Information and Technology Steering Group established, with regular reports on information security incidents and issues; • Policies and related guidance produced and training for staff provided, with particular focus given to those services areas where information security was of a high priority – including introduction of E-Learning module; • Stringent requirements applied to Public Health in readiness for transition; • Monitoring controls to ensure staff do not access personal data which they did not require in order to fulfill their duties.	Complete	Strategy & Policy Manager

Key Improvement Areas – 2013/14

Whilst the review of effectiveness concluded the Council's overall financial management and corporate governance arrangements are sound, the assurance gathering process identified key corporate areas of improvement. Implementing actions to address these will ensure that identified gaps within the County Council's current control environment will be filled strengthened, and further enhance our overall governance arrangements.

The table below describes identified areas for improvements during the review period 2012/13 to carry forward for monitoring within 2013/14:

Key Improvement Areas – Principle A	Lead Officer	Deadline
Complaint Handling The County Council has an effective complaints policy and procedures which inform positive service improvements. As part of this, a number of action plans are formulated showing how lessons learned feed into wider departmental plans. The 'lessons learned' process can be enhanced by translating more complaints into action plans.	Customer Relations Manager	March 2014
Value for Money (VfM) The Council's Value for Money Strategy is detailed within the MTFS. Delivery of this strategy can be enhanced by Departmental Management Teams' agreeing an approach on how to measure / benchmark VfM within their directorates and reflecting results in the department's performance plans.	Assistant Director: Strategic Finance	March 2014

Key Improvement Areas – Principle B	Lead Officer	Deadline
<u>Performance Monitoring</u> All DMT's receive regular reports on the status of key performance indicators and other relevant performance measures and have a process to address poor performance. Performance Monitoring can be improved by: Refining quarterly reporting; defining expectations and implementing KPI's; including wider client base; embedding performance management in revised Scrutiny function and; Communication of refreshed Council priorities after election.	Departmental Management Teams'	March 2014
<u>Partnership Working</u> The Council has monitoring processes in place to review and manage the performance of key partnerships / joint working arrangements. Given that Partnership working and the investment of County Council funding is becoming potentially more complex, partnership protocols and governance arrangements need to be reviewed.	Assistant Director: Strategic Finance	December 2013

Key Improvement Areas – Principle C	Lead Officer	Deadline
<u>Anti Fraud & Corruption</u> The County Council assesses itself against the Audit Commission's 'Protecting the Public Purse' (PPP) and the National Fraud Authority's (NFA) Counter Fraud checklist to increase understanding of fraud exposure. Internal Audit has reviewed the Authority's response to this and a list of target areas for potential improvement has been identified. Refreshing and aligning the Council's existing policy, strategy and procedures to guidance within the NFA Fighting Fraud Locally, Local Government Fraud Strategy, will enhance arrangements to create fraud awareness and further emphasise the Council's zero tolerance towards fraud.	Assistant Director: Strategic Finance	December 2013
<u>Review of Officer Code of Conduct</u> The County Council has adopted an Employee Code of Conduct which is supported by regular items on the Council's intranet. A review of this Code will be undertaken.	County Solicitor	April 2014

Key Improvement Areas – Principle D	Lead Officer	Deadline
<u>Business Intelligence</u> The corporate Research and Information function is co-located with the Performance function enabling provision of quality information drawing on census, research and variety of other sources, including operational systems. Business Intelligence is one of the seven themes in the Information and Technology Strategy and actions to improve will enhance the effectiveness of decision making at both departmental and corporate level.	Performance and Business Intelligence Function	March 2014

Key Improvement Areas – Principle E	Lead Officer	Deadline
Succession Planning The County Council recognises that there is a need to focus on improving succession planning. To this the People Strategy Board has agreed a pilot approach to Talent Management and Succession Planning which is due to commence during 2013.	Learning & Development Manager	March 2014
Review of Mandatory Training Learning and Development (L&D) Plan's are approved by Departmental Management Teams / Workforce Groups and are reviewed and updated on a periodic basis. Relevant L&D activities are communicated through intranet, email updates, newsletters, briefings and staff workers groups. A review of Mandatory E-Learning programmes and training will be undertaken with departments to support staff in having the appropriate skills for their role.	Learning & Development Manager	March 2014

Key Improvement Areas – Principle F	Lead Officer	Deadline
Engaging with Officers and Public The County Council recognises that engagement with officers and the public is vital to achieving objectives. To this effect, the Council is committed to publishing as much information and data as it can both for internal and external customers. Provision of information via the Intranet and County Council Website can be improved by routine checks and updates at both departmental and corporate level.	Departmental Management Teams'	March 2014

Future Challenges

Future challenges faced by the County Council are detailed within the revised Corporate Risk Register, which is presented to the Corporate Management Team and Corporate Governance Committee. Managing risks will be an integral part of both strategic and operational planning and the day to day running, monitoring and maintaining of Leicestershire County Council.

5. SIGNIFICANT CHANGE

Local government has been undergoing significant change, driven by the economic downturn and financial crisis as well as the introduction of new roles, opportunities and flexibility for authorities in the form of the Localism Act and other key legislation. CIPFA guidance details key developments since the launch of the Framework (2007) and the County Council can provide assurance of incorporating these new duties and requirements through the following:

Maintaining Standards

The Localism Act 2011 places the Authority under a duty to promote and maintain high standards of conduct by members and co-opted members of the Authority. In discharging this duty, the Authority is required to adopt a Code dealing with the conduct that is expected of members and co-opted members, when acting in that capacity and which is consistent with the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

To this effect, the County Council approved a revised Members' Code of Conduct in July 2012 and March 2013. Following local elections in May 2013, all re-elected and newly elected Members are expected to abide by this revised Code.

The Act abolishes the requirement to have a Standards Committee and the majority of the functions of this Committee have been transferred to the Corporate Governance Committee, which is now the body responsible for ensuring the Council fulfils its duty to promote high standards of conduct by its members and co-opted members and make recommendations to the County Council on the form of the Council's Code of Conduct.

Health & Social Care Act 2012

Public Health services have been restructured nationally and locally. At a national level, a new body, Public Health England oversees the public health system and are accountable to the Secretary of State. At a local level, authorities now have the responsibilities for public health and whilst objectives will be set nationally for improving population health, local authorities have the freedom to determine the means by which they are achieved.

In preparation of this transition, the County Council has appointed a Director of Public Health (who is a member of the Corporate Management Team) and created a Shadow Health and Wellbeing Board, from 1st April 2013, The Health and Wellbeing Board. The Board is made up of councillors, GPs, health and social care officials and representatives of patients and the public. During the forthcoming year, the Board will lead and advise on work to improve the health and wellbeing of the population of Leicestershire through the development of improved and integrated health and social care services. A Clinical Governance Board has also been established to monitor patient experience, patient safety and effectiveness of care.

Police Reform and Social Responsibility Act 2011

The Police Reform and Social Responsibility Act 2011 provides for directly elected police and crime commissioners to oversee local police forces, replacing police authorities. The Act gives the elected Commissioner responsibility for holding the Chief Constable to account, securing an efficient and effective local police force and carrying out functions in relation to community safety and crime prevention.

As the servicing authority, the County Council has ensured that Police and Crime Panels have been established to provide scrutiny of the police and crime commissioner's work for their force area. The Leicester City, Leicestershire and Rutland Police and Crime Panel are responsible for publicly scrutinising the actions and decisions of the Police and Crime Commissioner and holding him to account. With two independent co-opted members, the Panel which will be reviewed annually is also made up of one representative from each of the local authorities in the Leicestershire Police Service area with three further members co-opted from Leicester City Council to ensure the Panel represents the geographical and political balance of the area. The Panel is responsible for setting its own work programme taking into account the priorities defined by the Police and Crime Commissioner as well as the wishes of its members. The County Council will receive copies of all reports and recommendations the Panel makes.

Changes to Local Authority Governance Structures

The County Council is increasingly using commissioning and partnerships with other local authorities and sectors as a vehicle for delivering public services. Whilst the benefits of this are widely recognised, partnerships and the cross cutting issues with which they often deal, create some challenges for clear accountability and good governance. The County Council strives to ensure that working arrangements demonstrate clear lines of accountability for stakeholders and customers taking into consideration each partner organisations' own governance and structure. A detailed assessment of the County Council's position within such working arrangements will be undertaken.

Shared Services

Shared services between organisations can bring substantial benefits, including cost savings for the parties involved. Through a major transformational programme during 2012/13, the County Council has continued work with Nottingham City Council (NCC) to create the East Midlands Shared Services (EMSS) partnership to deliver HR, payroll and finance transactional services.

The EMSS Partnership is governed through a Joint Committee with Member representation from both councils and an officer Operational Board which supports the Joint Committee. Other governance is delivered through arrangements at different levels of the three organisations.

6. CERTIFICATION

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year with the exception of those areas identified in Section 4. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

John Sinnott
Chief Executive

Nicholas Rushton
Leader of the Council

Glossary of Terms

ACCOUNTING POLICIES

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

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 STATEMENT

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 Statement 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.

DEFERRED CAPITAL RECEIPTS

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

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 (i.e. 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 (PWLB)
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.

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.

SHORT TERM ACCUMULATING COMPENSATED ABSENCES ADJUSTMENT ACCOUNT
Represents the reversal of the accrued charge to the Comprehensive Income and Expenditure Statement for outstanding annual leave, flexi leave and time off in lieu carried forward by employees required by regulations.

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.

USABLE RESERVE
An amount set aside for purposes falling outside the definition of a provision that an Authority can apply to its provision of services, either by incurring expenses or undertaking capital investment.

UNUSABLE RESERVE
An amount set aside for purposes falling outside the definition of a provision that an Authority is not able to utilise to provide services. These include reserves that hold unrealised gains and losses as well as adjustment accounts which hold income and expenditure recognised statutorily against the general fund balance on a different basis from that expected by accounting standards as adopted by the code.