



Leicester  
City Council

## **MEETING OF THE AUDIT AND RISK COMMITTEE**

**DATE: TUESDAY, 29 SEPTEMBER 2015**

**TIME: 5:30 pm**

**PLACE: Meeting Room G.02, Ground Floor, City Hall, 115 Charles Street, Leicester, LE1 1FZ**

### **Members of the Committee**

Councillor Patel (Chair)

Councillor Malik (Vice-Chair)

Councillors Alfonso, Hunter, Singh-Johal and Westley

One Labour Group vacancy

Two unallocated Non-Group Places

Members of the Committee are summoned to attend the above meeting to consider the items of business listed overleaf.

for Monitoring Officer

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### Further information

If you have any queries about any of the above or the business to be discussed, please contact Angie Smith, **Democratic Support on (0116) 454 6354** or email [Angie.Smith@leicester.gov.uk](mailto:Angie.Smith@leicester.gov.uk) or call in at City Hall, 115 Charles Street.

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# **PUBLIC SESSION**

## **AGENDA**

### **FIRE / EMERGENCY EVACUATION**

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#### **1. APOLOGIES FOR ABSENCE**

#### **2. DECLARATIONS OF INTEREST**

Members are asked to declare any interests they may have in the business to be discussed.

#### **3. MINUTES OF THE PREVIOUS MEETING**

**Appendix A**

The minutes of the meeting of the Audit and Risk Committee held on 12<sup>th</sup> August 2015 are attached and the Committee is asked to confirm them as a correct record.

#### **4. ANNUAL GOVERNANCE REPORT 2014-15 AND LETTER OF REPRESENTATION**

**Appendix B**

The External Auditor submits a report which summarises the 2013/14 audit of Leicester City Council.

The Audit and Risk Committee are asked to note the report and approve the letter of representation.

#### **5. THE STATEMENT OF ACCOUNTS**

**Appendix C**

The Director of Finance submits a report which gives details of the requirement of the Committee to approve the audited final Statutory Statement of Accounts for the year 2014-15.

The Committee is recommended to approve the accounts.

Details of the Statement of Accounts will be circulated to Members of the Committee as soon as they are available.

#### **6. ANNUAL GOVERNANCE STATEMENT 2014-15**

**Appendix D**

The Director of Finance submits a report to the Audit and Risk Committee for

approval of the Council's Annual Governance Statement 2014-2015. The Committee is recommended to approve the report.

**7. ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE TO COUNCIL FOR THE MUNICIPAL YEAR 2014-15** [Appendix E](#)

The Director of Finance submits the Annual Report of the Audit and Risk Committee. The report sets out what the Committee has achieved over the municipal year 2014-15.

There is no specific requirement for such a report. However, best practice is for the Audit and Risk Committee to be able to demonstrate its effectiveness in overseeing the City Council's control environment and this is reflected in the Committee's terms of reference. The Audit and Risk Committee is recommended to approve the report for submission to Council.

**8. INTERNAL AUDIT ANNUAL REPORT FOR THE FINANCIAL YEAR 2014-15 INCLUDING THE INTERNAL AUDIT OPINION** [Appendix F](#)

The Director of Finance submits the Internal Audit Annual Report and Opinion for the financial year 2014-15 to the Audit and Risk Committee. The Committee is recommended to receive the report, consider whether Internal Audit has met the Committee's expectations of the service during the financial year 2014-15, consider Internal Audit's opinion on the Council's system of internal control in 2014-15, consider the Internal Audit strategy for 2015-16, and make any recommendations it sees fit to the Director of Finance or the Executive.

**9. RISK MANAGEMENT AND INSURANCE SERVICES UPDATE REPORT** [Appendix G](#)

The Director of Finance submits a report that provides Committee with the regular update on the work of the Council's Risk Management and Insurance Services team's activities. The Committee is recommended to receive the report and note its contents, and make any recommendations or comments it sees fit either to the Executive or Director of Finance.

**10. ANY OTHER URGENT BUSINESS**



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# Appendix A

Minutes of the Meeting of the  
AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 12 AUGUST 2015 at 5:30 pm

P R E S E N T:

Councillor Patel (Chair)  
Councillor Malik (Vice Chair)

Councillor Alfonso  
Councillor Singh-Johal

Councillor Hunter  
Councillor Westley

\* \* \* \* \*

**14. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**15. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

**16. MINUTES OF THE PREVIOUS MEETING**

The Committee received the minutes of the meeting held on 1<sup>st</sup> July 2015.

Minute 4, Update on Actions Arising from the Ofsted Report Issues in March 2015, and Discussion on the Children, Young People and Families Risk Register

Members asked if the Ofsted Action Plan had been taken to a formal committee. The meeting was informed that the City Barrister & Head of Standards, and the Chair of Children, Young People and Schools Scrutiny Commission would review where the Plan would sit. The Director of Finance is to write to the City Barrister and Head of Standards to request that an update be provided to the Chair of Audit and Risk Committee.

AGREED

that the minutes of the previous meeting of the Audit and Risk Committee held on 1<sup>st</sup> July 2015 be confirmed as a correct record.

## **17. REPORT ON THE TRANSITION TO NEW BANKING ARRANGEMENTS**

The Director of Finance submitted a report that provided the Audit and Risk Committee with an update on the project to transfer the Council's banking services from the Co-operative Bank to Barclays Bank. The Principal Accountant (Corporate Accountancy) presented the report and answered questions from Members.

Members were informed correct tender processes were followed, and four bids were assessed against criteria and scored over a mix of price and quality of service. The scores would be summarised into a table of key splits for Members' information, but would not contain detail on the unsuccessful tenderers. Members were told that the banking service from Barclays had been introduced across the authority, though some schools had their own banking arrangements.

Members welcomed the report, and asked if the process of payment to smaller companies would be quicker than under previous arrangements. The Director of Finance said that payment of invoices was under the remit of officers in the Council, and one of the Council's manifesto commitments was to look at payment terms to pay small companies quickly, and performance statistics would be provided to Members.

Members also noted that there was still an arrangement with the Co-op in relation to bill payment services, and were informed it was a separate contract that still had some time to run; the tender process would be initiated when due for renewal.

The Chair thanked officers for the report.

RESOLVED:

1. that the Committee receive the report and notes its contents.

## **18. REGULATION OF INVESTIGATORY POWERS ACT 2000 - BI-ANNUAL PERFORMANCE REPORT JANUARY 2015 - JUNE 2015**

The City Barrister and Head of Standards submitted a report on the performance of the Council in authorising Regulation of Investigatory Powers Act (RIPA) applications from 1<sup>st</sup> January 2015 to 30<sup>th</sup> June 2015. The report was presented by the Information Governance Manager.

The report advised that the Council had applied for no directed surveillance authorisations and no communications data authorisations in the first half of 2015.

The meeting was informed that a revised Code of Practice for the Acquisition and Disclosure of Communications Data came into force in 2015, and authorising officers must be independent from operations and investigations. It was noted that the Council did not use RIPA powers very often, and had applied for an exception to the rule. Members were told that the next report

would include information on three investigations that were currently going through the system.

The Chair thanked the Information Governance Manager for the report.

RESOLVED:

that the Committee:

1. receive and note the report;
2. note the reviewed Surveillance Policy.

## **19. COUNTER-FRAUD ANNUAL REPORT 2014-15**

The Director of Finance and the Director of Environmental and Enforcement Services submitted a joint report, which provided information to the Audit and Risk Committee on counter-fraud activities during 2014-15. The Corporate Investigations Manager presented the report.

The report provided an overview of performance. Members were asked to particularly note the following:

- The City Council has successfully secured funding from the Department for Communities and Local Government (DCLG) to lead an intelligence hub for all local authorities in Leicester, Leicestershire and Rutland, and this was the second highest award in the country. Recruitment had gone extremely well, and procurement of the software was complete. The Council undertook cross-boundary regional working with the police and fire authorities also.
- The Revenues and Benefits Team during 2014-15 had issued 141 sanctions averaging £5k each, and amounted to over £737k of fraudulently claimed Housing Benefit or Council Tax Benefit, but this was less than 1% of the Council's annual expenditure on Housing and Council Tax Benefits, and had fallen slightly compared with figures for 2013-14.
- 8 staff and the duty to investigate benefit fraud will move to the DWP in March 2016, which was a loss of good investigators from the Council who were used to investigate other fraud issues. The Corporate Investigations Team would continue to investigate Council Tax Reduction as this was not a benefit.
- Performance would be reviewed on investigations closed within 6 months of investigation commencing / files open more than 10 months old at year-end.

Members requested that a presentation be brought to a future meeting of the Audit and Risk Committee regarding the workings of the team in more detail. Members of the Committee were also asked to think about indicators they thought would be useful.

The Corporate Investigations Manager said that although benefit fraud had decreased, other fraud was bucking the national trend and the Director of Finance had taken the step to bring a financial investigator into the team to

move investigations to a higher level. The Director of Finance said the authority had a duty to detect and resolve fraud, by continuing to grow a fraud investigation function.

Members were informed the Council would continue to receive 40% of Housing Benefit recovery, and administer Housing Benefit. Following the introduction of Universal Credit and transition period, the DWP would administer Housing Benefit payments.

RESOLVED:

1. that the report and its contents be noted.

## **20. DRAFT STATUTORY STATEMENT OF ACCOUNTS FOR THE FINANCIAL YEAR 2014-15**

The Democratic Support Officer read out an amendment to the recommendation contained within the report, to read:

“The Audit and Risk Committee is recommended to note the report and that the draft statement of accounts have been made publicly available and circulated to Members for their information prior to consideration of the Statement of Accounts at the meeting scheduled for September 2015.”

AGREED:

1. that the amendment to the recommendation contained within the report be noted.

The Director of Finance submitted the Draft Statement of Accounts for the financial year ended 31<sup>st</sup> March 2015, prior to formal approval of the final Statement of Accounts at the Audit and Risk Committee on 29<sup>th</sup> September 2015, in accordance with the Accounts and Audit (England) Regulations 2011. The report was presented by the Director of Finance and the Principal Accountant. The draft accounts were submitted at the meeting for information only.

The Audit and Risk Committee was recommended to note the draft accounts for the year ended 31<sup>st</sup> March 2015 as submitted for audit.

Members of the Audit and Risk Committee were told they could make comments on the draft accounts over the following weeks. The Director of Finance and Principal Accountant would also be available to answer questions that Members might have on the accounts. Members were informed that Chartered Institute of Public Finance and Accountancy (CIPFA) would be bringing in a change to transport infrastructure recording in 2016-17 which would affect future accounts, and was work in progress at the present time.

The Chair thanked officers for the report.

RESOLVED:

1. that the Draft Accounts for the year ended 31<sup>st</sup> March 2015, as



submitted for audit, be noted.

## **21. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT IN 2014-15**

The Director of Finance submitted a report that presented the findings of the annual review of the effectiveness of the Council's system of internal audit for 2014-15. The report was presented by the Head of Internal Audit and Risk Management. The Audit and Risk Committee was recommended to accept the findings of the review and conclude that the Council had an effective system of internal audit upon which it (the Council) could place reliance.

The Head of Internal Audit and Risk Management drew to Members' attention key findings from the review, and the view that the Audit and Risk Committee met all of the indicators of being an effective audit committee as set out by CIPFA in their 2005 publication '*Audit Committees: Practical Guidance for Local Authorities*', and was the Directors' overall opinion.

The Committee received the report, and agreed the recommendations.

RESOLVED:

1. that the findings of the review be accepted.
2. the Committee concluded that the Council had an effective system of internal audit upon which the Council could place reliance.

## **22. RISK MANAGEMENT AND INSURANCE SERVICES UPDATE REPORT**

The Director of Finance submitted a report that provided the Audit and Risk Committee with the regular update on the work of the Council's Risk Management and Insurance Services team's (RMIS) activities. The Head of Internal Audit and Risk Management presented the report.

The Head of Internal Audit and Risk Management brought to Members' attention the summary report of claims against the Council received in the current financial year, which showed both successful and repudiated claims. The figures had reversed the year-on-year downward trend for the first time in four years. A recent storm had seen an increase in insurance claims, mainly through damage from falling trees, but figures for claims had gone down again by July.

It was also reported that two court cases had been lost, but there had been a reduction in money that had to be paid out, such that £15k was returned to reserves, though on both cases the judge had thought it was right that they had been taken to court. It was further reported was that since the report had been written a further two cases had been won.

The Head of Internal Audit and Risk Management asked Members to note the key risks highlighted in the report, in particular an incident in one of the authorities' parks, following which the profile of risk assessments had been

raised. It was also noted that early in July, Ofsted had warned of potentially high numbers of pupils disappearing from school registers in Birmingham and Tower Hamlets. The Director, Learning Quality and Performance and her team were aware of the issue and had an action plan in place to deal with such cases if they occurred here.

Member were informed that there had been illegal schools in Leicester. In conjunction with the Department of Education (DfE) the Council would work together to help these school gain 'legal' status or assist with moving children back into mainstream education. The Chair requested information on what constituted a legal school, and the current situation on illegal schools in Leicester.

The Chair thanked the Head of Internal Audit and Risk Management for the report.

RESOLVED:

1. that the report and its contents be noted.
2. that information on what constituted a legal school would be brought to a future meeting of the Audit and Risk Committee.

### **23. ANNUAL APPROVAL OF THE POLICY FOR THE ENGAGEMENT OF EXTERNAL AUDITORS FOR NON-AUDIT WORK**

The Director of Finance submitted a report which sought the Audit and Risk Committee's approval of the 'Policy for Engagement of External Auditors for Non-Audit Work'. The report was presented by the Head of Internal Audit and Risk Management. Members were informed the report had been deferred from the last meeting due to a change in legislation

Members were reminded that the Audit and Risk Committee's Terms of Reference required the policy to be reviewed and approved annually.

Members were asked to note a limit of £29,320 was set for non-audit fees, above which the Audit and Risk Committee would be advised of such work, in accordance with requirements set by Public Sector Audit Appointments Limited and the National Audit Office. It was reported that KPMG had undertaken an audit of Financial Evaluation Processes, requested by the Executive to fend off any potential judicial review, at a cost of £10,200.

The Chair thanked the officers for the report.

RESOLVED:

1. that the policy for the Engagement of External Auditors for Non-Audit Work be approved.

### **24. PRIVATE SESSION**

RESOLVED:

that the press and public be excluded during consideration of the

report in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because it involved the likely disclosure of 'exempt' information, as defined in the Paragraph detailed below of Part 1 of Schedule 12A of the Act, and taking all the circumstances into account, it was considered that the public interest in maintaining the information as exempt outweighed the public interest in disclosing the information.

Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

The report concerned the strength of internal controls in the City Council's financial and management processes and included references to material weaknesses and areas thereby vulnerable to fraud or other irregularity.

**25. INTERNAL AUDIT UPDATE REPORT - THIRD AND FOURTH QUARTERS 2014-15**

The Director of Finance submitted a report summarising Internal Audit work completed in the third and fourth quarters of the 2014-15 financial year, (1<sup>st</sup> October 2014 to 31<sup>st</sup> March 2015), significant issues identified by audit work, and management progress in implementing agreed recommendations. The Internal Audit Manager introduced the report.

The Internal Audit Manager then made the following comments:

- Three reports were brought to the notice of the Committee as areas of concern.
- In most of the cases reported, management action plans were agreed with service management to address the weaknesses identified in the audits, which would be followed up through the normal Internal Audit follow-up process.
- In conducting follow-ups, Internal Audit concentrated primarily on the recommendations previously made on financial and management procedures and not on areas outside of their scope.

Members were informed that if they wished to raise any particular areas of concern, they could do so with the relevant strategic director or officers. Members Services could also assist Members with enquiries.

The Chair thanked officers for the report.

RESOLVED:

1. that the report and its contents be noted.

**26. CLOSE OF MEETING**

The meeting closed at 6.49pm.





*cutting through complexity*

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# Report to those charged with governance (ISA 260) 2014/15

Leicester City Council

18 September 2015

Appendix B

**The contacts at KPMG in connection with this report are:**

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psa.co.uk](http://www.psa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

## This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and
- our assessment of the Authority's arrangements to secure value for money.

## Scope of this report

This report summarises the key findings arising from:

- our audit work at Leicester City Council ('the Authority') in relation to the Authority's 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

## Financial statements

Our *External Audit Plan 2014/15*, presented to you in March 2015, set out the four stages of our financial statements audit process.



This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during February 2015 (interim audit) and August/September 2015.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

## VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

## Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1 with our follow up of previous year recommendations in Appendix 2.

## Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

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<b>Proposed audit opinion</b>	<p>We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.</p>
<b>Audit adjustments</b>	<p>Our audit identified the following adjustments affecting the primary statements:</p> <ul style="list-style-type: none"> <li>■ Two investments totalling £10 million have been reclassified from 'Cash and cash equivalents' to 'Short term investments';</li> <li>■ 'Cash and Cash Equivalents', and 'Bank overdraft' have both been increased by £22.4 million on the Balance Sheet. This is purely a presentational matter: the net amount of cash equivalents at the end of the reporting period has not been changed; and</li> <li>■ 'Adjustments for non-cash movements' and 'Adjustments for items that are investing or financing activities' have both been increased by £6.8 million in the Cash flow statement.</li> </ul> <p>The Authority intends to adjust the value of schools and leisure centres by £76.5 million from the values disclosed in the draft statements, as indexation had not been applied since the date of the last formal valuation. Appendix 3 shows the adjustments that are to be made to the financial statements to reflect the current value of schools and leisure centres but overall there is no impact on the General Fund balance.</p> <p>In addition, the Authority made a number of non-trivial adjustments to notes, most of which were of a presentational nature.</p> <p>We understand that the financial statements will be amended for all of the errors identified through the audit process. However, we have not yet received a revised set of financial statements to confirm that all mis-statements have been amended.</p> <p>There is no impact on the General Fund balance as a result of any of the above adjustments. However there is also a late adjustment being made to transfer £34 million from the general fund into earmarked reserves.</p>
<b>Key financial statements audit risks</b>	<p>We identified the following key financial statements audit risks in our 2014/15 External audit plan issued in March 2015.</p> <ul style="list-style-type: none"> <li>■ Accounting for Local Authority Maintained Schools. CIPFA have issued definitive clarification of existing guidance on significant entries to be included in the financial statements; and</li> <li>■ The in-year change of banking services provider from Co-op to Barclays. The Authority will need to ensure the accurate transfer of balances and update of financial systems to reflect this change.</li> </ul> <p>We have worked with officers throughout the year to discuss these key risks and our detailed findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in these key risk areas.</p>
<b>Accounts production and audit process</b>	<p>The Authority has satisfactory processes in place for the production of the accounts. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p>



**This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.**

<p><b>Completion</b></p>	<p>At the date of this report our audit of the financial statements is substantially complete subject to finalisation of our work on payroll.</p> <p>Before we can issue our opinion we require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>
<p><b>VFM conclusion and risk areas</b></p>	<p>We did not identify any VFM risks in our External audit plan 2014/15. After we finalised our plan, an OFSTED report was published in March 2015 that concluded "The overall judgement is that children's services are inadequate."</p> <p>We have worked with officers to discuss this VFM risk. The Authority has an improvement plan in place to address OFSTED's findings but procedures have yet to be fully embedded. Our detailed findings are reported in section 4 of this report.</p> <p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources except for arrangements regarding children's services. We therefore anticipate issuing a qualified 'except for' VFM conclusion by 30 September 2015.</p>

**The Authority intends to adjust the value of schools and leisure centres from the values disclosed in the draft statements by £76.5 million.**

**There is also a late adjustment being made to transfer £34 million from the general fund into earmarked reserves.**

**We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.**

**The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007**

### **Proposed audit opinion**

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit and Risk Committee on 29 September 2015.

### **Audit differences**

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 5 for more information on materiality) level for this year's audit was set at £20 million. Audit differences below £1 million are not considered significant.

Officers have agreed to increase the value of schools and leisure centres by £56 million and £20 million respectively. Overall there is no impact on the General Fund Balance.

We understand there is also to be a late transfer of £34 million from the general fund into earmarked reserves.

We identified a number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* ('the Code'). These have been discussed with management and we understand that the financial statements will be amended for all of them. Further details are given in Appendix 3.

### **Annual Governance Statement**

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.



## Section three

# Financial Statements (continued)

## Significant risks and key areas of audit focus

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

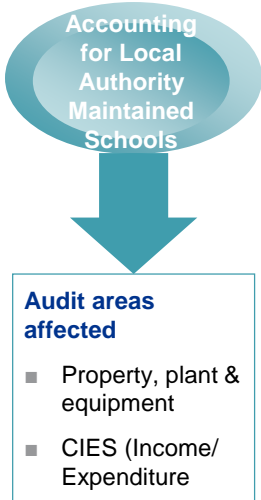
The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
<div style="display: flex; align-items: center;"> <div style="margin-right: 20px;">  </div> <div> <p>Audit areas affected</p> <ul style="list-style-type: none"> <li>■ All areas</li> </ul> </div> </div>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
<div style="display: flex; align-items: center;"> <div style="margin-right: 20px;">  </div> <div> <p>Audit areas affected</p> <ul style="list-style-type: none"> <li>■ None</li> </ul> </div> </div>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our <i>External Audit Plan 2014/15</i> we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p> <p>This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

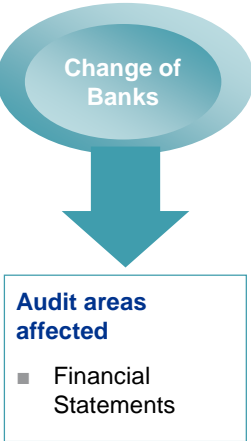
This section sets out our detailed findings on those risks.

In our *External Audit Plan 2014/15*, presented to you in March 2015, we identified the significant risks affecting the Authority's 2014/15 financial statements. We have now completed our testing of these areas and set out below our evaluation following our substantive work.

Significant audit risk	Issue	Findings
 <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>■ Property, plant &amp; equipment</li> <li>■ CIES (Income/ Expenditure)</li> </ul>	<p>LAAP Bulletin 101 <i>Accounting for School Assets used by Local Authority Maintained Schools</i> was issued in December 2014 to assist practitioners with the application of the Code in this respect. The challenges relate to school assets owned by third parties such as church bodies and made available to school governing bodies under a variety of arrangements. This includes assets used by Voluntary-Aided (VA) and Voluntary-Controlled (VC) Schools as well as Foundation Schools.</p> <p>The agreements under which assets are used by VA/VC and Foundation schools and the relevant tests of control in the case of assets made available free of charge, or risks and rewards of ownership in the case of assets made available under leases, is a key area of judgement and there is a risk that the Authority could incorrectly omit school assets from, or include school assets in, their balance sheet.</p> <p>Particular risks surround the recognition of Foundation School assets which may or may not be held in Trust. The Authority should pay particular attention to the nature of the relationship between the Trustees and the school governing body to determine whether the school controls the Trust and the assets should therefore be consolidated into the balance sheet.</p>	<p>We undertook the following work over the accounting for Local Authority Maintained Schools:</p> <ul style="list-style-type: none"> <li>- Determined whether the Authority has identified all relevant maintained schools within its area and reviewed the agreements underpinning the use of school assets by VA, VC and Foundation schools; and</li> <li>- Considered the Authority's application of the relevant accounting standards to account for these schools and challenged its judgements where necessary.</li> </ul> <p>As a result of the Authority's own review of their accounting treatment of schools, two schools were identified as needing to be removed from the balance sheet. However these schools were still included within the draft statement of accounts, but have now been removed as part of the agreed audit adjustments to PPE.</p>

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

Significant audit risk	Issue	Findings
 <p><b>Change of Banks</b></p> <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>Financial Statements</li> </ul>	<p>The Authority began transferring banking services from Co-op to Barclays in February 2015. This represents a significant change to how banking transactions are set up and processed. There is a risk that:</p> <ul style="list-style-type: none"> <li>bank balances have not been accurately transferred to Barclays; and</li> <li>amounts that were credited directly to the Co-op bank account by third parties are not received in the Barclays accounts</li> </ul>	<p>We reviewed the Authority’s arrangements for ensuring the accurate transfer of bank balances, amending the general ledger and ensuring completeness of income to reflect the change in bank provider.</p> <p>There are no issues arising from our work to date that we need to report to the Authority.</p>

## Financial Statements (continued)

### Accounts production and audit process

The Authority has satisfactory processes in place for the production of the accounts and good quality working papers. However the Authority's quality review of the draft financial statements can be improved.

Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

#### Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the criteria shown in the table opposite.

#### Findings in respect of the control environment for key financial systems

During February 2015 we completed our control evaluation work as part of our interim audit visit. We found that, while monthly bank reconciliations had been carried out, there was no evidence of review of the reconciliations. Also on one reconciliation there was no evidence that a small reconciling item had been investigated and resolved. These matters have now been addressed and we have no further matters to report following our review of the year end bank reconciliation.

We also identified that periodic circularisation of establishment lists to Chief Officers were not returned in all instances. The benefit of comparing establishment lists with detailed amounts charged against budgets is to help identify any inappropriate charges to budgets. In order to avoid duplication of effort, and to promote a more efficient way of providing assurance to management, we informed Internal Audit who were about to undertake a payroll review. As Internal Audit included a recommendation in their payroll report issued in August 2015, we have not made a separate recommendation in this report.

#### Prior year recommendations

The Authority has not fully implemented the recommendations in our *ISA 260 Report 2013/14*. Details are included in Appendix 2.

Element	Commentary
<b>Accounting practices and financial reporting</b>	<p>The Authority has satisfactory financial reporting arrangements in place.</p> <p>We consider that accounting practices are appropriate.</p>
<b>Completeness and quality of draft accounts</b>	<p>We received a complete set of draft accounts on 1 July 2015. However there are late changes that are to be made to the draft statements, notably to the value of PPE and to earmarked reserves.</p> <p>Also, our audit has identified a number of adjustments that are required, including amendments to the CIES, Balance Sheet, MIRS and notes to the accounts. Details of these adjustments are set out in Appendix 3.</p> <p>We have raised a recommendation in respect of the Authority's quality review of the accounts and notes which is included in Appendix 1.</p>
<b>Quality of supporting working papers</b>	<p>We discussed our Accounts Audit Protocol including our required working papers for the audit with the corporate finance team in February 2015.</p> <p>The quality of working papers provided met the standards specified in our <i>Accounts Audit Protocol</i>.</p>
<b>Response to audit queries</b>	<p>Officers resolved all audit queries in a timely manner.</p>

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.**

**Before we can issue our opinion we require a signed management representation letter.**

**Once we have finalised our opinion and conclusion we will prepare our *Annual Audit Letter* and close our audit.**

#### **Declaration of independence and objectivity**

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Leicester City Council for the year ended 31 March 2015, we confirm that there were no relationships between KPMG LLP and Leicester City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

#### **Management representations**

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Director of Corporate Services for presentation to the Audit and Risk Committee. We require a signed copy of your management representations before we issue our audit opinion.

#### **Other matters**

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the

financial reporting process; and

- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

**Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.**

**We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources except for arrangements regarding children's services.**

### Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.



### Work completed

We did not identify any VFM risks in our External audit plan 2014/15. After we finalised our plan, an OFSTED report was published in March 2015 that concluded “The overall judgement is that children’s services are inadequate.”

The following page includes further details of our VFM risk assessment and our specific risk-based work.

### Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources except for arrangements regarding children’s services.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	x



We have identified a specific VFM risk regarding childrens' services.

The Authority has an improvement plan in place to address OFSTED's findings but procedures have yet to be fully embedded.

### Work completed

In line with the risk-based approach set out on the previous page, we have:

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- considered the results of relevant work by the Authority,


inspecterates and review agencies in relation to these risk areas; and

- completed specific local risk based work.

### Key findings

Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we needed to carry out additional work. This work is now complete and we report on this below.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>In March 2015 OFSTED published a report "Inspection of services for children in need of help and protection, children looked after and care leavers and Review of the effectiveness of the local safeguarding children board". The OFSTED overall judgement was that children's services are inadequate.</p> <p>The service is a significant part of the Authority's activities. Net expenditure is around £50m pa.</p> <p>Taking these factors together, it is likely that there are weaknesses in the Authority's arrangements for providing value for money.</p> <p>This is relevant to the economy, efficiency and effectiveness criterion of the VFM conclusion.</p>	<p>The OFSTED report included 24 recommendations addressed to the Authority. A two year time frame has been set for re-inspection of the service, to allow the Authority time to embed improved processes.</p> <p><b>Specific risk based work required: Yes</b></p> <p>From our review of documentation and discussions with officers, we are satisfied that the Authority has drawn up an Improvement Plan which sets out detailed actions in response to all the OFSTED recommendations.</p> <p>Due to the short time period since the receipt of the OFSTED report, only two recommendations have been fully addressed to date and procedures have yet to be fully embedded. Therefore at this stage we cannot comment on whether the Plan will be delivered within the required timescale.</p> <p>We also do not form any judgement as to the qualitative aspects of the Improvement Plan ie whether the actions, when implemented, will lead to an improved childrens' service.</p>

## Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

### Priority rating for recommendations

<p><b>1</b> <i>Priority one:</i> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p><b>2</b> <i>Priority two:</i> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p><b>3</b> <i>Priority three:</i> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>
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No.	Risk	Issue and recommendation	Management response / responsible officer
1	2	<p><b>Notes to the Financial Statements</b></p> <p>Non-trivial amendments have been made to a number of notes in the financial statements. These were mainly of a presentational nature. More detail is given in Appendix 3.</p> <p>The notes form part of the statements by giving details about entries in the primary statements. It is therefore important that the entries in the notes are fairly stated.</p> <p><b>Recommendation</b></p> <p>Ensure the 2015/16 accounts closedown timetable includes a robust quality review of the notes.</p>	<p>Management accept this recommendation. A plan of work to deliver this objective is in place.</p> <p>Principal Accountant – Corporate Accountancy</p>

## Appendix 2: Follow up of prior year recommendations

The Authority has not fully implemented all of the recommendations in our ISA 260 Report 2013/14.

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2013/14 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	2
Implemented in year or superseded	0
Remain outstanding (re-iterated below)	2

No.	Risk	Issue and recommendation	Management response/ responsible officer in ISA Report 2013/14	Status as at September 2015
1	2	<p><b>Related party disclosure:</b></p> <p>Assurance about related party transactions relates to the year of account and it is important that declarations are received from all members in position for that year.</p> <p>Last year we reported that related party declarations had not been returned by three councillors, with the impact that there may be significant matters undisclosed. For 2013/14, six councillors did not return their annual declarations.</p> <p><b>Recommendation</b></p> <p>Publish the names of members who fail to return related party declarations. The Chair of the Audit and Risk Committee may wish to consider what further actions are available.</p>	<p><b>Principal Accountant – Corporate Accountancy (comments):</b></p> <p>We have continued to make efforts to secure a return from all members, including making it possible to respond via email and providing improved guidance notes.</p>	<p>For 2014/15, 10 councillors did not return their annual declarations.</p> <ul style="list-style-type: none"> <li>Six were individuals who ceased to be members of the Authority at the elections in May 2015; and</li> <li>Four were individuals who continued to be members of the Authority after the elections in May 2015.</li> </ul> <p>In respect of all but two of the individuals who ceased to be members of the Authority at the elections in May 2015 we have examined the online records of declarations of interests. We have not identified any matters that we consider should have been disclosed in the notes to the financial statements.</p> <p><b>Management response</b></p> <p>Management feel that the response to this recommendation is a matter for the Audit &amp; Risk Committee but is able to support any action the Committee may feel it appropriate to take.</p>

## Appendix 2: Follow up of prior year recommendations (continued)

The Authority has not fully implemented all of the recommendations in our ISA 260 Report 2013/14

No.	Risk	Issue and recommendation	Management response/ responsible officer in ISA Report 2013/14	Status as at September 2015
2	2	<p><b>Journal controls:</b></p> <p>For the last two years we reported that although only authorised finance staff can raise journals, and that there is a degree of authorisation through granting appropriate permissions when staff take up posts, there is no check that journals processed are complete or accurate.</p> <p>Our recommendation was to produce a report of non-routine journals raised by finance staff, and provide evidence that journals are authorised by a senior member of the finance team. This was agreed by officers.</p>	<p><b>Principal Accountant – Corporate Accountancy (comments):</b></p> <p>We have developed a report that allows managers to review journals containing items over a given threshold. This has been publicised/demonstrated at the department’s Principal Accountants Group. At present, we have left this control to Principal Accountants to use as they see best. The report has been used corporately to review year end items in Period 14. Requirements around this will be reviewed again during 2014/15 to determine if further procedures should be put in place.</p>	<p>There is still no established process for authorising journals.</p> <p><b>Management response</b></p> <p>The longer-term solution to this issue will be a system-based authorisation workflow process – in order to meet the recommendation, we are including this in our specification of needs from the Council’s future finance system, for which a procurement exercise is currently underway. Prior to the introduction of a new system, a number of options have been identified for controlling journals, which will be presented to the Finance Management Team. Any additional controls adopted will be incorporated into the Council’s processes and rules as required.</p>

**This appendix sets out the audit differences.**

**We understand that the financial statements will be amended for all of the mis-statements and adjustments identified through the audit process.**

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit and Risk Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

**Uncorrected audit differences**

We are pleased to report that there are no uncorrected audit differences. However, we have not yet received a revised set of financial statements to confirm that all mis-statements have been amended.

**Corrected audit differences**

**Material misstatements affecting the primary financial statements**

A review of schools and leisure centre balances held in the fixed asset register indicated that these had been understated as indexation had not been applied since the date of the last formal valuation (this will have taken place within the last 5 years in accordance with the Authority's rolling programme of revaluations). The value of schools had been understated by £55.8 million and the value of leisure centres had been understated by £20.7 million. As shown in the table below, there are a number of adjustments required to be made to the financial statements to reflect the current value of schools and leisure centres but overall there is no impact on the General Fund balance.

The adjustments below include the removal of two schools from the Balance Sheet in accordance with the guidance issued in LAAP Bulletin 101.

Valuation of schools and leisure centres	Impact £000			
	Income and Expenditure Statement: reduction in cost of services	Movement in Reserves Statement	Increase in Assets	Increase in Unuseable Reserves
Increase in PPE balances			76,538	
Reversal of prior year impairments:				
Education and childrens services	(26,216)			
Cultural and related services	(6,772)			
Increase in revaluation reserve				(43,550)
Transfer to the Capital Adjustment Account for statutory purposes		32,988		(32,988)
<b>Total impact of adjustments</b>	<b>(32,988)</b>	<b>32,988</b>	<b>76,538</b>	<b>(76,538)</b>

This appendix sets out the audit differences.

We understand that the financial statements will be amended for all of the mis-statements and adjustments identified through the audit process.

### Material misstatements affecting the primary financial statements (continued)

The presentation of bank balances and overdrafts is determined by whether there are rights of set off between accounts. Accounts that are 'in credit' at the bank and accounts that are overdrawn can be netted of in the Balance Sheet if there is a legal right of set off agreed with the bank. We identified some bank balances that had not been correctly presented. Officers have agreed to increase both 'Cash and Cash Equivalents' and 'Bank overdraft' by £22.4 million on the Balance Sheet. This is purely a presentational matter: the net amount of cash equivalents at the end of the reporting period has not been changed.

There is also a late adjustment being made to transfer £34 million from the general fund into earmarked reserves.

### Other mis-statements and adjustments

#### *Balance sheet*

Two investments totalling £10 million have been reclassified from 'Cash and cash equivalents' to 'Short term investments' as they were both of more than three months' duration and the classification in the draft statements therefore did not comply with the Authority's accounting policy.

#### *Cash flow statement*

After producing the draft statements, officers identified the need to increase 'Adjustments for non-cash movements' and 'Adjustments for items that are investing or financing activities' by £6.8 million.

#### *Notes to the financial statements*

Our audit also identified a number of disclosure errors affecting notes to the financial statements. These have been discussed with management and the financial statements will be amended for all of them. The main notes amended were:

- Note 7 'Adjustments between Accounting basis and Funding basis under Regulations' and Note 24 'Unusable Reserves (Capital Adjustment Account): comparatives (ie 2013/14 entries) for 'Capital grants and contributions applied' and 'Revenue expenditure funded from capital under statute' both increased by £36.0 million in order to present information consistently with 2014/15;
- Note 23 'Useable Reserves': no change to the total but the movements and closing balances for each reserve did not agree to the Movement in Reserves Statement;
- Note 28 'Amounts Reported for Resource Allocation Decisions': some of the entries have been amended by material amounts in order for the note to be presented consistently with the previous year and to agree to the Income and expenditure Account;

#### *Accounting policies*

Following the guidance issued in LAAP Bulletin 101, officers have agreed to amend the accounting policy in respect of schools.

**The Code of Audit Practice requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.**

### Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

*“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit and Risk Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

### General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.**

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

#### **Auditor declaration**

In relation to the audit of the financial statements of Leicester City Council for the financial year ended 31 March 2015, we confirm that there were no relationships between KPMG LLP and Leicester City Council Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.



For 2014/15 our materiality is £20 million for the Authority's accounts.

We have reported all audit differences over £1 million for the Authority's accounts to the Audit and Risk Committee.

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### Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2014/15, presented to you in March 2015.

Materiality for the Authority's accounts was set at £20 million which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

### Reporting to the Audit and Risk Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Risk Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1 million for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Committee to assist it in fulfilling its governance responsibilities.

## Appendix 6: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

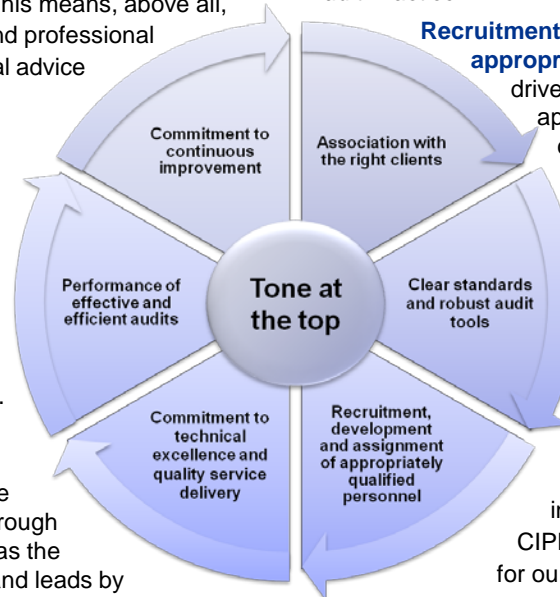
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

**Tone at the top:** We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. John Cornett as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

**Association with right clients:** We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

**Clear standards and robust audit tools:** We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



**Recruitment, development and assignment of appropriately qualified personnel:** One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

### **Commitment to technical excellence and quality service delivery:**

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

**Performance of effective and efficient audits:** We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

**Commitment to continuous improvement:** We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

### **Our quality review results**

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (<http://www.psa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/>).

The latest Annual Regulatory Compliance and Quality Report (issued June 2014/2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.



*cutting through complexity™*

Please ask for: Alison Greenhill  
Telephone: (0116) 454 4001  
Email: alison.greenhill@leicester.gov.uk  
Our Ref: AG/L038

Date: 29 September 2015



KPMG LLP

Chartered Accountants  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

Dear Mr Cornett

This representation letter is provided in connection with your audit of the financial statements of Leicester City Council ("the Authority"), for the year ended 31 March 2015, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

#### **Financial statements**

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended; and

- ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

#### **Information provided**

4. The Authority has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Authority for the purpose of the audit; and
  - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority confirms the following:
  - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:
  - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.
10. The Authority confirms that:
- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
  - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.
11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
  - statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - funded or unfunded; and
  - approved or unapproved,have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit and Risk Committee on 29 September 2015.

Yours faithfully,

Cllr Rita Patel

Chair of the Audit and Risk Committee

Alison Greenhill

Director of Finance

## **Financial Statements**

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period
- A Balance Sheet as at the end of the period
- A Movement in Reserves Statement for the period
- A Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'

## **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

## **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

## **Error**



An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## **Management**

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

## **Related Party and Related Party Transaction**

### **Related party:**

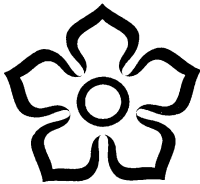
A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - vi. The entity is controlled, or jointly controlled by a person identified in (a).
  - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

**Related party transaction:**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.



Leicester  
City Council

**WARDS AFFECTED:  
ALL WARDS (CORPORATE ISSUE)**

**AUDIT & RISK COMMITTEE**

**29<sup>th</sup> September 2015**

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## **STATUTORY STATEMENT OF ACCOUNTS 2014/15**

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### **REPORT OF THE DIRECTOR OF FINANCE**

#### **1. INTRODUCTION**

- 1.1. The Accounts and Audit (England) Regulations 2011 require that the Council present its audited Statement of Accounts by the 30<sup>th</sup> September following the end of the financial year, and that these accounts are adopted by the Audit & Risk Committee.
- 1.2. The regulations also require those charged with governance – the Audit & Risk Committee – to approve a letter of management representation.
- 1.3. Auditors are to present the committee with their ‘Report to those charged with governance (known as the ISA 260 report) which details the conclusions of their audit work and any recommendations they wish to make.

#### **2. RECOMMENDATIONS**

- 2.1. The Audit & Risk Committee is recommended to:
  - 2.1.1. Note the auditors’ ISA 260 Report to those charged with Governance and the recommendations contained within it
  - 2.1.2. Adopt the audited accounts for the year ended 31st March 2015
  - 2.1.3. Approve the letter of representation submitted by the Director of Finance

#### **3. SUMMARY**

- 3.1. The statutory accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK. Separate management accounts are presented to the Executive and to the Overview Select Committee, which set out the revenue and capital outturn for the authority. The financial position of the authority is presented in a different way in the statement of accounts. The

outturn reports focus on the in-year financial performance in a format consistent with the Council's budgets, while the statement of accounts shows the in-year performance in a standard format adopted by all local authorities, including a balance sheet showing the underlying financial position. Despite the wide variations in the way the position is presented, the key point is that both the outturn reports and the accounts are consistent.

3.2. There have been no substantial changes in the accounting standards or the Council's accounting policies during the 2014/15 financial year, although some clarifications have been made surrounding the Council's policy on accounting for schools' assets.

3.3. The core financial statements are:

- Movement in reserves statement

This shows the movement in the year on the different reserves held by the authority. This statement distinguishes between "usable reserves" which can be used to fund expenditure or reduce local taxation and "unusable reserves" which are effectively accounting entries and not actual cash. The level of uncommitted general balances at 31<sup>st</sup> March 2015 was £15.0m, in line with the Council's financial strategy.

- Comprehensive income and expenditure statement

This shows the Council's actual performance for the year in accordance with the Code of Practice. This means that the accounts are prepared on a different basis than that used to set the Council's budget and raise Council Tax. There are a number of statutory adjustments that are made to the surplus or deficit shown on this statement to arrive at the balance on the General Fund shown in the Movement in Reserves Statement above.

- Balance sheet

The Balance Sheet shows the net worth of the Council in terms of its assets and liabilities. It shows the net value of the organisation including the balances and reserves, its long term indebtedness, together with fixed and net current assets employed in its operations.

- Cash flow statement

This statement summarises the movements in cash holdings during the year in common with the presentation required for commercial companies, although the statement is of less significance in the Local Authority context.

#### **4. AMENDMENTS TO THE DRAFT FINANCIAL STATEMENTS**

- 4.1. During the audit period, the need for certain amendments to the draft financial statements has come to light.
- 4.2. None of these amendments have resulted in a change in the level of balances available to the Council to finance its ongoing operations, although a sum of £34m has been moved from the Council's General Fund to the 'Budget – Managed Reserves Strategy' earmarked reserve. This is in order to provide greater clarity over the level of the Council's uncommitted balances and is consistent with the budget strategy adopted by the Council.
- 4.3. A full list of the amendments agreed with audit will be presented alongside the final accounts to the Committee.

#### **5. LETTER OF REPRESENTATION**

- 5.1. The letter of representation is a letter signed by the Director of Finance and approved by the Audit & Risk Committee.
- 5.2. It is designed to give auditors assurance on the information included in the Statement of Accounts and to affirm that the primary responsibility for the content of the Statement of Accounts remains with the Council.

#### **6. ISA 260 Report to those charged with governance**

- 6.1. The ISA 260 Report details the conclusions of the external audit and makes any recommendations deemed necessary. Management responses to the recommendations are contained within it.

#### **7. FINANCIAL IMPLICATIONS**

- 4.1 The report is exclusively concerned with financial issues.

#### **8. LEGAL IMPLICATIONS**

- 5.1 The timetable and the arrangements for the reporting of the Council's statement of accounts are governed by statute. These statutory requirements have been complied with.

#### **9. OTHER IMPLICATIONS**

<b><u>OTHER IMPLICATIONS</u></b>	<b><u>YES/NO</u></b>	<b><u>PARAGRAPH REFERRED</u></b>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights / People on low incomes	No	

Corporate Parenting	No	
Health Inequalities Impact	No	

**10. BACKGROUND PAPERS**

Revenue and capital outturn reports presented the Overview Select Committee on 9<sup>th</sup> July 2015

Closure of Accounts working papers – held in the Accountancy Section

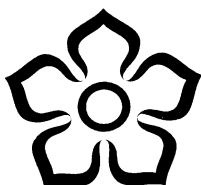
**11. CONSULTATIONS**

All departments are consulted during the Authority's close down period.

**12. AUTHOR**

Alistair Cullen  
Principal Accountant – Corporate Accountancy  
X374042

**Alison Greenhill**  
**Director of Finance**



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**BRIEFING NOTE: AMENDMENTS MADE TO THE DRAFT 2014/15 STATEMENT OF ACCOUNTS AS A RESULT OF THE EXTERNAL AUDIT**

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**1. INTRODUCTION**

- 1.1. The unaudited Statement of Accounts (“draft accounts”) is approved by the Director of Finance by 30<sup>th</sup> June following the end of the financial year. It is then submitted for external audit.
- 1.2. The final audited Statement of Accounts is required to be approved by the Audit & Risk Committee by 30<sup>th</sup> September following the end of the financial year.
- 1.3. It is common for the external audit of the Statement of Accounts to give rise to adjustments that need to be made to the draft version. This note sets out the adjustments that have been made to the Council’s draft accounts for 2014/15.

**2. AMENDMENTS AFFECTING THE COUNCIL’S GENERAL FUND BALANCE**

- 2.1. Only one adjustment has been made that affects the level of the Council’s General Fund balance. This adjustment is at the suggestion of Council officers and does not arise as a result of audit findings.
- 2.2. The Council has been holding funds set aside as part of the “managed reserves” budget strategy within the General Fund. It has been decided to move these balances to an earmarked reserve in order to provide greater clarity to users of the accounts around the underlying level of general balances held – the funds are committed to financing the existing budget strategy and are not available for new commitments.
- 2.3. A sum of £34m has been moved to the Budget Strategy – Managed Reserves Fund, leaving the General Fund balance at £15m, which is the minimum prudent level as determined by the Director of Finance.
- 2.4. The new earmarked reserve will be drawn down in coming financial years in line with the budget strategy approved by the Council.

### **3. MATERIAL AMENDMENTS TO THE FINANCIAL STATEMENTS**

#### **School and leisure centre asset values**

- 3.1. The most significant amendment to the Comprehensive Income and Expenditure Statement (CIES) relates to the value of the land and buildings assets held in respect of schools and leisure centres.
- 3.2. Both the need for, and the value of, the adjustment were identified by the Council prior to the issue of the draft Statement of Accounts in June 2015, and discussed with external auditors at that time. Due to the time required to collate the required information, figures were not available until during the audit period.
- 3.3. The Council, in line with normal practice, values its assets through a rolling 5-year programme. The need for a more significant adjustment arose because, whilst the underlying rules around frequency of asset valuations have not changed for 2014/15, the Code of Practice has placed greater emphasis on the need to ensure balances are materially correct overall, not just to rely on a rolling valuation programme, as has been the case in many authorities.
- 3.4. Upon investigation, it was determined that school and leisure centre assets representing a significant proportion of the overall value of Property, Plant & Equipment (PPE) assets had not been valued for three or more years. Whilst this is within the rolling programme time limits, changes to market and other conditions since the last revaluation meant that the assets as a group could have a value materially different from the value at which they were held in the Balance Sheet.
- 3.5. Finance officers worked closely with the Council's valuer to prepare a robust calculation of the likely impact revaluations, resulting in an uplift in asset value of the Council's schools and leisure centres totalling £76m.
- 3.6. The changes impact on the Balance Sheet, increasing the value of PPE by £76m, and the Comprehensive Income & Expenditure Statement, reducing Net Cost of Services by £33m and increasing Other Comprehensive Income by £43m.
- 3.7. The 2015/16 and future programmes of asset valuations will be planned between Finance and Property services to ensure that no further adjustments are required outside of the normal process.

#### **Cash & Cash Equivalents**

- 3.8. Items totalling £20m have been reclassified from Cash & Cash Equivalents to Short Term Investments. This is a presentational change reflecting the proper classification of these items under the Code of Practice.
- 3.9. This amendment does not alter the underlying value on the Balance Sheet or have any impact on the Council's financial position.
- 3.10. The overall value of Cash & Cash Equivalents has been re-presented in terms



of the split between Cash & Cash Equivalents and Overdraft. The Draft Statement of Accounts presented the position closely following the underlying legal grouping of the Council's new banking arrangements.

- 3.11. Following discussions with auditors, it has become clear that this presentation has some practical limitations. As such, the grouping now only applies to the Council's core corporate accounts and other balances are reflected individually.
- 3.12. Again, this change does not alter the underlying value on the Balance Sheet or have any impact on the Council's financial position.

#### **4. 'NON-TRIVIAL' ADJUSTMENTS TO THE FINANCIAL STATEMENTS**

- 4.1. The term 'non-trivial' is used by auditors for changes that are not in themselves material but which are significant enough to note. The 'non-trivial' adjustments to the Statement of Accounts agreed with the Council's auditors are listed below. None of these adjustments had any impact on the Council's General Fund

##### **Other amendments to schools assets**

- 4.2. Assets relating to Fullhurst Community College (£15.7m) were not initially recognised on the Council's Balance Sheet. These had been derecognised to reflect the transfer of assets to the school as it became a Trust. In fact, the final transfer of assets is now expected to take place during 2015/16 so the assets have been brought back onto the Balance Sheet until it has been completed. The need for this adjustment was recognised by officers and discussed with auditors.
- 4.3. Property assets related to West Gate School (£2.6m) were removed from the Balance Sheet. This reflects the transfer of those assets to the school following its conversion to Trust status.
- 4.4. Property assets related to Ash Field Academy (£2.1m) and Humberstone Junior Academy (£1.5m) were removed from the Balance Sheet – these assets had remained on the Council's books when the schools became academies, but should have been derecognised.

##### **Heritage assets**

- 4.5. A £472k increase in the value of the gallery collection in 2014/15 had been recorded as a revaluation gain but was in fact a combination of purchases and donations. The overall asset value was unchanged but other amendments were made to reflect the proper accounting treatment for the acquisitions.

##### **Other amendments**

- 4.6. Note 11 'Taxation and Non-specific Grant Income' required a minor adjustment to correct the split between the council tax and non-domestic rate lines.
- 4.7. Note 28 'Amounts reported for resource allocation decisions', which has the

purpose of reconciling the Council's management accounts to the final statement of accounts, required some adjustments including reallocating income that had previously been netted against support service recharges and correcting an erroneous prior year figure for employee expenses.

## **5. OTHER PRESENTATION & DISCLOSURE ADJUSTMENTS**

### **Major Repairs Reserve**

- 5.1. Changes were made to the presentation of the Major Repairs Reserve (MRR) and the presentation of £350k of additional depreciation within the Housing Revenue Account (HRA). These changes were presentational, giving greater clarity to the link between the MRR and the financing of HRA capital expenditure, and ensuring that the HRA's supporting notes were consistent with the main statements.
- 5.2. This is a complex area of accounting and the work done during the audit will be incorporated into future years' financial statements.

### **Officers Remuneration**

- 5.3. In Note 35 'Officers' Remuneration' the table in section 1 for senior employees' remuneration was adjusted. Some small amounts had been included as taxable P11D benefits but it has since been determined that salary sacrifice schemes do not need to be included. Minor amendments were also made to the note showing officers paid more than £50k, reducing the overall total by one.

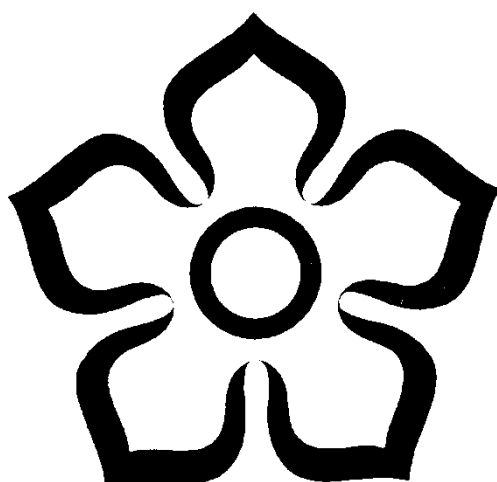
### **Other disclosures**

- 5.4. A contingent asset related to ongoing litigation against Her Majesty's Revenue & Customs has been removed pending further progress in the legal action. This is a change in disclosure that has no impact on the underlying financial position.
- 5.5. An event following the Balance Sheet date has been recognised in respect of the changes made by the Government to social housing rents. This is a non-adjusting event that does not impact on the financial position presented in the accounts.

## **6. AUTHOR**

Alistair Cullen  
Principal Accountant – Corporate Accountancy  
0116 454 4042

**Alison Greenhill**  
**Director of Finance**



**Leicester**  
City Council

# **Audited Statement of Accounts**

**Year ended 31<sup>st</sup> March 2015**



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## FOREWORD

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### 1. Introduction

The statement of accounts presents the City Council's financial performance for the year 2014/15. The accounts have been prepared on a going concern basis, and in compliance with the Code of Practice on Local Authority Accounting in the UK published by the Chartered Institute of Public Finance and Accountancy.

### 2. Core Statements

In accordance with the Code of Practice, there are four core financial statements:

The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services shows the true economic cost of providing the authority'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 Fund balance (for council tax-setting purposes) and the Housing Revenue Account (for rent-setting purposes). The net increase/decrease before transfers to earmarked reserves shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The **Comprehensive Income and Expenditure Account** shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the financial period under the relevant accounting standards. This account shows a deficit in 2014/15 of £67.4m. This includes various transactions which illustrate aspects of the Council's financial position but do not impact on the 'bottom line' amounts chargeable to taxpayers – such items include gains/losses on the revaluation or disposal of assets (including losses on assets transferred to academy schools for nil consideration), and changes to actuarial estimates of the authority's pension liabilities (see section 6 below).

The Council is required by law to set its budget and raise council tax on a different accounting basis from that used in the Comprehensive Income & Expenditure Statement. There are a number of statutory adjustments made in order to determine the movement on the General Fund balance, which is a key figure for Council Tax purposes. These are made in the Movement on Reserves Statement described above. Following these adjustments the final movement on the Council's General Fund balance is a decrease of £10.9m, which remains in line with the Council's budget strategy outlined in section 4 below.

The **Balance Sheet** shows the Council's assets and liabilities.

The top half of the Balance Sheet shows the Council's total net assets. Assets include property, plant & equipment, intangible assets, amounts owed to the Council and the Council's cash and financial investments. Liabilities include amounts owed by the Council (including conditional funding received), provisions made in respect of future events (see Note 22), the Council's borrowing and the deficit on the Council's pension fund (see section 6 below).

The bottom half of the Balance Sheet shows how the Council's net assets are financed by reserves, which are divided into usable and unusable reserves. Usable reserves include the General Fund, Earmarked Reserves and Usable Capital Receipts. More information on usable reserves is contained in section 5 below.

The **Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

### 3. Supplementary statements

The **Housing Revenue Account (HRA)** is a statutory ring-fenced account relating to the provision of rented social housing. The HRA Income and Expenditure Account shows a surplus of £12.7m. However after adjustments to reflect statutory requirements, the account generated a year-end surplus of £1.6m.

The **Collection Fund** records all income and expenditure in relation to Council Tax and Non-Domestic (business) Rates. This account shows an overall year-end deficit for 2014/15 of £3.75m.

### 4. Summary of the year

Local government is in the midst of the most substantial funding cuts ever experienced, as a result of the UK Government's programme to reduce the national spending deficit. It is difficult to estimate the amount of grant that the Council has lost, due to changes in the system of funding local government. It is estimated, however, that government funding has fallen by £65m per year between 2010/11 and 2014/15, with further reductions expected.



The budget approved for 2014/15 noted that the Council had already approved plans to reduce expenditure by £85m per year, and estimated that a further £60m would be required by 2017/18 if the current trajectory of cuts continues.

The Council is addressing the need to make cuts by a programme of spending reviews, which are seeking savings of £35m per annum from a review of 18 service areas. This approach is complemented by a 'managed reserves strategy' whereby reserves have been consciously increased to buy time to implement future reductions in a planned way.

Given the context, it is pleasing that most services spent within budget in 2014/15 with only Adult Social Care reporting a £2.7m overspend. This overspend was met from contingencies.

Capital spending of £184m was incurred in 2014/15, an increase on the £161m in 2013/14. A substantial element (£56m) was spent on the Council's "Building Schools for the Future" (BSF) programme to modernise all the city's secondary schools. Construction work on this programme is now nearing completion. Other significant capital schemes included Jubilee Square and Cathedral Gardens (which were completed in time for the reinterment of King Richard III), redevelopment of the Haymarket Bus Station and improvements to Leicester Market including a new food hall, which opened during 2014/15. Substantial sums also continue to be spent on the modernisation of council tenants' homes and estates.

The Council had financial investments amounting to £165m at the end of the year. These balances continue to grow: the Government now supports all new capital schemes by grant and Government rules disincentivise the use of Minimum Revenue Provision to repay actual debt. Whilst financial institutions remain more secure than they have been following the economic crash of 2008, governments are seeking to ensure that taxpayers are never again a lender of last resort. New "bail in" rules mean that corporate investors, such as the Council, risk regulatory action converting their cash to equity investments if funds are held in banks with inadequate capital. This is forcing the Council to reconsider its investment policy and diversify to spread risk. No new borrowing took place in 2014/15.

## **5. Reserves**

The Council's uncommitted reserves stood at £15m on 31<sup>st</sup> March 2015, which is a reduction from the £25.9m held at the end of 2013/14. This is the consequence of the managed reserves strategy outlined above whereby funds required to manage the budget strategy over coming years have been moved to an earmarked "Budget Strategy – Managed Reserves" fund totalling £34m.

The Council holds “earmarked” reserves for specific purposes. In addition to the Budget Strategy reserve outlined above, these include reserves ringfenced by law, such as schools balances (£18.5m) which can only be spent by individual schools; and funds committed for future purposes, such as monies required for Building Schools for the Future (£24m). Other funds include monies received from the NHS for joint projects, and money to pay for capital works. Earmarked reserves stand at £186m. It is expected that earmarked reserves will reduce from 2015/16 as the Building Schools for the Future programme is completed and investment is made in transforming services to meet reduced ongoing budgets, in addition to the planned drawdown of reserves in the Council’s budget strategy.

## **6. Pensions**

The Council is a member of the Leicestershire local authority pension scheme, a defined benefit scheme managed by Leicestershire County Council. In common with most such schemes, the Council’s pension fund shows a significant deficit (£764m). This represents the difference between expected investment returns and the cost of providing benefits to scheme members which have been earned to date. The size of the deficit has increased, principally due to the impact of changes in assumptions around future liabilities being greater than the impact of returns on investment. The deficit has no immediate impact on the revenue budget, but will be a factor in calculating employers’ contributions from 2017/18 following the next actuarial valuation of the fund. Full accounts of the Leicestershire scheme can be found at <http://www.leics.gov.uk/pensions.htm>

## **7. Future issues**

2015/16 and later years will see the continuation of substantial government grant cuts. The Council’s main Revenue Support Grant will fall from £109m in 2014/15 to £78m in 2015/16. The new government has made clear that cuts to spending will continue, with £13bn expected from unprotected services (including local government) by 2017/18.

The Council is unlikely to need to borrow money for the foreseeable future and investment balances will continue unless penalties for redeeming historic debt from the Public Works Loans Board are removed. The Council will nonetheless seek opportunities to redeem debt. The key issue for treasury strategy will be the investment of cash balances in an uncertain environment and a changing regulatory framework.

## **8. Accounting policies and other significant changes**

There have been no significant changes in accounting policy in 2014/15.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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### The Council's Responsibilities

The Council 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 council, that officer is the Director of Finance.
- Manage its affairs so as 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 Audit & Risk Committee on ..... 2015.

**Cllr** ..... **Date** .....

### The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper 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 Chief Finance Officer has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Director of Finance has also:

- 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 the City Council and its income and expenditure for the year ended 31<sup>st</sup> March 2015.

**Signed:**

**Alison Greenhill CPFA, Director of Finance** **Date:**.....

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEICESTER CITY COUNCIL**

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We have audited the financial statements of Leicester City Council for the year ended 31 March 2015 on pages 10 to 109. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director of Finance and auditor**

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial 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 Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

## **Matters on which we are required to report by exception**

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages d to e does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

## **Conclusion on Leicester City Council'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.

### **Auditor's 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 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 October 2014, 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 put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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.

### **Basis for qualified conclusion**

In considering the Council's arrangements for challenging how it secures economy, efficiency and effectiveness, we have taken into consideration the findings of an OFSTED report published in March 2015. OFSTED's overall judgement was that children's services are inadequate.

The OFSTED report included 24 recommendations addressed to the Authority. A two year time frame has been set for re-inspection of the service, to allow the Authority time to embed improved processes.

The Authority has drawn up an Improvement Plan which sets out detailed actions in response to all the OFSTED recommendations. However, due to the short time period since the receipt of the OFSTED report, only two recommendations have been fully addressed to date and the revised procedures have yet to be fully

embedded. Consequently we cannot comment on whether the Plan will be delivered within the required timescale.

### **Qualified conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Leicester City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

### **Certificate**

We certify that we have completed the audit of the financial statements of Leicester City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

**John Cornett**  
**for and on behalf of KPMG LLP, Appointed Auditor**  
*Chartered Accountants*  
*St Nicholas House*  
*Park Row*  
*Nottingham*  
*NG1 6FQ*

*Date:*

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the 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 Fund Balance and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

A detailed breakdown of movements is provided in Note 7 and Note 8 of the Explanatory Notes to the Core Financial Statements. Movements in Unusable Reserves are detailed in Note 24.

2014/15	General Fund Balance	Ear-marked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31st March 2014 brought forward</b>	(25,940)	(152,494)	(14,469)	(1,200)	(29,046)	(57,538)	(280,687)	(888,630)	(1,169,317)
<b>Movement in reserves during 2014/15</b> (Surplus) or deficit on provision of services	17,691		(12,680)				5,011		5,011
Other Comprehensive Expenditure and Income							-	62,390	62,390
<b>Total Comprehensive Expenditure and Income</b>	17,691	-	(12,680)	-	-	-	5,011	62,390	67,401
Adjustments between accounting basis & Funding basis under regulation	(40,330)	-	11,041	-	8,585	29	(20,675)	20,675	-
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	(22,639)	-	(1,639)	-	8,585	29	(15,664)	83,065	67,401
Transfers to/(from) Earmarked Reserves	33,579	(33,579)	-	-	-	-	-	-	-
<b>(Increase)/Decrease in year</b>	10,940	(33,579)	(1,639)	-	8,585	29	(15,664)	83,065	67,401
<b>Balance at 31st March 2015 carried forward</b>	(15,000)	(186,073)	(16,108)	(1,200)	(20,461)	(57,509)	(296,351)	(805,565)	(1,101,916)



2013/14	General Fund Balance	Ear-marked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31st March 2013 brought forward</b>	<b>(24,163)</b>	<b>(154,261)</b>	<b>(7,744)</b>	<b>(1,200)</b>	<b>(20,119)</b>	<b>-</b>	<b>(207,487)</b>	<b>(985,613)</b>	<b>(1,193,100)</b>
<b>Movement in reserves during 2013/14</b> (Surplus) or deficit on provision of services	(61,469)	-	(19,616)	-	-	-	<b>(81,085)</b>	-	<b>(81,085)</b>
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	104,868	<b>104,868</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(61,469)</b>	<b>-</b>	<b>(19,616)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(81,085)</b>	<b>104,868</b>	<b>23,783</b>
Adjustments between accounting basis & Funding basis under regulation	61,459	-	12,891	-	(8,927)	(57,538)	<b>7,885</b>	(7,885)	-
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(10)</b>	<b>-</b>	<b>(6,725)</b>	<b>-</b>	<b>(8,927)</b>	<b>(57,538)</b>	<b>(73,200)</b>	<b>96,983</b>	<b>23,783</b>
Transfers to/(from) Earmarked Reserves	(1,767)	1,767	-	-	-	-	-	-	-
<b>(Increase)/Decrease in year</b>	<b>(1,777)</b>	<b>1,767</b>	<b>(6,725)</b>	<b>-</b>	<b>(8,927)</b>	<b>(57,538)</b>	<b>(73,200)</b>	<b>96,983</b>	<b>23,783</b>
<b>Balance at 31st March 2014 carried forward</b>	<b>(25,940)</b>	<b>(152,494)</b>	<b>(14,469)</b>	<b>(1,200)</b>	<b>(29,046)</b>	<b>(57,538)</b>	<b>(280,687)</b>	<b>(888,630)</b>	<b>(1,169,317)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14 Restated				2014/15			
Gross Exp £000	Income £000	Net Exp £000		Note	Gross Exp £000	Income £000	Net Exp £000
7,594	(5,674)	1,920	Central Services to the Public		8,638	(5,833)	2,805
43,587	(11,703)	31,884	Cultural and Related Services		33,207	(11,850)	21,357
30,954	(10,202)	20,752	Environmental and Regulatory Services		28,823	(10,925)	17,898
19,638	(17,891)	1,747	Planning and Development Services		41,324	(28,699)	12,625
446,240	(355,393)	90,847	Education and Children's Services		459,856	(348,776)	111,080
38,112	(12,304)	25,808	Highways and Transport Services		42,957	(11,194)	31,763
62,193	(89,867)	(27,674)	Local Authority Housing (HRA)		65,463	(89,191)	(23,728)
160,526	(148,643)	11,883	Other Housing Services		154,921	(141,757)	13,164
142,538	(42,642)	99,896	Adult Social Care		143,588	(41,460)	102,128
23,756	(20,521)	3,235	Public Health		26,519	(22,070)	4,449
15,733	(1,869)	13,864	Corporate and Democratic Core		6,149	(615)	5,534
23,711	(358)	23,353	Non Distributed Costs		22,155	(516)	21,639
<b>1,014,582</b>	<b>(717,067)</b>	<b>297,515</b>	<b>Cost of Services</b>	<b>28</b>	<b>1,033,600</b>	<b>(712,886)</b>	<b>320,714</b>
		(9,801)	Other Operating Expenditure	9			9,530
		37,381	Financing and Investment Income and Expenditure	10			44,965
		-	Surplus or Deficit of Discontinued Operations				-
		(406,180)	Taxation and Non-Specific Grant Income	11			(370,198)
		<b>(81,085)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>5,011</b>
		-	Associates and Joint Ventures Accounted for on an Equity Basis - Authority share of results of associates and joint ventures				-
		-	Tax Expenses - Corporation Tax Payable				-
		<b>(81,085)</b>	<b>(Surplus) or Deficit including Associates &amp; Joint Ventures</b>				<b>5,011</b>
		(31,735)	Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets	24			(75,473)
		-	Surplus or Deficit on Revaluation of Available for Sale Financial Assets				-
		136,603	Remeasurement of the Net Defined Benefit Liability	47			137,863
		<b>104,868</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>62,390</b>
		<b>23,783</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>67,401</b>

## BALANCE SHEET

31st March 2014 £000		Note	31st March 2015 £000
1,948,565	Property, Plant & Equipment	12	2,057,641
80,806	Heritage Assets	51	81,395
1,691	Intangible Assets	14	1,791
7,785	Long Term Investments	15	7,785
2,780	Long Term Debtors	18	2,842
<b>2,041,627</b>	<b>Long Term Assets</b>		<b>2,151,454</b>
116,159	Short Term Investments	15	132,297
19,359	Assets Held For Sale (<1 year)	20	17,985
2,953	Inventories	16	2,916
53,436	Short Term Debtors	18	54,819
85,445	Cash and Cash Equivalents	19	56,462
<b>277,352</b>	<b>Current Assets</b>		<b>264,479</b>
(18,329)	Bank Overdraft	19	(23,317)
(3,510)	Short Term Borrowing	15	(3,505)
(125,254)	Short Term Creditors	21	(138,014)
(6,003)	Provisions (<1 year)	22	(8,103)
<b>(153,096)</b>	<b>Current Liabilities</b>		<b>(172,939)</b>
(13,361)	Provisions (>1 year)	22	(9,465)
(243,108)	Long Term Borrowing	15	(243,101)
(722,217)	Other Long Term Liabilities	15	(884,024)
(17,880)	Capital Grants Receipts in Advance	38	(4,488)
<b>(996,566)</b>	<b>Long Term Liabilities</b>		<b>(1,141,078)</b>
<b>1,169,317</b>	<b>Net Assets</b>		<b>1,101,916</b>
	<u>Represented by:</u>		
280,687	Usable Reserves	23	296,351
888,630	Unusable Reserves	24	805,565
<b>1,169,317</b>	<b>Total Reserves</b>		<b>1,101,916</b>

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the 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 Council.

2013/14 £000		Note	2014/15 £000
81,085	Net surplus or (deficit) on the provision of services		(5,011)
123,786	Adjustments to net surplus or deficit on the provision of services for non-cash movements		143,131
(151,195)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities		(99,995)
<b>53,676</b>	<b>Net cash flows from Operating Activities</b>	<b>25</b>	<b>38,125</b>
8,544	Net cash flows from Investing Activities	26	(68,688)
(7,110)	Net cash flows from Financing Activities	27	(3,408)
<b>55,110</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(33,971)</b>
12,006	Cash (in hand), overdraft and cash equivalents at the beginning of the reporting period		67,116
<b>67,116</b>	<b>Cash (in hand), overdraft and cash equivalents at the end of the reporting period</b>	<b>19</b>	<b>33,145</b>

## **NOTES TO THE ACCOUNTS**

### **1. Statement of Accounting Policies**

#### **i) General Principles**

The Statement of Accounts summarises the City Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Council is required to prepare an annual statement by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. Those practices comprise the Code of Practice on Local Authority accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### **ii) Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due are accounted for as income at the date on which the Council provides the relevant goods or services
- Supplies are recorded as expenditure when they are consumed. Where supplies are held for future use they are shown as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded when the services are received rather than when payments are made
- Where income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

#### **iii) Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash Equivalents are investments that mature within three months from the date of acquisition and 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 part of the Council's cash management.

#### **iv) Exceptional Items**

When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement (CI&ES) or in the notes to the accounts, depending on their significance in understanding the Council's financial performance.

#### **v) Prior Period Adjustments, changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may result from a change in accounting policies or the need to correct material errors. Changes in accounting estimates (i.e. estimation of figures based on assumptions and analysis) are accounted for in the current year, and not in previous years.

Changes in accounting policies result either from alterations to proper accounting practices, or to provide more reliable or relevant information about the effect of transactions on the Council's financial performance.

Where such changes are made, they are applied retrospectively by adjusting opening balances and comparative amounts for previous years, as if the new policy had been applied. This policy is also applied to any material errors that may be identified.

#### **vi) Charges to Revenue for Non-Current Assets**

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on non-current assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off. Where previous impairments have occurred and, subsequently, revaluation gains are made, the gains are first used to credit service revenue accounts, to partially or fully mitigate the impairments.
- Amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, the Council's policy is to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirements (equal to at least 4% of the underlying amount measured by the

adjusted capital financing requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two.

## **vii) Employee Benefits**

### **Benefits Payable during employment**

Short term employee benefits are those due to be settled within 12 months of the year end. They include wages, salaries, paid annual and sick leave, bonuses and other non-monetary benefits (e.g. cars) for current employees and are recognised in the year in which the employee render the service. An accrual is made for cost of holiday entitlement earned by the employee but not taken before the end of the financial year. The accrual is made at the wage and salary rates applicable in the period the employee takes the benefit. This accrual is charged to services and reversed into the period when the entitlement is taken. To avoid an impact on balances this is reversed in the Movement in Reserves Statement.

### **Termination Benefits**

Termination benefits are payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or the officer's decision to accept voluntary redundancy. These costs are charged on an accrual basis to the Non Distributed Costs in the CI&ES when the Council is committed to the termination, or make an offer to encourage voluntary redundancy.

When these involve enhancement of pensions the General Fund is required to be charged with the amount payable, however this is adjusted, in line with regulations, in the Movement in Reserves Statement to reflect the cash paid rather than the liability incurred under accounting standards.

### **Post-employment Benefits**

Employees of the Council may be members of one of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pension Scheme, administered by the Leicestershire County Council (LGPS)
- The NHS Pension Scheme (in relation to staff transferring from the NHS as part of the adoption of responsibility for public health), administered by the NHS Business Services Authority

All schemes provide defined benefits to members (retirement lump sums and pensions), to which entitlement is earned as employees work for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for those benefits cannot be identified as specifically accruing to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Children and Education services line in the CI&ES is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Leicestershire County Council Pension Scheme attributable to Leicester City Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.2%. This discount rate is calculated by the actuary based on the yield curve of a basket of high-quality corporate bonds with maturity dates and the weighted average duration of the benefit obligation for the Council.
- The assets of the Leicestershire County Council Pension fund attributable to Leicester City Council are included in the Balance Sheet at their 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 between Balance Sheet dates is analysed into six components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the CI&ES to the revenue accounts of services for which the employees worked.
  - Past service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the CI&ES as part of Non-Distributed Costs.
  - Net interest on the defined benefit liability – the net of the expected increase in the present value of liabilities over the year arising from the passage of time and the expected return on scheme assets discounted at the discount rate used for the liabilities. This is part of Financing & Investment Income & Expenditure.
  - Gains/losses on settlements and curtailments – the results of actions to relieve the Council of liabilities or events that reduce the expected future service or



accrual of benefits of employees – debited to the Net Cost of Services as part of Non-Distributed Costs.

- Re-measurements of the net defined benefit obligation – this is the change in the net pensions liability over the year attributable to changes in demographic and financial assumptions
- Contributions paid to the Leicestershire County Council Pension Fund – cash paid as employer’s contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. This means that there are appropriations to and from the Pensions Reserve in the Movement in Reserves Statement, to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance on the Pension Reserve measures the beneficial impact on the General Fund for accounting on cash basis rather than as the benefits are earned.

### **Discretionary Benefits**

The Council also has limited powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers and ex-NHS staff) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **viii) Events after Balance Sheet date**

Events after the Balance Sheet date are those events, favourable or adverse, that occur between the end of the reporting period and the date that the Statements are authorised for issue. Two types of events could be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period. The statements are adjusted to reflect this better understanding of the situation at the Balance Sheet date
- Those indicative of conditions that arose after the reporting period, but are relevant to the reader’s understanding of the Council’s financial position. The Statements are not adjusted, but if the events would have a material effect on the reader’s understanding, disclosure is made 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 Statements

## **ix) Financial Instruments**

### **Financial Assets**

Financial assets are classified into two types:

Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment line in the CI&ES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CI&ES is the amount receivable for the year in the loan agreement.

### **Soft Loans**

The Council has not entered into any significant or material soft loan arrangements. These are loans made to third parties (usually voluntary organisations) at less than market rates.

### **Impairment**

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the CI&ES. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the CI&ES.

### **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Finance and Investment Income line in the CI&ES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest and interest charged to the CI&ES is the amount payable for the year in the loan agreement. The effective interest rate is that which exactly discounts estimated future cash payments over the life of the instrument to that at which it was originally recognised.

## **Repurchase of Borrowing**

Gains on the repurchase or early settlement of borrowing are credited to Net Operating Expenditure in the CI&ES in the year of repayment/settlement. Losses on the repurchase or early settlement of borrowing are debited to Net Operating Expenditure, which may be met by capital receipts, reducing the level of unapplied capital receipts carried forward, or from borrowing. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CI&ES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CI&ES, regulations allow the impact on the General Fund balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CI&ES to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. (This is further detailed in Note 15).

## **x) Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date that the council satisfies the conditions of the entitlement to the grant/contribution and there is reasonable assurance that the monies will be received.

Conditions are stipulations that specify that future economic benefits or service potentials embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or returned to the payer. Revenue grants are matched in revenue accounts with the service expenditure to which they relate.

Grant towards general expenditure (e.g. Revenue Support Grant, NNDR etc.) is credited to the Taxation and non-specific grant income in the CI&ES.

Grants that relate to capital expenditure are recognised in the year that the conditions of the grant are met, or immediately upon receipt if there are no conditions. These items are credited in the CIES under Taxation and Non-specific Grant Income. To avoid impact on the General Fund these items are reversed in the Movement in Reserves Statement and transferred to either the Capital Grants Unapplied Reserve or the Capital Adjustment Account.

Grants and contributions which have been received but for which any conditions have not been satisfied are carried on the Balance Sheet as Receipts in Advance.

## **xi) Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance, calculated on a historic cost basis, is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## **xii) Interest in Companies and Other Entities**

In previous years, the Council has prepared Group Accounts, incorporating certain other organisations over which the Council has a level of control consistent with the Code's definition of a subsidiary or associate entity.

In 2012-13 the Council reviewed its relationship with these other organisations and has concluded that the preparation of Group Accounts gives no material benefit to users of the Statement of Accounts in terms of their understanding of the Council's financial position. This remains the case in 2014/15.

Any significant interest in companies and other entities are recorded as investments (i.e. cost less any provision for losses) in the single entity accounts

## **xiii) Inventories**

Inventories (stocks) are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

## **xiv) Jointly Controlled Operations and Assets**

Jointly controlled operations are activities undertaken by the council in conjunction with other ventures that involve the use of assets and resources of the ventures rather than establishing a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debit and credits the CI&ES with its share of expenditure and income from the activities of the operation.

## **xv) Leases**

Leases are classified as either 'finance' or 'operating' leases.

A finance lease is one where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of property, plant or equipment from the lessor to the lessee. In these cases, the lease is accounted for as two parallel but distinct transactions – the acquisition/disposal of an asset and the giving/receipt of a loan to finance it.

All other leases are classified as operating leases – in these cases the annual receipt/payment is simply recognised in the CIES and the future commitments disclosed in the note to the accounts.

Where a lease covers both land and buildings each element is considered separately for classification. Arrangements that do not have the legal status but convey a right to use the asset in return for a consideration are accounted for under this policy.

#### *Council as Lessor*

Where the Council have granted a finance lease over property or equipment, which is considered material, the relevant asset is written out of the Balance Sheet. Rentals under such leases, granted after 1<sup>st</sup> April 2010, are apportioned between:

- Finance income (credited to Finance and Investment income in the CIES).
- Charge for acquisition of the interest in the property (this is treated as a capital receipt and is used to reduce the long term debtor created at the start of the lease).

However the income from earlier leases will continue to be treated as rental income and all credited to the Services in the CIES. This is the same treatment for leases granted that are deemed to be operational leases

The gain credited to the CIES on disposal, is regarded as a capital receipt and reversed out to avoid an impact on the General Fund balances in the Movement in Reserves Statement to either Usable Capital Receipts or Deferred Capital Receipts if payment is due in the future. The written off value is not charged against Council Tax as the cost of fixed assets is fully provided for under the capital financing arrangements. Therefore an adjustment is made to the Capital Adjustment Account in the Movement in Reserves Statement.

#### *Council as Lessee*

Where the Council holds assets under a finance lease the relevant assets are recognised as assets and added to the non-current assets on the Balance Sheet at the fair value measured at the lease inception (or the present value of minimum leases payments, if lower). The assets recognition is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods they are incurred. Payments under such leases are apportioned between:

- Finance Income and charged to the Finance and Investment expenditure in the CIES.
- Charge for acquisition, and debited against the lease liability created when the non-current asset is recognised on the Balance Sheet.

The asset created is valued and depreciated in the same way as other owned assets, the depreciation being charged to the service using the asset. The depreciation is

reversed through the Movement in Reserves Statement and replaced by a prudent annual contribution (MRP) to cover the use of the asset.

Rentals for assets acquired under operational leases are charged on a straight line basis over the life of the lease to the appropriate service in the CIES.

#### **xvi) Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional democratic organisation
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early

These two categories are accounted for as separate headings in the CI&ES, as part of the Cost of Services.

#### **xvii) Property Plant and Equipment**

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis are classified as Property, Plant and Equipment.

##### *Recognition:*

Expenditure on the acquisition, creation or enhancement of tangible non-current assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Recognition is subject to a de minimis limit of £10k so that small items of expenditure do not need to be capitalised but are charged to revenue. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

The cost of assets acquired other than by purchase is deemed to be its fair value.

##### *Measurement:*

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred during the construction period. The cost of assets acquired other than by purchase, and donated assets, is deemed to be its fair value. Gains are credited to the Other Comprehensive Income and Expenditure line of the CIES, and reversed out to the Revaluation Reserve in the Movement in Reserves Statement.

Assets are carried in the Balance Sheet using the following measurement basis:

- Council dwellings – fair value using basis of existing use value for social housing.
- Vehicles, plant and equipment are substantially at historic cost net of depreciation as either there is no intention to sell before the end of their useful life or they are of a specialist nature and therefore have no readily available market value. Some assets are subject to fair value measurement.
- Infrastructure assets, Community assets and Assets under Construction – depreciated historic cost or nominal value in the main. A few are subject to fair value measurement.
- All other assets - fair value, determined as the amount that would be paid for the asset in existing use (or fair value based on market value at highest and best use for surplus assets).

Where there is no market based evidence of fair value because of the specialised nature of the asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of an impairment loss previously charged to a service revenue account. Decreases in valuations, when identified, are initially written down against any previous values in the Revaluation Reserve for that asset, and any balance of the reduction is written down to the relevant service line in the CIES. The Revaluation Reserve contains revaluation gains recognised since 1<sup>st</sup> April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

*Impairment:*

The values of each category of asset and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account.
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charges to the relevant service revenue account.

Where an impairment loss is charged to the CIES but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the

value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

#### *Disposals:*

When it becomes probable that the carrying amount of an asset will be recovered from sale rather than through continued use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of that value and fair value less costs to sell. Where there is a subsequent decrease to fair value, the loss is posted to other operating expenditure line in the CIES.

Gains are recognised up to the amount of any previous losses recognised in the surplus or deficit on Provision of Services. Recognition of any revaluation gains that take place over this amount is deferred until they are realised in a sale. Depreciation is not charged on Assets Held for Sale. The probability of sale is measured on the fact that the asset is being actively marketed and there is a likelihood of disposal within twelve months. If assets no longer meet these criteria they are reclassified back to non-current assets and valued back to their carrying value before being reclassified, adjusted for depreciation that would have been incurred.

When an asset is disposed of or de-commissioned, the value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal.

Receipts from disposals are credited to the CIES as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10k are categorised as capital receipts.

A proportion of receipts relating to Housing Revenue Account (HRA) dwellings sold under the Right To Buy (RTB) rules from 1<sup>st</sup> April 2012 is payable into a government pool, with the balance of the receipts (after a deduction to compensate the HRA for a higher level of sales under the new rules) being available for general capital investment plus a prescribed requirement to provide new affordable housing. 50% of HRA receipts from non-RTB disposals are also required to be paid into the government pool, unless they are reinvested in new affordable housing or regeneration capital schemes, in which case the pooling requirement is waived.

The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from General Fund balances in the Movement in Reserves Statement.

The written-off value of disposals is not charged against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.



### *Depreciation:*

Depreciation is provided for on all assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods in which the benefits from their use are expected to arise.

Depreciation is calculated on the following bases:

- Council dwellings – dividing the buildings element of the valuation (i.e. fair value less an adjustment for social housing) by the residual life of the property.
- Other buildings - straight-line allocation over the life of the property as estimated by the valuer.
- Vehicles – on a straight-line basis.
- Plant and Equipment – straight-line over the estimated life of the asset.
- Infrastructure – straight-line allocation over 40 years.

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

### Schools:

Schools assets are included within the Council's Balance Sheet in line with the criteria for recognition of non-current assets set out in the Code of Practice. Consideration is given to the recognition of the assets on a school-by-school basis but in effect the assets of all schools run under the standard community schools model (including Voluntary Controlled schools) are recognised because the Council is both the legal owner of the assets and also the beneficiary of them in substance. Where the governance of the school differs from the community school model (for example Academies, Voluntary Aided and Foundation Trust schools), the Council considers whether it has effective control of the school's assets in respect of access to future economic benefits or service potential, and also its exposure to the risks of ownership. Where this is not the case, the assets are not recognised on the Council's Balance Sheet.

Where schools become Academies, the Council retains legal title to the assets of the school but transfers the economic benefits and service potential of those assets to the Academy by way of a long lease. The Council therefore derecognises those assets from its Balance Sheet in line with the Code of Practice's provisions on leasing.

## **xviii) Heritage Assets**

Heritage Assets were accounted for as a separate class of assets for the first time in the 2011/12 financial statements, in accordance with FRS 30 and the Code of Practice. Some of the Heritage assets were previously reported as community assets within property, plant and equipment. These have all been reclassified at their net book value and all have indeterminate useful economic lives and therefore it is not considered appropriate to charge depreciation.

Other Heritage Assets exhibits are held across the City in various locations such as New Walk Museum, the Guildhall and Newarke Houses Museum. These are recognised at insurance value as this is deemed to be the most appropriate, fair and suitable method. They are based on market values and updated every 3 years.

A number of other assets have been included in the Council's asset register as heritage assets. These assets have been included at a nominal fair value due to the improbability that any could be sold.

The carrying amounts in the Balance Sheet of all the assets (i.e. other than museum exhibits and assets held at nominal fair value) are reviewed as part of the on-going 5 year revaluation work undertaken by the Council and where there is evidence of impairment, such as physical deterioration, that impairment will be recognised and measured in accordance with the Council's general policies on impairment; see Note xvii – Property, Plant and Equipment on impairment.

Purchases and acquisitions, (for example by donations) are rare but when they do occur purchases will be recognised at cost and acquisitions will be initially recognised at a nominal value until valuations can be ascertained by either the museum's curators with reference to the appropriate commercial markets, or by an external valuer.

The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Any disposal proceeds will be disclosed separately in the notes to the financial statements and will be accounted for in accordance with the statutory requirements relating to capital expenditure and capital receipts; see Note xvii – Property, Plant and Equipment.

## **xix) Private Finance Initiatives**

PFI, and similar contracts, are agreements to receive services which may include the requirement to provide assets by the supplier in the delivery of the service. In line with the requirements of the International Financial Reporting Interpretations Committee (IFRIC), as the Council is deemed to control the service, and ownership of the property will pass to the Council at the end of the contract, with no extra charge, the Council carries the value of the property and equipment used on its Balance Sheet as part of Property, Plant and Equipment.

The initial recognition of the assets, at fair value, is balanced by the recognition of the liability for amounts due to the scheme contractor to pay for the capital investment. The Assets are subsequently revalued and depreciated, the same as other Property, Plant and Equipment.

The amounts payable to the PFI contractor each year are analysed into five elements:

- Fair Value of the service received in the year – charged to relevant service in the CIES.
- Finance Cost – the interest charge on the outstanding Balance Sheet liability, charged to the Finance and Investment line in the CIES.
- Contingent Rent – lease payments that increase or decrease as a result of changes in factors occurring subsequent to the inception of the lease, other than the passage of time.
- Payment towards the liability – applied to the Balance Sheet Liability.
- Lifecycle Costs – additional expenditure on assets either added as prepayment for the asset or to the service lines where not material, when the relevant work is carried out.

The schemes accounted for in this way are detailed further in the notes to the accounts.

## **xx) Provisions, Contingent Liabilities and Assets**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing or amount of the transfer is uncertain. Such obligations need not be legal obligations, but can arise where the Council has created valid expectations that an obligation will be discharged.

Provisions are charged to the appropriate revenue account when the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not be required the provision is reversed and credited back to the relevant revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim) this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent liabilities arise where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence of

uncertain future events not wholly within the control of the Council. Contingent assets arise where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Both contingent items are not recognised in the Balance Sheet but disclosed further in the notes to the accounts.

Landfill Allowance Schemes, whether allocated by the Department for Environment, Food and Rural Affairs (DEFRA) or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as government grant. After initial recognition, allowances are measured at the lower of cost and net realisable value. As landfill is used, a liability and expense are recognised. The Liability is discharged either by surrendering allowances or payment of a cash penalty to DEFRA. The liability is measured at the best estimate of expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However where some of the obligation will be met by paying a cash penalty to DEFRA, that part of the liability is measured at the cost of the penalty.

#### **xxi) Reserves**

The Council sets aside specific amounts as a reserve for future policy purposes or to cover contingencies. They are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be funded from the reserve is incurred it is charged to the appropriate service in year in the CI&ES. The Reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement. This avoids an impact in year on the General Fund Balance.

Certain reserves are kept to manage the accounting process for non-current asset, financial instruments, retirement and employee benefits and do not represent useable resources for the Council. These reserves are explained in further detail in Note 24 to the accounts.

#### **xxii) Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provision but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the CIES, in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account, so there is no impact on the level of Council Tax.

#### **xxiii) VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

## **2. Prior Period Adjustments, Changes in Accounting Policies & Accounting Standards Issued but not Adopted**

### **Section 1 – Prior Period Adjustments**

Prior period adjustments are required when changes to accounting policies, changes to accounting standards or the discovery of material errors mean that the comparative figures for the previous financial year need to be amended in order to provide meaningful comparison for the user of these accounts.

There are no prior period adjustments required in respect of 2013/14 comparative figures, although there have been some changes to the gross figures in the 2013/14 CI&ES in order to bring the presentation of REFCUS capital expenditure and income into line with improvements made for 2014/15. This has no net impact on the statement.

### **Section 2 – Changes in accounting policies**

No changes have been made to the Council's accounting policies in 2014/15 though the wording of the accounting policy for schools assets has been updated to provide greater clarity to readers of the accounts.

### **Section 3 – Accounting standards issued but not adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following accounting standards apply from 1<sup>st</sup> April 2015 and will be reflected in the Council's 2015/16 Statement of Accounts, but will not have any impact on this 2014/15 statement.

#### **IFRS 13 – Fair Value Measurement**

This standard clarifies a consistent definition of Fair Value and confirms that all assets and liabilities are to be valued at Fair Value based on highest and best use unless another valuation basis (for example fair value in current use or depreciated replacement cost) is specifically required. This standard is not expected to have a material impact on the Council's valuation of its assets. The standard is applied prospectively so will apply to valuations in the 2015/16 accounts but will not require restatement of any 2014/15 balances.

#### **Annual Improvements to IFRSs (2011 – 2013 Cycle)**

These are minor improvements made to the reporting standards, primarily involving clarifications rather than amendment of the existing standards. No material impact on the Council's accounts is expected.

#### **IFRIC 21 – Levies**

This standard covers the timing of the recognition of payment of levies where these are imposed on organisations by the Government. It is not expected to have a material impact on the Council's accounts.

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

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions and/or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

#### **Accounts prepared on a going concern basis**

These accounts have been prepared on a going concern basis. The concept of a going concern assumes that an organisation, its functions and services will continue in operational existence for the foreseeable future. However, there is a high degree of uncertainty about future levels of funding for local government and the future national economic outlook. The management has used its judgement and determined that this uncertainty is not yet sufficient to provide an indication of the effect any future settlements may have on the Council's assets that may need to be impaired or any need to reduce levels of service. It is assumed that it will not have any effect on the Council as being a going concern.

#### **Classification of Leases**

The Council is involved in a number of lease arrangements, both as lessee and lessor. The Code requires that leases are classified as either:

- 'Operating', under which the annual payments are disclosed but no additional accounting entries are made, or
- 'Finance', under which the arrangement is treated as the sale or purchase of the asset in question, with the financing element separated. Although in cash terms there are no changes to the structure of the lease, the asset is accounted for separately from the financing and these entries affect the presentation of the lease in the accounts

Since the introduction of the IFRS-based Code, the Council has regularly reviewed the leases it is a party to and has used relevant criteria to assess the nature of each lease. This process has again been undertaken in 2014/15, with judgements being applied to classify leases in line with the guidance and requirements. Details of leases are included in Note 41.

#### **Investment Properties**

Note 13 to these accounts clarifies that the Council judges that it does not hold any property or land solely for the purposes of earning rentals or for capital appreciation, (or both). This judgement is based on, and is consistent with, the Code of Practice definition of investment properties, the Royal Institution of Chartered Surveyors (RICS) valuation standard 5.1, and the Property Division's responsibility for providing a property service which, inter alia, supports service delivery.

## Group Accounts

From 2012/13 the Council judged that continued preparation of Group Accounts was not necessary under the Code of Practice and was of no material benefit to users of the Statement of Accounts in understanding the Council's financial position. This remains the Council's judgement in 2014/15. Details of associated organisations can be found in Note 39.

### **4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 Council's Balance Sheet at 31<sup>st</sup> March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property, Plant & 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 Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	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 approximately £0.5m for every year that useful lives had to be reduced.
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. A firm of consulting actuaries is engaged to provide the Local Government Pension Scheme, administered by Leicestershire County Council with expert advice about the assumptions to be applied.	The effects of the net pension liability of changes in individual assumptions can be measured. The actuaries have advised that a 0.5% decrease in the Real Discount Rate would mean an 11% increase to the employers liability amounting to approximately £192m. A one year increase in member life expectancy would mean a 3% increase in employers liability amounting to approximately £52m. A 0.5% increase in the Pension Increase Rate would mean a 7% increase to the employers liability amounting to £120m. A 0.5% increase in the projected rate of salary increased would lead to an increased liability of 4% or £67m.

PFI Schemes	Total payments due under the existing PFI schemes have to be split between payments for services, reimbursement of capital expenditure, interest, lifecycle costs etc. The split is arrived at by using financial models that contain inherent uncertainties and assumptions.	It is not possible to quantify the potential effect of these uncertainties on the PFI liabilities included in the accounts.
Business Rates Appeals	<p>The authority has applied judgement in calculating the provision for business rate appeals based on data from the Valuation Office Agency (VOA) regarding outstanding appeals where estimates of the likelihood of success, the amount of the reduction and the backdating of the appeal have been based upon averages of historic settled appeals data. Different averages have been calculated for the different types of appeal.</p> <p>The reliability of this estimate is affected by the late submission of a large number of appeals at the end of March 2015. These arose because the Government announced that appeals received after this date could not be backdated.</p>	The provision made by the Council stands at £4.7m at 31 <sup>st</sup> March 2015. This calculation is based on the advice of independent consultants who have analysed a range of data sources and made professional estimations. If the volume and outcome of appeals differs significantly from the assumptions made then this will impact on whether the level of provision is adequate. The Council's judgement that the impact of any error would not have a material impact on these financial statements. The level of uncertainty should reduce in future years as no further backdated appeals are allowed after 31 <sup>st</sup> March 2015.

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

There are no material items of income or expenditure to disclose.

## **6. Events after the Balance Sheet Date**

The Chancellor announced in his 2015 summer budget that rents in social housing are to be reduced by 1% a year from April 2016 for the next four years. The Council is considering the impact that the rent reductions may have on its Housing Revenue Account.



## 7. 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 Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2014/15	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movemt in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:</b>						
Charges for depreciation, impairment and amortisation of non-current assets	(38,092)	(10,956)	-	-	-	49,048
Revaluation losses on Property Plant and Equipment	(35,222)	-	-	-	-	35,222
Capital grants and contributions applied	85,793	-	-	-	-	(85,793)
Capital expenditure funded from revenue	12,425	-	-	-	-	(12,425)
Revenue expenditure funded from capital under statute	(49,968)	-	-	-	-	49,968
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	(12,079)	(7,130)	-	-	-	19,209
Income recognised in respect of donated assets	184	-	-	-	-	(184)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:</b>						
Statutory provision for the financing of capital investment	13,288	152	-	-	-	(13,440)
Voluntary provision for the financing of capital expenditure	5,486	-	-	-	-	(5,486)
Capital expenditure charged against the General Fund and HRA balances	724	16,264	-	-	-	(16,988)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,584	8,400	(12,984)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	21,305	-	-	(21,305)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,514)	-	1,514	-	-	-

2014/15 continued	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movemt in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(5)	-	-	-	-	5
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2	-	-	-	-	(2)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Transfer of HRA depreciation costs to Major Repairs Reserve	-	7,513	-	(7,513)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	7,513	-	(7,513)
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	22,424	-	-	-	(22,424)	-
Application of grants to capital financing credited to the Capital Adjustment Account	(21,203)	-	(1,250)	-	22,453	-
<b>Adjustments primarily involving the Financial Instruments Adjustments Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(602)	45	-	-	-	557
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure	(61,520)	(7,229)	-	-	-	68,749
Employer's pensions contributions and direct payments to pensioners payable in the year	34,877	4,099	-	-	-	(38,976)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(1,411)	-	-	-	-	1,411
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in	1,499	(117)	-	-	-	(1,382)
<b>Total Adjustments</b>	<b>(40,330)</b>	<b>11,041</b>	<b>8,585</b>	<b>-</b>	<b>29</b>	<b>20,675</b>

2013/14 Comparative Information (Restated)	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movemt in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:</b>						
Charges for depreciation, impairment and amortisation of non-current assets	(77,998)	(306)	-	(7,262)	-	85,566
Revaluation losses on Property Plant and Equipment	(7,986)	-	-	-	-	7,986
Capital grants and contributions applied	81,396	-	-	-	-	(81,396)
Capital expenditure funded from revenue	41	199	-	-	-	(240)
Revenue expenditure funded from capital under statute	(42,506)	-	-	-	-	42,506
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	(2,046)	(1,905)	-	-	-	3,951
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:</b>						
Statutory provision for the financing of capital investment	12,049	-	-	-	-	(12,049)
Voluntary provision for the financing of capital expenditure	6,005	-	2,101	-	-	(8,106)
Capital expenditure charged against the General Fund and HRA balances	49,581	18,481	-	-	-	(68,062)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,021	6,795	(12,498)	-	-	682
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	(1,480)	1,480	-	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(10)	-	-	10
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	62	-	-	-	-	(62)

2013/14 Comparative Information (Restated) continued	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movemt in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	(7,262)	-	7,262	-	-
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	57,538	-	-	-	(57,538)	-
<b>Adjustments primarily involving the Financial Instruments Adjustments Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(819)	903	-	-	-	(84)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure	(55,750)	(5,606)	-	-	-	61,356
Employer's pensions contributions and direct payments to pensioners payable in the year	32,212	2,997	-	-	-	(35,209)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	704	-	-	-	-	(704)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in	5,260	75	-	-	-	(5,335)
<b>Adjustment primarily involving the ESPO Reserve:</b>						
Reversal of items relating to ESPO debited or credited to the Comprehensive Income and Expenditure Statement	(1,305)	-	-	-	-	1,305
<b>Total Adjustments</b>	<b>61,459</b>	<b>12,891</b>	<b>(8,927)</b>	<b>-</b>	<b>(57,538)</b>	<b>(7,885)</b>

The treatment of 2013-14 grant funded REFCUS expenditure has been amended such that it is consistent with the Code of Practice on Local Authority accounting. As a consequence the figures for REFCUS and capital grants/contributions applied have both been increased by £36m. There is no effect on any of the reserve balances as a result of this.

## 8. Earmarked Reserves

Earmarked reserves are amounts set aside to provide financing for future expenditure plans. The table below provides a list of reserves held by the Council.

2014/15	Balance at 31st March 2014 £000	Transfers In 2014/15 £000	Transfers Out 2014/15 £000	Balance at 31st March 2015 £000
<b>Ring-fenced Reserves</b>				
DSG not delegated to schools	14,586	5,217	-	19,803
School Balances	21,401	2,903	(5,786)	18,518
NHS Joint Working Projects	13,516	4,084	(11,799)	5,801
Schools Capital Fund	4,545	369	(1,282)	3,632
Schools Buy Back	1,276	2,541	(2,803)	1,014
	<b>55,324</b>	<b>15,114</b>	<b>(21,670)</b>	<b>48,768</b>
<b>Corporate Reserves</b>				
Budget Strategy - Managed Reserves Fund	-	34,031	-	34,031
Building Schools for the Future - Financing	23,566	1,333	(582)	24,317
Capital Reserve	19,227	10,234	(13,668)	15,793
Severance Fund	13,347	-	(2,852)	10,495
Insurance Fund	7,409	8,540	(7,136)	8,813
Service Transformation Fund	2,747	4,339	-	7,086
Welfare Reform Reserve	2,990	2,037	-	5,027
Energy Reduction Reserve	1,362	1,500	-	2,862
Job Evaluation (inc Schools Catering)	1,225	2,451	(3,676)	-
	<b>71,873</b>	<b>64,465</b>	<b>(27,914)</b>	<b>108,424</b>
<b>Other Reserves</b>				
Children's Services Funds	2,463	2,362	(953)	3,872
Financial Services Divisional Reserve	1,585	3,596	(2,290)	2,891
Adult Social Care Budget Pressures	-	3,203	(1,203)	2,000
Channel Shift Reserve	-	2,000	-	2,000
City Development & Neighbourhoods	2,988	10	(1,143)	1,855
Looked After Children Placements	1,330	352	(157)	1,525
IT Reserves	1,096	528	(103)	1,521
Strategic Initiatives	1,043	-	-	1,043
Surplus Property Disposal Reserve	-	1,000	-	1,000
Preventing Homelessness	936	-	(37)	899
Housing Divisional Reserve	651	148	(9)	790
Social Care Replacement IT System	1,218	-	(471)	747
Economic Action Plan	1,169	18	(450)	737
Outdoor Gyms Reserve	-	727	-	727
HR Divisional Reserve	677	22	(10)	689
Individual Electronic Registration	380	257	-	637
Improvements to Health & Wellbeing Reserve	3,313	-	(2,703)	610
Markets Reserve	-	500	-	500
Legal Services Divisional Reserve	380	100	-	480
Highways Maintenance	418	-	-	418
City Council Elections	300	100	-	400
Delivery Communications & Political Governance	338	-	-	338
Housing-related Support Reserve	331	-	-	331
Connexions Closure	2,186	-	(2,186)	-
Other - Miscellaneous Reserves	2,495	4,464	(4,088)	2,871
	<b>25,297</b>	<b>19,387</b>	<b>(15,803)</b>	<b>28,881</b>
<b>Total Earmarked Reserves</b>	<b>152,494</b>	<b>98,966</b>	<b>(65,387)</b>	<b>186,073</b>

<b>2013/14 Comparative Information</b>	<b>Balance at 1st April 2013 £000</b>	<b>Transfers In 2013/14 £000</b>	<b>Transfers Out 2013/14 £000</b>	<b>Balance at 31st March 2014 £000</b>
<b>Ring-fenced Reserves</b>				
School Balances	24,651	1,881	(5,131)	21,401
DSG not delegated to schools	6,609	7,977	-	14,586
NHS Joint Working Projects	12,957	3,031	(2,472)	13,516
Schools Capital Fund	5,449	1,826	(2,730)	4,545
Schools Buy Back	1,136	2,080	(1,940)	1,276
	<b>50,802</b>	<b>16,795</b>	<b>(12,273)</b>	<b>55,324</b>
<b>Corporate Reserves</b>				
Building Schools for the Future - Financing	37,027	1,506	(14,967)	23,566
Capital Reserve	25,957	42,037	(48,767)	19,227
Severance Fund	9,271	6,500	(2,424)	13,347
Insurance Fund	5,382	8,793	(6,767)	7,409
Welfare Reform Reserve	-	3,176	(186)	2,990
Service Transformation Fund	-	2,747	-	2,747
Energy Reduction Reserve	312	1,050	-	1,362
Job Evaluation (inc Schools Catering)	1,225	-	-	1,225
	<b>79,174</b>	<b>65,809</b>	<b>(73,111)</b>	<b>71,873</b>
<b>Other Reserves</b>				
Improvements to Health & Wellbeing Reserve	3,313	-	-	3,313
City Development & Neighbourhoods	2,874	1,635	(1,520)	2,988
Other - Miscellaneous Reserves	2,969	3,797	(4,271)	2,495
Children's Services Funds	1,446	1,573	(556)	2,463
Connexions Closure	1,797	390	-	2,186
Financial Services Divisional Reserve	1,720	922	(1,057)	1,585
Looked After Children Placements	-	1,330	-	1,330
Social Care Replacement IT System	2,099	1,602	(2,483)	1,218
Economic Action Plan	1,129	897	(858)	1,169
IT Reserves	2,050	686	(1,640)	1,096
Strategic Initiatives	1,043	286	(286)	1,043
Preventing Homelessness	936	-	-	936
HR Divisional Reserve	701	-	(24)	677
Housing Divisional Reserve	401	450	(200)	651
Highways Maintenance	418	-	-	418
Individual Electronic Registration	-	380	-	380
Legal Services Divisional Reserve	380	27	(27)	380
Delivery Communications & Political Governance	300	38	-	338
Housing-related Support Reserve	609	70	(348)	331
City Council Elections	100	200	-	300
	<b>24,285</b>	<b>14,283</b>	<b>(13,270)</b>	<b>25,297</b>
<b>Total Earmarked Reserves</b>	<b>154,261</b>	<b>96,887</b>	<b>(98,654)</b>	<b>152,494</b>

### **Schools' Revenue Balances**

The amount of money held in this reserve has decreased from £21.4m to £18.5m following this year's outturn. This money is, by law, ring fenced to individual schools.

### **Budget Strategy – Managed Reserves Fund**

This reserve holds funds set aside by the Council as part of its Managed Reserves budget strategy. These funds will be used to support the revenue budget in 2016/17 and 2017/18 whilst the Council's ongoing service reviews deliver required savings.

### ***Building Schools for the Future (BSF)***

This reserve was set up in January 2007 to meet the capital financing costs associated with the BSF programme. The balance at year-end stands at £24.3m – the BSF construction programme is now coming to completion.

### ***Children's Services Funds***

This amount comprises £19.8m of ring-fenced school reserves which are not devolved to schools. These monies are ring-fenced to the schools block and not available for general spending. In addition, the department holds £3.9m of reserves, which are held for commitments with regard to Building Schools for the Future and Leicester's Raising Achievement Plan (£0.1m).

### ***Capital Reserve***

This reserve includes amounts set-aside from revenue and is committed to support the capital programme of expenditure.

### ***NHS Joint Working Projects***

This reserve was set up in 2011/12 and stands at £5.8m as at year end. The Government is increasingly providing money (via the NHS) for joint working between adult social care and the NHS. The use of this funding has to be agreed with the NHS and will be used for on-going projects. All funds directed in this way are subject to section 256 agreements which need to be signed by both parties.

### ***Severance Fund***

This reserve exists to meet the redundancy and other severance costs arising as the Council adapts to the planned reductions in government funding over future financial years.

## **9. Other Operating Expenditure**

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Levies	74	75
Payments to the government Housing Capital Receipts Pool	1,480	1,514
Total gains/losses on the disposal of non-current assets	(8,667)	5,963
Costs of sale – assets held for sale	682	264
Other operating income and expenditure	(3,370)	1,714
<b>Total</b>	<b>(9,801)</b>	<b>9,530</b>

## **10. Financing and Investment Income and Expenditure**

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Interest payable and similar charges	19,197	20,741
Pensions interest cost and expected return on pensions assets	19,661	25,729
Interest receivable and similar income	-	-
(Surplus)/deficit on trading operations	(1,477)	(1,505)
<b>Total</b>	<b>37,381</b>	<b>44,965</b>

## 11. Taxation and Non-Specific Grant Income

	2013/14 £000	2014/15 £000
Council Tax income	(80,419)	(85,528)
Non domestic rates	(86,732)	(89,246)
Non-ringfenced government grants	(135,496)	(118,851)
Capital grants and contributions	(103,533)	(76,573)
<b>Total</b>	<b>(406,180)</b>	<b>(370,198)</b>

## 12. Property, Plant & Equipment

Movements in Balances 2014/15	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1st April 2014	64,999	1,032,348	74,584	244,561	1,785	86,339	19,257	2,073,873	109,655
Additions	29,533	57,760	5,564	13,613	468	8,038	20,250	135,226	161
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	-	63,247	-	(44)	171	4,237	-	67,611	-
Revaluation Decreases / Increases not recognised in the Revaluation Reserve	(6,769)	(32,877)	(9)	(621)	(4,062)	(10,955)	-	(55,293)	(10,746)
De-recognition – disposals	(7,131)	(7,783)	-	-	-	(5)	-	(14,919)	-
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	-	-	-
Asset reclassified (other)	-	25,876	-	657	3,594	(4,809)	(29,484)	(4,166)	-
Other movements in cost or valuation	-	-	-	-	-	-	-	-	-
<b>As at 31st March 2015</b>	<b>630,632</b>	<b>1,138,571</b>	<b>80,139</b>	<b>258,166</b>	<b>1,956</b>	<b>82,845</b>	<b>10,023</b>	<b>2,202,332</b>	<b>99,070</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1st April 2014	(6,646)	(41,949)	(40,003)	(36,607)	-	(103)	-	(125,308)	(7,041)
Depreciation Charge	(6,796)	(17,171)	(7,958)	(5,910)	-	(79)	-	(37,914)	(3,820)
Depreciation written out to Revaluation Reserve	-	8,391	-	2	-	4	-	8,397	-
Depreciation written out to the Surplus/Deficit on the provision of services	6,645	3,341	-	8	-	9	-	10,003	-
De-recognition – disposals	-	241	-	(135)	-	25	-	131	-
<b>As at 31st March 2015</b>	<b>(6,797)</b>	<b>(47,147)</b>	<b>(47,961)</b>	<b>(42,642)</b>	<b>-</b>	<b>(144)</b>	<b>-</b>	<b>(144,691)</b>	<b>(10,861)</b>
<b>Net Book Value as at 31st March 2015</b>	<b>623,835</b>	<b>1,091,424</b>	<b>32,178</b>	<b>215,524</b>	<b>1,956</b>	<b>82,701</b>	<b>10,023</b>	<b>2,057,641</b>	<b>88,209</b>
As at 1st April 2014	608,353	990,399	34,581	207,954	1,785	86,236	19,257	1,948,565	102,614

Revaluation increases are shown in the Other Land & Buildings Column – both those recognised in the Revaluation Reserve and those not. These include an uplift of schools and leisure centre valuations prior to full revaluations due to be carried out during 2015-16.



2013/14 Comparative Movements	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1st April 2013	606,271	972,080	71,510	230,065	1,127	93,293	2,236	1,976,582	65,057
Additions	17,494	103,905	3,307	12,997	224	2,395	22,476	162,798	44,598
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(4)	18,484	-	1,790	688	1,047	-	22,005	-
Revaluation Decreases / Increases not recognised in the Revaluation Reserve	(6,857)	(56,477)	(82)	(291)	(254)	(2,708)	-	(66,669)	-
De-recognition – disposals	(1,905)	(63)	(21)	-	-	(1,317)	-	(3,306)	-
Assets reclassified (to) / from Held for Sale	-	(8,973)	-	-	-	(6,303)	-	(15,276)	-
Asset reclassified (other)	-	5,391	-	-	-	64	(5,455)	-	-
Other movements in cost or valuation	-	(1,999)	(130)	-	-	(132)	-	(2,261)	-
<b>As at 31st March 2014</b>	<b>614,999</b>	<b>1,032,348</b>	<b>74,584</b>	<b>244,561</b>	<b>1,785</b>	<b>86,339</b>	<b>19,257</b>	<b>2,073,873</b>	<b>109,655</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1st April 2013	(6,540)	(33,642)	(31,715)	(30,874)	-	(73)	-	(102,844)	(4,108)
Depreciation Charge	(6,645)	(15,176)	(8,291)	(5,733)	-	(46)	-	(35,891)	(2,933)
Depreciation written out to Revaluation Reserve	(3)	2,374	-	-	-	8	-	2,379	-
Depreciation written out to the Surplus/Deficit on the provision of services	6,542	3,952	-	-	-	1	-	10,495	-
De-recognition – disposals	-	543	3	-	-	7	-	553	-
<b>As at 31st March 2014</b>	<b>(6,646)</b>	<b>(41,949)</b>	<b>(40,003)</b>	<b>(36,607)</b>	<b>-</b>	<b>(103)</b>	<b>-</b>	<b>(125,308)</b>	<b>(7,041)</b>
<b>Net Book Value as at 31st March 2014</b>	<b>608,353</b>	<b>990,399</b>	<b>34,581</b>	<b>207,954</b>	<b>1,785</b>	<b>86,236</b>	<b>19,257</b>	<b>1,948,565</b>	<b>102,614</b>
As at 31st March 2013	599,731	938,438	39,795	199,191	1,127	93,220	2,236	1,873,738	60,949

### Capital Commitments

At 31<sup>st</sup> March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16. Similar commitments at 31<sup>st</sup> March 2014 were £122.6m. The major commitments are:

<b>Contract for Capital Investment</b>	<b>Period</b>	<b>£000</b>
Street Lighting	2015/16	5,130
Kestrel Fields Primary	2015/16	3,000
Whitehall Primary	2015/16	1,400
St Marys Infants	2015/16	1,370
Hamilton & Netherhall BSF	2015/16	1,100
Lancaster Boys BSF	2015/16	1,090
Caldecote Primary	2015/16	900
Housing - Gypsy & Traveller Accomodation	2015/16	810
Market Re-Development	2015/16	760
Sir Jonathan North	2015/16	740
Housing - Boiler replacements	2015/16	660
Babington BSF	2015/16	590
Hope Hamilton Primary	2015/16	580
NWC Demolition	2015/16	560
Christ The King RC Primary	2015/16	540
Moat BSF	2015/16	480
Westgate BSF	2015/16	450
Housing - Kitchens & Bathrooms	2015/16	448
St Pauls BSF	2015/16	200
Barleycroft Primary	2015/16	190
English Martyrs (Muga) BSF	2015/16	170
Housing - New Build - Laburnham Road	2015/16	160
New College BSF	2015/16	150
Housing - Rewire & Electrical upgrades	2015/16	140
Housing - Upper Tichbourne redevelopment	2015/16	120
Housing - Structural Repairs	2015/16	100
Jubilee Square	2015/16	100
<b>Total</b>		<b>21,938</b>

Commitments relating to PFI type schemes are included in Note 42.

### **Revaluations**

The Council carries out a rolling programme that ensures that all property and land (subject to a de minimis of £10k for asset values) is revalued at least every five years with the exception of items shown in the table below.

In practice all property and land assets that are valued using Fair Value are subject to annual review. They are initially valued as at the 1st April of the financial year but are adjusted if appropriate to ensure that the valuation is still accurate at the financial year end.

Valuations of Council Dwellings are carried out by a specialist external valuer each year. All other valuations were carried out internally. The officer who carried out these valuations is an accredited valuer chartered member of the Royal Institution of Chartered Surveyors (RICS).

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS. Valuations of the majority of vehicles, plant, equipment and furniture, and of infrastructure, are based on historical cost.

2014/15 Valuation Dates	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community	Surplus	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost	-	29,310	27,129	212,457	40	270	10,023	279,229
Valued at fair or nominal value as at:								
Pre 1st April 2009	-	114	-	-	156	358	-	628
1st April 2009	-	4,372	-	120	370	768	-	5,630
1st April 2010	-	233,810	-	-	-	3,132	-	236,942
1st April 2011	-	292,502	5,049	-	10	971	-	298,532
1st April 2012	-	112,527	-	517	202	198	-	113,444
1st April 2013	-	78,250	-	1,713	721	1,119	-	81,803
1st April 2014	-	264,001	-	717	457	75,885	-	341,060
Valued @ 31 March 2015	623,835	-	-	-	-	-	-	623,835
Schools etc. uplift		76,538	-	-	-	-	-	76,538
<b>Total</b>	<b>623,835</b>	<b>1,091,424</b>	<b>32,178</b>	<b>215,524</b>	<b>1,956</b>	<b>82,701</b>	<b>10,023</b>	<b>2,057,641</b>

Schools and Leisure Centre valuations have been uplifted prior to a full revaluation exercise being carried out during 2015-16.

The valuations have been made on the following assumptions:

- No high alumina cement, asbestos or other deleterious material was used in the construction of any property and that none has been subsequently incorporated.
- As regards asbestos, the Council maintains a register of those properties that contain asbestos as part of an active management programme. The impact on valuation has therefore been disregarded.
- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and that good title can be shown.
- That the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that the use and occupation are both legal.
- That there are no adverse soil and ground conditions and that there is no effect from contaminated land.
- That no allowances have been made for any rights, obligations or liabilities arising from the Defective Premises Act 1972, The Equalities Act 2010, Health & Safety at Work Act or the Offices, Shops and Railway Premises Act or any amended legislation.
- That inspection of those parts which have not been inspected would not cause us to alter our opinion or value.

The valuation of Council Dwellings is based on guidance issued by the Department of Communities and Local Government for stock valuation.

### **13. Investment Properties**

The Code of Practice on Local Authority Accounting (2014/15) defines Investment Property as “property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.....” All the land or buildings that the Council holds are for economic support reasons even if they earn rentals or appreciate over time. Accordingly no investment properties are identified in the Balance Sheet.

### **14. Intangible Assets**

The Council accounts for its computer software as an intangible asset, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and application software.

At present all of the Council’s intangible assets are amortised over 5 years on a straight-line basis.

None of the Council’s intangible assets have been internally generated.

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
<b>Balance at 1st April</b>		
Gross Carrying Amounts	1,794	2,558
Accumulated Amortisation	(536)	(867)
<b>Net carrying amount at start of year</b>	<b>1,258</b>	<b>1,691</b>
Additions (Purchases)	807	590
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(43)	-
Amortisation Applied in Year	(331)	(490)
<b>Gross Carrying Amount at 31st March</b>	<b>2,558</b>	<b>3,148</b>
Accumulated Amortisation	(867)	(1,357)
<b>Net Carrying Amount at 31st March</b>	<b>1,691</b>	<b>1,791</b>

## 15. Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term		Current		Total	
	2014	2015	2014	2015	2014	2015
	£000	£000	£000	£000	£000	£000
Investments	7,785	7,785	116,159	132,297	123,944	140,082
Receivables (Debtors)	2,780	620	19,713	19,904	22,493	20,524
Receivables (Other)	-	-	31,326	13,711	31,326	13,711
<b>Investments &amp; Receivables</b>	<b>10,565</b>	<b>8,405</b>	<b>167,198</b>	<b>165,912</b>	<b>177,763</b>	<b>174,317</b>
Loans	243,108	243,101	3,510	3,505	246,618	246,606
Payables (Creditors)	-	-	122,455	64,192	122,455	64,192
<b>Loans &amp; Payables</b>	<b>243,108</b>	<b>243,101</b>	<b>125,965</b>	<b>67,697</b>	<b>369,073</b>	<b>310,798</b>
<b>Other Long Term Liabilities</b>						
Leicestershire County Council	28,642	27,447	-	-	28,642	27,447
PFI and finance lease liabilities	96,308	91,674	4,449	4,669	100,757	96,343
<b>Total Other Long Term Liabilities</b>	<b>124,950</b>	<b>119,121</b>	<b>4,449</b>	<b>4,669</b>	<b>129,399</b>	<b>123,790</b>
<b>Total Loans, Payables and Other Long Term Liabilities</b>	<b>368,058</b>	<b>362,222</b>	<b>130,414</b>	<b>72,366</b>	<b>498,472</b>	<b>434,588</b>

All financial instruments are carried at amortised cost. The table excludes investments classified as being equivalent to cash which are included in the total for cash and cash equivalents shown on the Balance Sheet. The table above only includes items which are financial instruments. The Balance Sheet figures for receivables and payables include elements which are not financial instruments and hence will be greater than the figures shown above.

The most significant difference in the Balance Sheet arises in respect of the pension liabilities of the Council which are a long-term liability but are not categorised as a financial instrument. The table below compares the total of other long-term liabilities with the figure shown in the table above.

	Balance at 31st March 2014 £000	Balance at 31st March 2015 £000
Long term element of Other Long Term Liabilities shown in above table	124,950	119,121
Long term pension liability	596,792	764,428
Performance Bond - Hamilton Partnership	475	475
<b>Investments &amp; Receivables</b>	<b>722,217</b>	<b>884,024</b>

Interest receivable, payable and other similar expenses have been recognised as follows:

	2013/14			2014/15		
	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total
	£000	£000	£000	£000	£000	£000
Interest Expense	19,745	-	19,745	19,317	-	19,317
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>19,745</b>	<b>-</b>	<b>19,745</b>	<b>19,317</b>	<b>-</b>	<b>19,317</b>
Interest Income	-	(812)	(812)	-	(1,016)	(1,016)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(812)</b>	<b>(812)</b>	<b>-</b>	<b>(1,016)</b>	<b>(1,016)</b>
<b>Net gain/(loss) for the Year</b>	<b>19,745</b>	<b>(812)</b>	<b>18,933</b>	<b>19,317</b>	<b>(1,016)</b>	<b>18,301</b>

### ***Fair Values of Assets and Liabilities***

The following table discloses the fair value of financial instruments:

	31st March 2014		31st March 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Assets</b>				
Loans	116,159	116,159	132,297	132,297
Investments - deposits	7,785	7,785	7,785	7,785
Receivables	51,362	51,362	34,235	34,235
<b>Total Assets</b>	<b>175,306</b>	<b>175,306</b>	<b>174,317</b>	<b>174,317</b>
<b>Liabilities</b>				
Loans	246,618	261,264	251,275	335,120
Other Long Term Liabilities	129,399	129,399	119,121	119,121
Payables	122,455	122,455	64,191	64,192
<b>Total Liabilities</b>	<b>498,472</b>	<b>513,118</b>	<b>434,587</b>	<b>518,433</b>

For loans borrowed directly by the Council the fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. For each loan the discount rate used is the interest rate that it is estimated would be paid if the Council were to borrow a new loan with a similar maturity to the residual life of the loan from a similar lender on similar terms.

The fair values of long-term "Lender's Option Borrower's Option" (LOBO) loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate on 31<sup>st</sup> March plus a margin for local authority credit risk and adding the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to Bloomberg's proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

The following table summarises the calculation of fair value and the assumptions used for loans borrowed directly by the Council. The carrying amount of the loans comprises the nominal value plus accrued interest at year end. In addition where the interest rate paid over the life of the loan varies the outstanding loan balance is calculated on the basis of the average interest rate over the expected life of the loan and not on the contractual rate, and this gives rise to an “equated interest adjustment”. Fair values are calculated loan by loan and the table shows the highest discount rate used, the lowest and the average. The table shows fair values as at 31<sup>st</sup> March 2014 and at 31<sup>st</sup> March 2015.

Where a loan has a fair value in excess of the carrying amount this indicates that, notionally, lower interest rates would have been paid (compared to the loan interest rates actually paid) if new loans had been taken out on similar terms at the Balance Sheet date. Fair values below the carrying amount indicate the opposite.

The assets and liabilities described in this note are carried in the Balance Sheet at amortised cost. The only exception is receivables where the amount held is reduced by a provision for bad debts. The fair values quoted in this note are for disclosure purposes only and the Council does not account for the difference between amortised cost and fair value within its accounts, and neither does it account for changes in fair value.

	Fair Value of Loans as at 31st March 2015		
	PWLB £	Market £	Stock £
Nominal Value at 31st March 2015	134,491	96,300	8,658
Accrued interest	1,253	843	108
Equated interest adjustment		3,742	
<b>Carrying Value at 31st March 2015</b>	<b>135,744</b>	<b>100,885</b>	<b>8,766</b>
<b>Fair Value at 31st March 2015</b>	<b>167,168</b>	<b>145,980</b>	<b>13,798</b>
Lowest discount rate	3.09%	2.80%	1.37%
Highest discount rate	3.13%	2.82%	1.37%
Average discount rate	3.11%	2.82%	1.37%

	Fair Value of Loans as at 31st March 2014		
	PWLB £	Market £	Stock £
Nominal Value at 31st March 2014	134,491	96,300	8,567
Accrued interest	1,253	841	108
Equated interest adjustment	-	3,781	-
<b>Carrying Value at 31st March 2014</b>	<b>135,744</b>	<b>100,922</b>	<b>8,675</b>
<b>Fair Value at 31st March 2014</b>	<b>135,744</b>	<b>100,916</b>	<b>8,675</b>
Lowest discount rate	4.50%	3.97%	2.87%
Highest discount rate	4.52%	4.02%	2.87%
Average discount rate	4.51%	4.02%	2.87%

The fair value of payables and receivables is cost and the fair value of short-term deposits is assessed to be the carrying amount.

The long term investments included in the first table of this note have a carrying amount of £7.9m at 31<sup>st</sup> March 2015 (£7.8m at 31<sup>st</sup> March 2014) and reflect grants which are repayable in the event that qualifying conditions cease to apply. The value of such investments is difficult to assess but is expected to at least equal the carrying amount, and on this basis the fair value is estimated to be the carrying amount.

For other financial instruments the fair value is estimated to equal the carrying amount. This reflects a judgement that there is no available market information of the interest rates and other terms on which similar transactions would be undertaken between willing parties operating on an arms-length basis. The main items affected are other long-term liabilities as shown in the first table of this note.

## **16. Inventories**

The value of inventories as at 31<sup>st</sup> March 2015 is shown in the table below:

	<b>Balance at 31st March 2014 £000</b>	<b>Balance at 31st March 2015 £000</b>
Consumable Stores	341	340
Maintenance Materials	2,093	2,075
Work in Progress	519	501
<b>Total</b>	<b>2,953</b>	<b>2,916</b>

## **17. Construction Contracts**

At 31<sup>st</sup> March 2015 the City Council had no significant construction contracts (contracts being managed on behalf of other parties) in progress.

## **18. Debtors**

### ***Long-Term Debtors***

	<b>Balance at 31st March 2014 £000</b>	<b>Balance at 31st March 2015 £000</b>
Mortgages	41	36
Car Loans to Employees	119	46
PFI (CHP)	2,620	2,760
<b>Total</b>	<b>2,780</b>	<b>2,842</b>



### **Short-Term Debtors**

	<b>Balance at 31st March 2014 £000</b>	<b>Balance at 31st March 2015 £000</b>
Central Government bodies	16,085	9,037
Other Local Authorities	2,307	5,826
NHS bodies	5,381	3,438
Public Corporations and Trading Funds	-	12
Other Entities and Individuals	23,196	27,343
Payments in Advance	5,859	8,190
Capital Debtors	608	973
<b>Total</b>	<b>53,436</b>	<b>54,819</b>

Each line item is presented net of impairment.

### **19. Cash and Cash Equivalents**

The balance of cash and cash equivalents is made up of the following elements:

	<b>Balance at 31st March 2014 £000</b>	<b>Balance at 31st March 2015 £000</b>
<b>Cash and cash equivalents:</b>		
Cash held by the Council	215	57
Bank	17,992	23,382
Short-term deposits with local authorities - Investment	67,238	33,023
<b>Total Cash and Cash Equivalents</b>	<b>85,445</b>	<b>56,462</b>
Overdraft	(18,329)	(23,317)
<b>Total Cash and Cash Equivalents</b>	<b>67,116</b>	<b>33,145</b>

The Council manages its cash position closely so as to avoid excessive exposure to any individual financial institution. This can result in some accounts being overdrawn whilst others hold in-hand balances to manage particular spending commitments.

### **20. Assets Held for Sale**

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
<b>Balance at 1st April</b>	<b>4,312</b>	<b>19,359</b>
Property, Plant and Equipment newly classified as Held for Sale	16,129	6,548
Property, Plant and Equipment declassified	(1,396)	(2,428)
Assets Sold	(166)	(4,113)
Other Adjustments	480	(1,381)
<b>Balance at 31st March</b>	<b>19,359</b>	<b>17,985</b>

As at the 31<sup>st</sup> March 2015 the Council had a total of £18m assets defined as held for sale. These are shown separately on the Balance Sheet and the assets meet the four main criteria of the code, namely;

- a) They are available for immediate sale in their existing condition.
- b) They are highly likely to be sold and action is planned to this effect.

- c) They are actively being marketed at a price that is reasonable.
- d) Sale should be expected within one year of the Balance Sheet date.

## 21. Creditors

	Balance at 31st March 2014 £000	Balance at 31st March 2015 £000
Central Government bodies	22,464	33,542
Other Local Authorities	6,857	11,036
NHS bodies	889	1,806
Public Corporations and Trading Funds	168	-
Other Entities and Individuals	55,423	57,778
Receipts in Advance	26,192	26,658
Capital Creditors	13,261	7,194
<b>Total</b>	<b>125,254</b>	<b>138,014</b>

## 22. Provisions

The table below provides a list of provisions made by the authority at the end of the financial year:

	Insurance £000	Housing Benefits £000	Equal Pay £000	Sec 117 Mental Health Act £000	Housing DSO Stock & Dilapidation £000	Business Rate Appeals £000	Total £000
<b>Balance at 1st April 2013</b>	<b>5,790</b>	<b>5,709</b>	<b>1,733</b>	<b>700</b>	<b>936</b>	<b>-</b>	<b>14,868</b>
Net Movement (additions less amounts used)	(478)	1,508	(69)	(25)	7	3,553	4,496
<b>Balance at 1st April 2014</b>	<b>5,312</b>	<b>7,217</b>	<b>1,664</b>	<b>675</b>	<b>943</b>	<b>3,553</b>	<b>19,364</b>
Additional provisions made in 2014/15		1,400				2,618	4,018
Amounts used in 2014/15		(2,257)	(1,414)	(636)	(53)	(1,454)	(5,814)
<b>Balance at 31st March 2015</b>	<b>5,312</b>	<b>6,360</b>	<b>250</b>	<b>39</b>	<b>890</b>	<b>4,717</b>	<b>17,568</b>

These provisions are described in more detail below.

### ***Payment of Insurance Claims***

The Authority holds funds to meet the costs of insurance claims, for both claims received but not yet settled and claims that will be received in the future. The sum of £5.3m is held as a provision, being the amount estimated by the Council's actuaries that will be required to meet claims already received. A further sum of £8.8m is held as an earmarked reserve (as per Note 8), to meet the costs of liabilities incurred for which claims have not been received.

### ***Housing Benefit Subsidy Claims***

The 2012/13, 2013/14 and 2014/15 benefit subsidy grant claims are outstanding. This could potentially result in a claw back of subsidy from the City Council by the Department of Work and Pensions. Accordingly, provisions totalling £6.4m have been established within the accounts.

### ***Equal Pay***

The Council has set aside a provision against residual equal pay settlements.

### ***Section 117 Mental Health Act***

The sum is a provision for refunds to people with mental health difficulties who have been charged for residential and nursing care. The sum provided for is based on known cases, and there is a possibility that the Council will be required to make future refunds on these.

### ***Housing DSO Stock***

This sum is held against obsolete or damaged stock within the Housing Direct Service Organisation as at 31<sup>st</sup> March 2015.

### ***Business Rate appeals***

Along with the introduction of local management of business rates, authorities are expected to finance backdated appeals made in respect of rateable values as defined by the Valuation Office (VOA), outstanding as at 31<sup>st</sup> March 2015. Therefore a provision has been charged to the collection fund calculated at a total of £9.627m (Council share of £4.717m).

## **23. Usable Reserves**

Movements in the Council's usable reserves are detailed in the table below, which indicates the statement or note that provides further detail.

	<b>Opening Balance £000</b>	<b>Movement £000</b>	<b>Closing Balance £000</b>	<b>Supporting Note</b>
General Fund	(25,940)	10,940	(15,000)	MIRS and Explanatory Foreword
Earmarked Reserves	(152,494)	(33,579)	(186,073)	Note 8 and Explanatory Foreword
Housing Revenue Account	(14,469)	(1,639)	(16,108)	HRA Statement
Major Repairs Reserve	(1,200)	-	(1,200)	Note 7 and HRA Note 13
Capital Receipts Reserve	(29,046)	8,585	(20,461)	Note 7 and Note 40
Capital Grants Unapplied Reserve	(57,538)	29	(57,509)	Note 7
<b>Total Usable Reserves</b>	<b>(280,687)</b>	<b>(15,664)</b>	<b>(296,351)</b>	

## 24. Unusable Reserves

	31st March 2014 £000	31st March 2015 £000
Revaluation Reserve	(381,634)	(445,323)
Capital Adjustment Account	(1,108,893)	(1,130,362)
Financial Instruments Adjustment Account	(1,947)	(1,390)
Deferred Capital Receipts Reserve	(103)	(101)
Pensions Reserve	596,792	764,428
Collection Fund Adjustment Account	(1,487)	(76)
Accumulated Absences Account	8,642	7,259
<b>Total Unusable Reserves</b>	<b>(888,630)</b>	<b>(805,565)</b>

### **Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1<sup>st</sup> April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2013/14 £000	2014/15 £000
<b>Balance at 1st April</b>	<b>(365,195)</b>	<b>(381,634)</b>
Upward revaluation of assets	(56,643)	(108,914)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	24,908	33,441
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(31,735)</b>	<b>(75,473)</b>
Difference between fair value depreciation and historical cost depreciation	4,067	4,326
Accumulated gains on assets sold or scrapped	11,229	7,458
<b>Balance at 31st March</b>	<b>(381,634)</b>	<b>(445,323)</b>

### **Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is credited with sums provided to fund capital expenditure, both current and previous, with sums being transferred from the capital receipts reserve, capital grants and contributions, the Major Repairs Reserve and the

General Fund (either direct funding or provision for repayment of borrowing). The account is debited with the reversal of sums charged to the CIES (to reflect the use of the asset by services) to avoid an impact on the General Fund. These charges include depreciation, impairment and amortisation.

The account contains revaluation gains accumulated on property, plant and equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

The table below provides details of the source of all the transactions posted to the account.

<b>2013/14 Restated</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>
<b>Balance at 1st April</b>	<b>(1,064,436)</b>	<b>(1,108,893)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation & impairment	85,227	48,558
Revaluation losses on Property, Plant and Equipment	7,986	35,222
Amortisation of intangible assets	332	490
Revenue expenditure funded from capital under statute	42,506	49,968
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Income and Expenditure Statement	3,951	18,947
Transfer of Assets Held For Sale	158	263
	<b>(924,276)</b>	<b>(955,445)</b>
Adjusting amounts written out of the Revaluation Reserve	(14,764)	(11,784)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(939,040)</b>	<b>(967,229)</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(21,305)
Use of the Major Repairs Reserve to finance new capital expenditure	(7,262)	(7,513)
Capital Grants & Contributions credited to the Income and Expenditure Statement that have been applied to capital financing	(81,396)	(85,976)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(20,180)	(18,926)
Capital expenditure charged against the General Fund and HRA balances	(61,015)	(29,413)
<b>Balance at 31st March</b>	<b>(1,108,893)</b>	<b>(1,130,362)</b>

The treatment of 2013-14 grant funded REFCUS expenditure has been amended such that it is consistent with the Code of Practice on Local Authority accounting. As a consequence the figures for REFCUS and capital grants/contributions applied have both been increased by £36m. There is no effect on any of the reserve balances as a result of this.

### **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.

The Council uses the account to manage discounts and premia paid on the early redemption of loans. Discounts are credited to the CIES when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Premia is debited to the CIES when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the income (on discounts) and the expense (on premia) are posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

The statutory arrangements referred to came into force on 1st April 2007 and applied to unamortised balances as at that date. The bulk of the outstanding balance is amortised over 10 years from that date with part of that balance being amortised over shorter periods.

The general policy is that any premia that are incurred in the future will be amortised over the longer of the residual life of the loan repaid or the life of any replacement loan that was taken. Shorter amortisation periods may be adopted, however, when this is considered prudent. Any discount that is received in the future will be amortised over the residual life of the loan repaid.

	2013/14 £000	2014/15 £000
<b>Balance at 1st April</b>	<b>(1,863)</b>	<b>(1,947)</b>
Adjustment made between the Financial Instruments Adjustment Account and the Capital Adjustment Account	-	-
Premiums and discount incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(1,531)	(546)
Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	1,447	1,103
<b>Balance at 31st March</b>	<b>(1,947)</b>	<b>(1,390)</b>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(84)	557

### **Deferred Capital Receipts Reserve**

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. For the Council these amounts relate to mortgage loans made in respect of the purchase of Council Dwellings and to properties leased out under finance leases. Under statutory arrangements, the Council does not treat these gains as usable for financing new

capital expenditure until they are backed by cash receipts. When mortgage and lease payments are made the principal repayment element of these amounts are transferred to the Capital Receipts Reserve.

	2013/14 £000	2014/15 £000
<b>Balance at 1st April</b>	<b>(52)</b>	<b>(103)</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	11	5
Write-off of debt (re-possession)	-	-
Other	(62)	(3)
<b>Balance at 31st March</b>	<b>(103)</b>	<b>(101)</b>

### ***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 Council 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 Council makes employer's contributions to pension funds or eventually pay 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 Council 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.

	2013/14 £000	2014/15 £000
<b>Balance at 1st April</b>	<b>434,042</b>	<b>596,792</b>
Remeasurement of the Net Defined Benefit Liability	136,603	137,863
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	61,356	68,749
Employer's pensions contributions and direct payments to pensioners payable in the year	(35,209)	(38,976)
<b>Balance at 31st March</b>	<b>596,792</b>	<b>764,428</b>

### ***Collection Fund Adjustment Account***

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2013/14 £000	2014/15 £000
<b>Balance at 1st April</b>	(783)	(1,487)
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	(704)	1,411
<b>Balance at 31st March</b>	<b>(1,487)</b>	<b>(76)</b>

### ***Accumulated Absences Account***

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2013/14 £000	2014/15 £000
<b>Balance at 1st April</b>	<b>13,979</b>	<b>8,642</b>
Settlement or cancellation of accrual made at the end of the preceding year	(13,979)	(8,642)
Amounts accrued at the end of the current year	8,642	7,259
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(5,337)</b>	<b>(1,383)</b>
<b>Balance at 31st March</b>	<b>8,642</b>	<b>7,259</b>

### ***ESPO (Eastern Shires Purchasing Organisation)***

ESPO is a joint Committee of Local Authorities and operates within the Local Government (Goods & Services) Act 1970. It acts as a purchasing agent for its member authorities and other customers and provides a procurement and supply service. ESPO is a self-financing organisation, operating on a not-for-profit basis. The reserve holds the Council's estimated share of ESPO's net assets and liabilities.

	2013/14 £000	2014/15 £000
<b>Balance at 1st April</b>	<b>(1,305)</b>	-
Net Movement in Year	1,305	-
<b>Balance at 31st March</b>	<b>-</b>	<b>-</b>



## 25. Cash Flow Statement – Interest included in Operating Activities

	2013/14 £000	2014/15 £000
Interest received	812	878
Interest paid	(19,745)	(19,341)

The surplus on the provision of services has been adjusted for the following non-cash movements:

	2013/14 £000	2014/15 £000
Depreciation	35,891	37,914
Impairment and downward valuations	57,321	48,422
Amortisation	332	490
Increase / (decrease) in creditors	(7,175)	16,671
Increase / (decrease) in debtors	2,276	(1,349)
Increase / (decrease) in inventories	470	37
Movement in pension liability	26,147	29,773
Contributions to/(from) Provisions	4,496	-
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	4,109	12,976
Other non-cash items charged to the net surplus or deficit on the provision of services	(81)	(1,803)
	<b>123,786</b>	<b>143,131</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing or financing activities:

	2013/14 £000	2014/15 £000
Capital Grants credited to surplus or deficit on the provision of services	(138,933)	(87,014)
Net adjustment from the sale of short and long term investments	489	-
Proceeds from the sale of property plant and equipment, investment property	(12,751)	(12,981)
	<b>(151,195)</b>	<b>(99,995)</b>

## 26. Cash Flow Statement – Investing Activities

	2013/14 £000	2014/15 £000
Purchase of property, plant and equipment and intangible assets	(109,391)	(141,719)
Purchase of short-term and long-term investments	(376,810)	(1,751,987)
Other payments for investing activities	(2,451)	-
Proceeds from sale of property, plant and equipment and int assets	18,160	12,986
Proceeds from short-term and long-term investments	363,812	1,735,986
Other receipts from investing activities	115,224	76,046
<b>Net Cash Flows from Investing Activities</b>	<b>8,544</b>	<b>(68,688)</b>

## 27. Cash Flow Statement – Financing Activities

	2013/14 £000	2014/15 £000
Cash receipts of short and long-term borrowing	17	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	(2,988)	(4,594)
Repayments of short and long-term borrowing	(1,245)	(1,196)
Other payments for financing activities	(2,894)	2,382
<b>Net Cash Flows from Financing Activities</b>	<b>(7,110)</b>	<b>(3,408)</b>

## 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 is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation were taken by the Council's Executive 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 the impact of depreciation, revaluations and impairments and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows paid in the year rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted centrally

### *Departmental Income and Expenditure*

2014/15	Education & Children's Services	Adult Social Care, Health & Housing	City Development & Neighbourhoods	Corporate & Resources Support	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(22,573)	(22,071)	(72,176)	(23,756)	<b>(140,576)</b>
Government & non-government grants	(92,054)	(47,767)	(9,760)	(142,113)	<b>(291,694)</b>
<b>Total Income</b>	<b>(114,627)</b>	<b>(69,838)</b>	<b>(81,936)</b>	<b>(165,869)</b>	<b>(432,270)</b>
Employee expenses	61,074	43,142	54,729	38,688	<b>197,633</b>
Other service expenses	106,842	115,494	98,766	188,536	<b>509,638</b>
Support service recharges	391	-	968	13,161	<b>14,520</b>
<b>Total Expenditure</b>	<b>168,307</b>	<b>158,636</b>	<b>154,463</b>	<b>240,385</b>	<b>721,791</b>
<b>Net Expenditure</b>	<b>53,680</b>	<b>88,798</b>	<b>72,527</b>	<b>74,516</b>	<b>289,521</b>

2013/14 Comparative Information Restated	Education & Children's Services	Adult Social Care, Health & Housing	City Development & Neighbourhoods	Corporate & Resources Support	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(19,845)	(24,059)	(71,229)	(23,547)	<b>(138,680)</b>
Government & non-government grants	(80,022)	(52,673)	(8,084)	(151,963)	<b>(292,742)</b>
<b>Total Income</b>	<b>(99,867)</b>	<b>(76,732)</b>	<b>(79,313)</b>	<b>(175,510)</b>	<b>(431,422)</b>
Employee expenses	64,106	45,751	54,177	39,975	<b>204,009</b>
Other service expenses	94,681	126,193	96,806	205,859	<b>523,539</b>
Support service recharges	1	(164)	-	-	<b>(163)</b>
<b>Total Expenditure</b>	<b>158,788</b>	<b>171,780</b>	<b>150,983</b>	<b>245,834</b>	<b>727,385</b>
<b>Net Expenditure</b>	<b>58,921</b>	<b>95,048</b>	<b>71,670</b>	<b>70,324</b>	<b>295,963</b>

***Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement***

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

	2013/14	2014/15
	£000	£000
Net expenditure in the Departmental Analysis	295,963	289,521
Net expenditure of services and support services not included in the analysis	(26,781)	(25,165)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	76,354	108,606
	<b>345,536</b>	<b>372,962</b>
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(48,021)	(52,248)
Allocation of Recharges	-	-
<b>Cost of services in Comprehensive Income and Expenditure Statement</b>	<b>297,515</b>	<b>320,714</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15	Departmental Analysis	Amounts not Reported to Management for Decision Making	Amounts not included in the I&E Statement	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(140,577)	(22,683)	-	-	(163,260)	(227,984)	(391,244)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	(1,505)	(1,505)
Income from Council Tax	-	-	-	-	-	(85,528)	(85,528)
Government grants & contributions	(291,694)	(257,932)	-	-	(549,626)	(284,670)	(834,296)
<b>Total Income</b>	<b>(432,271)</b>	<b>(280,615)</b>	-	-	<b>(712,886)</b>	<b>(599,687)</b>	<b>(1,312,573)</b>
Employee Expenses	197,633	212,746	-	-	410,379	10,906	421,285
Other Service Expenses	509,638	31,821	(52,248)	84,962	574,173	217,079	791,252
Support Service Recharges	14,521	70,441	-	(84,962)	-	-	-
Depreciation, Amortisation and Impairments	-	49,048	-	-	49,048	-	49,048
Interest Payments	-	-	-	-	-	20,741	20,741
Pensions Interest Costs and expected return on pension	-	-	-	-	-	25,729	25,729
Precepts and Levies	-	-	-	-	-	75	75
Payments to Housing Capital Receipts Pool	-	-	-	-	-	1,514	1,514
Costs of Sale-Assets held for sale & Other Operating Income & Expenditure	-	-	-	-	-	1,978	1,978
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	5,962	5,962
<b>Total Expenditure</b>	<b>721,792</b>	<b>364,056</b>	<b>(52,248)</b>	-	<b>1,033,600</b>	<b>283,984</b>	<b>1,317,584</b>
<b>Net Expenditure</b>	<b>289,521</b>	<b>83,441</b>	<b>(52,248)</b>	-	<b>320,714</b>	<b>(315,703)</b>	<b>5,011</b>

2013/14 Restated	Departmental Analysis	Amounts not Reported to Management for Decision Making	Amounts not included in the I&E Statement	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(138,680)	(27,727)	-	-	(166,407)	(232,635)	(399,042)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	(1,477)	(1,477)
Income from Council Tax	-	-	-	-	-	(80,419)	(80,419)
Government grants & contributions	(292,741)	(221,918)	(36,001)	-	(550,660)	(325,761)	(876,421)
HRA transfer to/from Reserves	-	-	-	-	-	-	-
<b>Total Income</b>	<b>(431,421)</b>	<b>(249,645)</b>	<b>(36,001)</b>	-	<b>(717,067)</b>	<b>(640,292)</b>	<b>(1,357,359)</b>
Employee Expenses	204,009	198,964	-	-	402,973	10,690	413,663
Other Service Expenses	523,539	(38,119)	(12,020)	59,905	533,305	221,945	755,250
Support Service Recharges	(164)	60,069	-	(59,905)	-	-	-
Depreciation, Amortisation and Impairments	-	78,304	-	-	78,304	-	78,304
Interest Payments	-	-	-	-	-	19,197	19,197
Pensions Interest cost & expected return on pension assets	-	-	-	-	-	19,661	19,661
Precepts and Levies	-	-	-	-	-	74	74
Payments to Housing Capital Receipts Pool	-	-	-	-	-	1,480	1,480
Costs of Sale-Assets held for sale & Other Operating Income & Expenditure	-	-	-	-	-	(2,688)	(2,688)
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	(8,667)	(8,667)
HRA transfer to/from Reserves	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>727,384</b>	<b>299,218</b>	<b>(12,020)</b>	-	<b>1,014,582</b>	<b>261,692</b>	<b>1,276,274</b>
<b>Net Expenditure</b>	<b>295,963</b>	<b>49,573</b>	<b>(48,021)</b>	-	<b>297,515</b>	<b>(378,600)</b>	<b>(81,085)</b>

## 29. Acquired & Discounted Operations

There were no acquired or discontinued operations in 2014/15.

## 30. Trading Operations

The net surpluses and deficits of the City Council's trading operations are shown in the Comprehensive Income and Expenditure Statement. This note provides a more detailed breakdown of the financial performance of these trading activities. The City Council manages five trading operations which provide internal support to front line services. Trading operations are given a targeted budget position to work towards, which may be a surplus, deficit or break-even.

	2013/14			2014/15		
	Turnover	Expenditure	(Surplus)/ Deficit	Turnover	Expenditure	(Surplus)/ Deficit
	£000	£000	£000	£000	£000	£000
City Catering	(7,713)	7,713	-	(7,749)	7,749	-
City Highways	(9,658)	9,587	(71)	(9,167)	9,218	51
City Transport Fleet	(7,091)	6,447	(644)	(7,324)	5,742	(1,582)
Passenger and Transport	(7,540)	7,428	(112)	(5,277)	5,166	(111)
I.T. Services	(1,831)	1,684	(147)	(1,243)	1,378	135
<b>Total</b>	<b>(33,833)</b>	<b>32,859</b>	<b>(974)</b>	<b>(30,760)</b>	<b>29,253</b>	<b>(1,507)</b>

### ***City Catering***

The Council owns and manages the City Catering Service, generating income from catering services, including those provided to schools. Management of the service is provided by an in-house team.

### ***City Highways***

City Highways is a front line service undertaking highway maintenance and construction activities ranging in scope from small repairs to large projects such as the City Centre paving works and also some work requested by external organisations. City Highways provides the Council's winter maintenance road gritting service and the Council's land drainage service. In addition the service acts as the Council's initial emergency responder to flooding, drainage and highway incidents and provides an out-of-hours emergency standby service in this respect.

### ***City Transport Fleet***

City Transport Fleet is responsible for the centralised provision and maintenance of the Council's Central Vehicle Pool and grant-aided vehicles. Hired vehicles, provision of fuel and a vehicle wash facility are available to user sections.

## ***Passenger and Transport Services***

Passenger and Transport Services provide a specialist operational transport service to social and community groups for example meals on wheels and special needs education clients.

## ***I.T. Services***

The service procures and commissions IT equipment across the Council. It also provides Technical Education Support to schools.

## **31. Agency Services**

The Council provides payroll services for the Samworth Enterprise Academy, Harborough District Council, Krishna-Avanti Primary School, Ash Field Academy, Sacred Heart Catholic Voluntary Academy, St. Joseph's Catholic Voluntary Academy, St. Thomas More Catholic Voluntary Academy, Humberstone Academy and Falcons Primary Free School involving the following expenses and charges:

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Expenditure incurred in providing payroll services to Samworth Enterprise Academy	3.0	3.1
Amount charged to Samworth Enterprise Academy	(3.0)	(3.1)
<b>Net Surplus</b>	-	-

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Expenditure incurred in providing payroll services to Harborough District Council	13.3	13.6
Amount charged to Harborough District Council	(13.3)	(13.6)
<b>Net Surplus</b>	-	-

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Expenditure incurred in providing payroll services to Krishna-Avanti Primary School	1.4	-
Amount charged to Krishna-Avanti Primary School	(1.4)	-
<b>Net Surplus</b>	-	-

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Expenditure incurred in providing payroll services to Ash Field Academy	4.7	5.1
Amount charged to Ash Field Academy	(4.7)	(5.1)
<b>Net Surplus</b>	-	-

	2013/14 £000	2014/15 £000
Expenditure incurred in providing payroll services to Sacred Heart Catholic Voluntary Academy	2.3	2.5
Amount charged to Sacred Heart Catholic Voluntary Academy	(2.3)	(2.5)
<b>Net Surplus</b>	-	-

	2013/14 £000	2014/15 £000
Expenditure incurred in providing payroll services to St. Joseph's Catholic Voluntary Academy	3.2	3.2
Amount charged to St. Joseph's Catholic Voluntary Academy	(3.2)	(3.2)
<b>Net Surplus</b>	-	-

	2013/14 £000	2014/15 £000
Expenditure incurred in providing payroll services to St. Thomas More Catholic Voluntary Academy	3.1	3.2
Amount charged to St. Thomas More Catholic Voluntary Academy	(3.2)	(3.2)
<b>Net Surplus</b>	(0.1)	-

	2013/14 £000	2014/15 £000
Expenditure incurred in providing payroll services to Humberstone Academy	2.1	4.2
Amount charged to Humberstone Academy	(2.1)	(4.2)
<b>Net Surplus</b>	-	-

	2013/14 £000	2014/15 £000
Expenditure incurred in providing payroll services to Falcons Primary Free School	-	2.1
Amount charged to Falcons Primary Free School	-	(2.1)
<b>Net Surplus</b>	-	-

### **32. Road Charging Schemes under the Transport Act 2000**

The Council does not operate any road charging or workplace charging schemes.



### **33. Pooled Budgets**

The Council has entered into the following pooled budget arrangements under Section 75 of the Health Act 2006:

#### ***Supply of Community Equipment***

This is an arrangement for the supply of community equipment with Leicestershire County Council, Rutland County Council and the three Clinical Commissioning Groups (CCGs) in the areas covered by the councils. Leicester City Council acts as the host partner. The City Council contributed £0.88m (Adult Social Care contribution of £0.83m and Education contribution of £0.05m) to the pool during 2014/15 (£0.7m in 2013/14) and this expenditure is also included in the Adult Social Care line and the Education line of the Comprehensive Income and Expenditure Statement.

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
<b>Funding provided to the pooled budget:</b>		
Leicester City Council	714	879
Leicestershire County Council	1,342	1,690
Rutland County Council	72	91
Leicestershire County and Rutland Primary Care Trust	-	-
Leicester Primary Care Trust	-	-
Leicester City CCG	1,340	1,637
East Leicestershire and Rutland CCG	1,655	1,922
West West Leicestershire CCG	1,881	2,116
<b>Total Funding provided to the pooled budget</b>	<b>7,004</b>	<b>8,335</b>
<b>Total expenditure met from the pooled budget</b>	<b>7,004</b>	<b>8,335</b>
<b>Net surplus arising on the pooled budget during the year</b>	-	-
<b>Leicester City Council's share of the net surplus arising on the pooled budget during the year</b>	-	-

#### ***Drugs and Alcohol Pooled Budget***

This is an arrangement for the implementation of the Government's National Drugs and Alcohol Strategies. As the accountable body, Leicester City Council manages funding from the Department of Health, Home Office, National Offender Management Service, PCT Cluster and Leicestershire/Rutland County Councils and commissions a range of health and social care interventions for individuals with problematic substance misuse issues. The City Council contributed £6.3m to the pool during 2014/15 (£6.3m in 2013/14) and this expenditure is also included in the Adult Social Care line and the Public Health line of the Comprehensive Income and Expenditure Statement.

	2013/14 £000	2014/15 £000
<b>Funding provided to the pooled budget:</b>		
Leicester City Council	656	-
Leicester City Council - Public Health	5,642	6,283
Leicestershire County Council - Public Health	888	888
Rutland County Council - Public Health	46	46
Leicestershire Police and Crime Commissioner	520	509
NHS England	488	651
Leicester Primary Care Trust	-	963
<b>Total Funding provided to the pooled budget</b>	<b>8,240</b>	<b>9,340</b>
<b>Net surplus arising on the pooled budget during the year</b>	<b>-</b>	<b>-</b>
<b>Leicester City Council's share of the net surplus arising on the pooled budget during the year</b>	<b>-</b>	<b>-</b>

### **34. Members' Allowances**

The Council paid the following amounts to members of the Council during the year:

	2013/14 £	2014/15 £
Basic Allowance Payments	539,536	540,593
Special Responsibility Payments	346,061	346,910
General Expense Payments	78,482	76,775
<b>Total</b>	<b>964,079</b>	<b>964,278</b>

### **35. Officers' Remuneration**

This note comprises two sections. The first discloses the remuneration of the Council's senior officers. The second section discloses the total number of 'higher paid' Council officers whose remuneration exceeded £50k during 2014/15, shown in bands and excluding those senior officers in the first section.

#### **Section 1 - Senior Employees' Remuneration**

The table shows the amounts paid to the holders of senior posts in 2014/15 with comparative data from 2013/14 where applicable. Senior employees are defined as certain statutory chief officer posts (including the head of paid service), those earning over £150k per annum and those earning less than this sum but reporting directly to the head of paid service (Chief Operating Officer).

Remuneration in this table (as defined in statutory regulations) includes salary, fees/allowances, employer's pension contributions, taxable benefits and any compensation for loss of office.

Post	Financial Year	Salary, Fees and Allowances	Expenses	Pension Contributions	Compensation for loss of employment	Total
		£	£	£	£	£
Chief Operating Officer (Head of Paid Service)	2014/15	127,485	-	25,115	-	<b>152,600</b>
	2013/14	137,560	18	21,353	-	<b>158,931</b>
Director Delivery, Communications & Political Governance	2014/15	86,003	-	16,943	-	<b>102,946</b>
	2013/14	96,304	-	18,009	-	<b>114,313</b>
Director of Finance	2014/15	83,039	-	15,937	-	<b>98,976</b>
	2013/14	79,674	-	14,899	-	<b>94,573</b>
City Barrister & Head of Standards (Note 1)	2014/15	69,732	-	13,737	-	<b>83,469</b>
	2013/14	80,619	-	15,076	-	<b>95,695</b>
Strategic Director - Children's Services (Note 2)	2014/15	59,232	-	11,669	-	<b>70,901</b>
	2013/14	-	-	-	-	-
Director of Housing	2014/15	86,003	-	15,472	-	<b>101,475</b>
	2013/14	85,575	-	16,002	-	<b>101,577</b>
Strategic Director - Adult Social Care & Health (Note 3)	2014/15	92,756	-	12,986	-	<b>105,742</b>
	2013/14	109,789	-	15,360	-	<b>125,149</b>
Strategic Director - City Development & Neighbourhoods	2014/15	118,983	-	22,902	-	<b>141,885</b>
	2013/14	114,735	-	21,455	-	<b>136,190</b>
Director of Information Services (Note 4)	2014/15	77,529	-	13,939	38,569	<b>130,037</b>
	2013/14	85,575	-	16,002	-	<b>101,577</b>
Director of Public Health (Note 5)	2014/15	88,393	-	12,375	-	<b>100,768</b>
	2013/14	87,246	-	12,214	-	<b>99,460</b>

Notes:

- 1) The City Barrister reduced their working hours from full time to part time during 2013/14
- 2) The Strategic Director of Children's Services was appointed on 18<sup>th</sup> September 2014
- 3) The Strategic Director of Adult Social Care & Health left the Council in January 2015 and had not been replaced at 31<sup>st</sup> March 2015
- 4) The Director of Information Services left the Council in January 2015 and has not been replaced
- 5) The Director of Public Health has been included following a change in structure in 2014/15 whereby they now report to the Chief Operating Officer, having previously reported to the Strategic Director for Adult Social Care & Health

## **Section 2 - Higher Paid Employees**

The number of other Council employees receiving more than £50,000 remuneration for the year are shown in the table below. These figures include teaching, senior leadership and support staff within Local Authority schools. In line with the relevant regulations, they exclude the senior officers in the roles specifically listed in the table above.

It should be noted that the definition of remuneration in this table differs from that in the table above (in line with regulations) as it excludes employers' pension contributions.

The table does include compensation for loss of office, so employees who left in the year may appear in a higher band than the equivalent role would appear in based on a normal year's salary.

Equally, some posts would not be included in the table based on a normal year's salary, but are included because of payments for compensation for loss of office.

The threshold for inclusion in this report is defined in regulations and remains static at £50k annually. Salaries paid to staff include annual pay increases as and when these are awarded, increasing the scope of the report over time.

Remuneration Band £	Number of Employees					
	Non-Schools		Schools		Total	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
50,000-54,999	45	45	65	63	110	108
55,000-59,999	32	24	49	54	81	78
60,000-64,999	26	27	37	36	63	63
65,000-69,999	6	7	25	33	31	40
70,000-74,999	3	1	10	15	13	16
75,000-79,999	0	2	6	7	6	9
80,000-84,999	6	2	3	5	9	7
85,000-89,999	5	6	6	2	11	8
90,000-94,999	0	0	2	2	2	2
95,000-99,999	1	1	2	3	3	4
100,000-104,999	0	0	1	1	1	1
105,000-109,999	1	0	4	2	5	2
110,000-114,999	0	0	0	2	0	2
115,000-119,999	0	0	1	1	1	1
120,000-124,999	0	0	1	0	1	0
125,000-129,999	0	0	0	1	0	1
130,000-134,999	0	0	0	0	0	0
<b>Total</b>	<b>125</b>	<b>115</b>	<b>212</b>	<b>227</b>	<b>337</b>	<b>342</b>

### 36. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2013/14 £000	2014/15 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	195	195
Fees payable for the certification of grant claims and returns for the year	89	70
Fees payable in respect of other services provided during the year	2	11
<b>Total</b>	<b>286</b>	<b>277</b>

### 37. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on a council 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 2014/15 are as follows:

2014/15	Central Expenditure £000	Individual Schools Budget £000	Total £000
<b>Final DSG for 2014/15 before Academy recoupment</b> Academy figure recouped for 2014/15			<b>264,731</b> (7,573)
<b>Total DSG after Academy recoupment for 2014/15</b> Brought forward from 2013/14 Carry forward to 2015/16 agreed in advance			<b>257,158</b> 14,585 -
<b>Agreed initial budgeted distribution in 2014/15</b> In year adjustments	<b>61,378</b>	<b>210,365</b>	<b>271,743</b> -
<b>Final budgeted distribution for 2014/15</b> Actual central expenditure for the year Actual ISB deployed to schools Local Authority contribution for 2014/15	<b>61,378</b> (41,576)	<b>210,365</b> (210,365)	<b>271,743</b> (41,576) (210,365) -
<b>Carry forward to 2015/16</b>	<b>19,802</b>	-	<b>19,802</b>

2013/14 Comparative Information	Central Expenditure £000	Individual Schools Budget £000	Total £000
<b>Final DSG for 2013/14 before Academy recoupment</b> Academy figure recouped for 2013/14			<b>256,909</b> (7,322)
<b>Total DSG after Academy recoupment for 2013/14</b> Brought forward from 2012/13 Carry forward to 2014/15 agreed in advance			<b>249,587</b> 6,608 -
<b>Agreed initial budgeted distribution in 2013/14</b> In year adjustments	<b>52,405</b> -	<b>203,790</b> -	<b>256,195</b> -
<b>Final budgeted distribution for 2013/14</b> Actual central expenditure for the year Actual ISB deployed to schools Local Authority contribution for 2013/14	<b>52,405</b> (37,820) - -	<b>203,790</b> - (203,790) -	<b>256,195</b> (37,820) (203,790) -
<b>Carry forward to 2014/15</b>	<b>14,585</b>	-	<b>14,585</b>

### 38. Grant Income

The Council received the following revenue and capital grants in 2014/15. These are analysed between those credited to the Comprehensive Income and Expenditure Statement and those held as receipts in advance, in line with the Council's accounting policies.

#### *Capital grants recognised in the year*

	2013/14 £000	2014/15 £000
<b>Credited to Services (All REFCUS related)</b>		
Disabled Facilities Grant	848	-
CCG Disabled Facilities Grant Contribution	500	-
DCLG City Deal for LLEP	-	1,800
DCLG Household Waste Recycling Centre	-	2,515
DFT Maintenance Grant	-	180
Heritage Lottery Fund	-	405
Sustrans Grant	-	163
DFT Cleaner Bus Technology	530	-
Working Neighbourhood Fund	-	168
Growing Places	4,094	-
Regional Growth Fund	1,296	8,289
DFE Capital Maintenance	-	-
Devolved Formula Capital	1,056	-
Building Schools for the Future	27,191	475
HCA Empty Homes Leasing	98	-
Repayable Home Repair Grants	311	-
Others	77	108
<b>Total Credited to Services</b>	<b>36,001</b>	<b>14,103</b>

	2013/14 £000	2014/15 £000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
Adult Social Care Grants	-	863
Building Schools for the Future	35,548	33,731
Community Capacity Grant	1,674	-
Devolved Formula Capital Grant	-	3,174
DFT Maintenance Grant	2,599	2,291
DFT Bus Pinch Point	2,400	-
DFT Integrated Transport Grant	3,957	4,171
DFT Pothole Monies	-	646
DFT Better Bus and other contributions to RTI	784	-
European Regional Development Fund	2,469	6,964
Heritage Lottery Fund	98	-
Football Foundation Grant & Other Partner Contributions	-	-
DFE Capital Maintenance	11,812	4,542
DFE Basic Need	27,305	10,195
DFE Two Year Old Entitlement	794	-
DFE Priority School Building Programme	-	180
DFT Local Sustainable Transport Fund	651	745
Working Neighbourhood Fund	167	236
Sustrans Grant	550	-
Aiming High for Disabled Children Grant	-	-
Disabled Facilities Grant	-	867
Arts Council	114	-
DEFRA	71	12
HCA Empty Homes Leasing	-	2,277
HCA Travellers Sites	-	1,828
Growing Places	7,450	-
S106 Contributions	89	901
Leicestershire County Council	150	-
CCG Capital Contribution	600	-
DCLG Household Waste	118	901
Others	4,135	2,049
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>103,535</b>	<b>76,573</b>

### ***Capital grants received in advance***

The Council has received a number of capital grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that have not yet been met. The balances at the year-end are as follows:

	2014/15 £000
<b>Capital Grants Receipts in Advance</b>	
Devolved Formula Capital Grant	3,305
DFT Bus Pinch Point	1,100
DCLG City Deal for LLEP	200
DFT Severe Weather Capital Maintenance Allocation	92
DEFRA	31
DFT Cleaner Bus Technology	71
Others	(311)
<b>Total Received in Advance</b>	<b>4,488</b>

### ***Revenue grants recognised in the year***

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
Revenue Support Grant	135,496	108,651
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>135,496</b>	<b>108,651</b>
<b>Credited to Services</b>		
<b><u>Children's and Education Services</u></b>		
Pupil Premium	15,271	18,705
Dedicated Schools Grant (see note 37)	241,609	251,915
Other Education	26,492	32,417
<b><u>Adults and Housing</u></b>		
Drug Intervention Programme	1,053	1,160
Adult Pooled Treatment	2,681	3,070
Housing Benefit Subsidies	136,172	133,608
Other Adults and Housing	2,158	9,670
<b><u>Public Health</u></b>		
Public Health Grant	19,995	21,995
<b><u>City Development and Neighbourhoods</u></b>		
Waste PFI	2,088	2,074
Other City Development and Neighbourhoods	3,784	3,433
<b><u>Corporate and Resources</u></b>		
Local Services Support Grant	171	148
Housing Benefit & Council Tax benefit Admin Grant	3,421	2,158
New Homes Bonus Scheme	4,618	6,224
Section 31 Grants	-	4,346
Community Care Grant	1,946	2,900
Elections	39	590
Other Corporate and Resources	351	222
<b>Total Credited to Services</b>	<b>461,849</b>	<b>494,635</b>

### ***Revenue grants received in advance***

The Council has received a number of revenue grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that have not yet been met. The balances at the year-end are as follows:



	2013/14 £000	2014/15 £000
<b>Receipts in Advance</b>		
<b><u>Children's and Education Services</u></b>		
Early Intervention Grant	2,915	2,915
Other Education	5,428	7,210
<b><u>Adults and Housing</u></b>		
Social Care Reform	826	826
Other Adults and Housing	915	1,653
<b><u>City Development and Neighbourhoods</u></b>		
City Development and Neighbourhoods	766	976
<b><u>Corporate and Resources</u></b>		
Other Resources	-	36
<b>Total Receipts in Advance</b>	<b>10,850</b>	<b>13,616</b>

### **39. Related Parties**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions in Section 1 below allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

The Council is also required to disclose interests it holds in companies and other entities – detailed in Section 2 below.

### **Section 1 - Organisations or individuals which are related parties of the Council**

#### ***Central Government***

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides substantial funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grant funding received from central government is shown within Note 38 to the accounts.

#### ***Members and Officers***

Members and senior officers of the Council have direct control of the financial and operating policies of the Council. Members receive allowances for their role and these are detailed in Note 34. Remuneration of senior officers is detailed in Note 35.

All wards in the city are allocated a ward budget of £18k per annum. These budgets are used to fund projects in wards and the allocations are determined by elected members.

Members and officers are also required to disclose any other arrangements giving rise to related party interests:

- A close family member of Cllr Vi Dempster is a substantial shareholder in MK Fabrications, a metal fabrication business which rents commercial premises from the Council. The value of transactions in 2014/15 was £6,585. The property is leased at a market rent
- Cllr Harshad Bhavsar is a Director of YUG Chemicals Ltd, which rents commercial premises from the Council. The value of transactions in 2014/15 was £20,160. The property is leased at a market rent

Members or officers of the Council sit (either in a personal capacity or as representatives of the Council) on the governing bodies of the following organisations in receipt of materially significant funding from the Council:

***Leicester Community Sports Arena Ltd***

During 2014/15, this company was created by the Leicester Riders Foundation. The purpose of the company is to build and operate a new venue for the Leicester Riders basketball team and other community sports.

Cllr Piara Singh Clair, the Council's Assistant Mayor for Culture, Leisure & Sport, is one of the four directors of the company (though the Council does not have the right to nominate a director).

The Council owns the land on which the arena is to be built, which will be leased to the company for a market rent once the arena is complete. The Council is also providing £1.5m grant funding to the company to support the development (of which £0.84m was paid in 2014/15), alongside Sport England, Leicester College and the Leicester & Leicestershire Enterprise Partnership (for whom the Council is the accountable body).

***Leicester Theatre Trust***

The Leicester Theatre Trust owns and operates the Curve theatre in Leicester. The Council appoints two out of fourteen board members, currently Cllr Piara Singh Clair and Liz Blyth, the Council's Director of Culture and Neighbourhoods. The Council provided grant funding and payments for services for the Trust totalling £632k in 2014/15.

***Leicester Arts Centre Ltd***

This is the not-for-profit holding company for the Phoenix Arts Centre in Leicester. The Council appoints two out of eleven members of the board, currently Cllr Bill Shelton and Colin Sharpe (Head of Finance – City Development & Neighbourhoods). The Council provided grant funding and payment for services totalling £307k in 2014/15.

***Leicester Council of Faiths***

Cllr Manjula Sood is the Chair of the Leicester Council of Faiths. This umbrella community organisation receives funding from the Council totalling £25k per annum.

## **Section 2 - Organisations in which the Council has an interest**

The Council also discloses interests it holds in other organisations, including the value of any material transactions where the other organisation is a related party of the Council.

### ***Homecome Ltd***

Homecome Ltd is a not-for-profit limited company set up by the Council in spring 2004. Other member bodies include the Leicestershire Chamber of Commerce and the Leicester Federation of Tenants' Associations. The company was set up to create new affordable housing. The Council appoints a director, currently Cllr Andy Connelly, but does not have control or significant influence over the company's affairs.

The Council's investment in Homecome consists of a grant (repayable in certain circumstances) to facilitate the purchase of properties by the company. It is held on the Council's balance sheet at a value of £7.8m.

### ***Eastern Shires Purchasing Organisation***

ESPO is a Joint Committee involved in the letting of contracts for supplies and services to its members (other local authorities) and others; together with the provision of a central warehouse for the supply of items in common use.

The Council resigned its membership of ESPO during 2014/15 and has no further role in the organisation.

### ***Connexions Leicester Shire Service Ltd & Connexions Leicester Shire Trading Ltd***

These two companies provided the Connexions advice service for young people prior to the service being brought back in-house by the city and county councils in 2012/13. Leicester City Council owns 50% of each company.

Connexions Leicester Shire Service Ltd was put into members' voluntary liquidation during 2014/15. As a result of this a final distribution of resources was made to the Council and Leicestershire County Council. The City Council's share of the distribution was £0.66m.

Connexions Leicester Shire Trading Ltd is still in existence but has no significant activities or assets. It will be wound up during 2015/16.

### ***King Richard III Trust***

The King Richard III Trust operates the King Richard III Visitor Centre. It was created in 2013/14.

During 2014/15 the Council was a member of the trust and three of the Trust's board members were connected with the Council – Frank Jordan (Strategic Director of City Development & Neighbourhoods), Cllr Piara Singh Clair (Assistant Mayor for Culture, Leisure & Sport) and Liz Blyth (Director of Culture & Neighbourhood Services).

The Council has resigned any formal membership of the Trust and the Trust now operates as an independent entity. At 31<sup>st</sup> March 2015, Frank Jordan had ceased to be a board member of the Trust whilst Cllr Singh Clair and Liz Blyth remain as two of nine directors. The Council has no nomination rights to the board of the Trust.

#### **40. Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Finance Requirement (CFR), a measure of the capital expenditure incurred historically by the Council yet to be financed. The CFR is analysed in the second part of this note.

	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	<b>533,573</b>	<b>567,895</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	162,798	135,620
Intangible Assets	807	594
Long Term Investment	(2,290)	-
Revenue Expenditure Funded Under Capital Statute	42,506	49,968
<b>Sources of Finance</b>		
Capital Receipts	-	(21,305)
Government Grants & Other Contributions	(81,396)	(85,793)
Sums set aside from revenue:		
Direct Revenue Contributions	(67,924)	(36,927)
(MRP/Loans Fund Principal)	(20,179)	(18,925)
<b>Closing Capital Financing Requirement</b>	<b>567,895</b>	<b>591,127</b>
Increase/Decrease in underlying need to borrowing (unsupported by government financial assistance)	(10,276)	23,071
HRA CFR adjustment	-	-
Assets acquired under Finance Leases	-	-
Assets acquired under PFI/PPP contracts	44,598	161
<b>Increase/(Decrease) in CFR</b>	<b>34,322</b>	<b>23,232</b>

## 41. Leases

### **Council as Lessee**

#### *Finance Leases*

The Council has acquired a number of assets under finance leases, including various buildings and IT equipment. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31st March 2014 £000	31st March 2015 £000
Other Land and Buildings	1,629	1,548
Vehicles, Plant and Equipment	635	418
<b>Total</b>	<b>2,264</b>	<b>1,966</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31st March 2014 £000	31st March 2015 £000
Finance lease liabilities	1,056	812
Finance costs payable in future years	548	436
<b>Total minimum lease payments</b>	<b>1,604</b>	<b>1,248</b>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000
Within one year	356	238	244	139
Within 2 to 5 years	809	708	498	429
Later than 5 years	439	302	314	244
<b>Total</b>	<b>1,604</b>	<b>1,248</b>	<b>1,056</b>	<b>812</b>

#### *Operating Leases*

The Council leases a number of buildings for operational use. The future minimum lease payments due under non-cancellable leases in future years are:

	Vehicles £000	Buildings £000	Total £000
Not later than one year		721	721
Later than one year and not later than 5 years		2,759	2,759
Later than 5 years		3,463	3,463
<b>Total</b>	<b>-</b>	<b>6,943</b>	<b>6,943</b>

## **Council as Lessor**

### *Finance Leases*

The Council has leased out property at 40-50 High Street and land at Barkby Road on finance leases. These leases are on peppercorn annual payments and so no income has been included in the accounts. There are no contingent rents in these leases. The Council has also leased out two other properties on a finance lease where a rental is payable.

<b>Finance Lease Debtor</b>	<b>31st March 2015</b>
	<b>£000</b>
Current	(1)
Non-current	69
Unearned finance income	303
<b>Gross Investment in the lease</b>	<b>371</b>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

<b>Minimum Lease Payments</b>	<b>31st March 2015</b>
	<b>£000</b>
Within one year	2
Within 2 to 5 years	14
Later than 5 years	355
	<b>371</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

### *Operating Leases*

The Council leases out a number of buildings for economic support purposes. The future minimum lease payments due under non-cancellable leases in future years are:

	<b>31st March 2014</b>	<b>31st March 2015</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	3,780	3,712
Later than one year and not later than 5 years	10,311	10,478
Later than 5 years	68,272	68,978
<b>Total</b>	<b>82,363</b>	<b>83,168</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## 42. Private Finance Initiatives and Service Concession Arrangements

### *Integrated Waste Management Service*

In 2003, the Council entered into a 25 year contract valued in excess of £300m with Biffa (Leicester) Ltd under the PFI scheme. The arrangement, which became operational in 2004, covers the collection, treatment and disposal of City residents' waste. The contractor took on the obligation to provide assets required to deliver these services, including a recycling facility, purpose-built anaerobic digester for organic waste, and vehicles used in the waste collection and recycling services. At the end of the contract, the assets will be transferred to the Council for nil consideration.

2014/15 was the twelfth year of the operation of the contract, costing £13.484m (£13.287m in 2013/14).

### *Property Plant and Equipment*

The assets used to provide the waste management service are provided by the operator, but under recognised on the Council's Balance Sheet.

	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Total £000</b>
Balance at 1st April 2014	12,724	4,682	17,406
Depreciation	(709)	(1,133)	(1,842)
Additions	-	161	161
<b>Balance at 31st March 2015</b>	<b>12,015</b>	<b>3,710</b>	<b>15,725</b>

### *Payments*

The Council makes an agreed payment each year which is increased by inflation (based on the RPI-X measure) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2015 (excluding future inflation) are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Within 1 year	6,509	2,048	795	9,352
Within 2 to 5 years	26,137	7,834	3,320	37,291
Within 6 to 10 years	33,201	10,109	3,059	46,369
Within 11 to 15 years	20,814	6,078	867	27,759
Within 16 to 20 years	-	-	-	-
<b>Total</b>	<b>86,661</b>	<b>26,069</b>	<b>8,041</b>	<b>120,771</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

The liability outstanding to the contractor for capital expenditure incurred is as follows:

	2013/14 £000	2014/15 £000
Balance outstanding at 1st April	14,744	12,781
Payments during the year	(1,963)	(1,949)
Additions	-	161
<b>Balance at 31st March</b>	<b>12,781</b>	<b>10,993</b>

### ***Building Schools for the Future – Phase 1 - Rebuild of Judgemeadow and Soar Valley Community Colleges***

In December 2007, the Council entered into a 25-year contract with Leicester Miller Education Company Limited under a PFI scheme. The contractor was to design, build, finance and operate, on the existing sites, replacement buildings for two community colleges – Judgemeadow and Soar Valley – valued at £34.9m (on completion of the rebuild in 2009). The Council own 10% of the shares in the company with the remaining 90% in private hands. At the end of the contract, all assets will revert to Council control. The rebuild was completed in 2009, and 2014/15 was therefore the sixth year of the operation of the contract costing £6.44m.

#### *Property Plant and Equipment*

The assets used to provide the service are recognised on the Council's Balance Sheet. The value of fixed assets included within the contract, and an analysis of the movement in those values, are shown below:

	Vehicles, Plant & Equipment £000
Balance at 1st April 2014	30,835
Depreciation	(642)
<b>Balance at 31st March 2015</b>	<b>30,193</b>

#### *Payments*

The Council makes an agreed payment each year which is increased by inflation (based on the RPI-X measure) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2015 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Within 1 year	1,651	1,171	2,845	5,667
Within 2 to 5 years	8,990	3,230	10,448	22,668
Within 6 to 10 years	11,081	5,998	11,256	28,335
Within 11 to 15 years	11,692	8,636	8,007	28,335
Within 16 to 20 years	7,853	12,646	3,114	23,613
Within 21 to 25 years	-	-	-	-
<b>Total</b>	<b>41,267</b>	<b>31,681</b>	<b>35,670</b>	<b>108,618</b>



Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to the contractor for capital expenditure incurred is as follows:

	2013/14 £000	2014/15 £000
Balance outstanding at 1st April	33,227	32,702
Payments during the year	(525)	(1,021)
<b>Balance at 31st March</b>	<b>32,702</b>	<b>31,681</b>

### ***Building Schools for the Future – Phase 2 - Rebuild of Crown Hills and City Of Leicester Community Colleges***

On 31<sup>st</sup> March 2012 the City Council committed to a new joint PFI project scheme for the re-building of Crown Hills and City of Leicester Community Colleges. This is a design, build, finance and operate on existing sites contract with Leicester Miller Education Company Limited for 25 years. The new schools became operational at the end of October 2013 with construction costs of £44.6m. At the end of the contract, as things stand, all assets will revert to City Council control. 2014/15 was the second year of the operation of the contract costing £6.5m.

#### *Property Plant and Equipment*

The assets used to provide the service are recognised on the Council's Balance Sheet. The value of fixed assets is shown below:

	Other Land & Buildings £000
Balance at 1st April 2014	44,598
Depreciation	(910)
Revaluations/Impairment	(10,746)
<b>Balance at 31 March 2015</b>	<b>32,942</b>

#### *Payments*

The Council makes an agreed payment each year which is increased by inflation (based on the RPI-X measure) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2015 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Lifecycle Capital Replacement £000	Total £000
Within 1 year	1,969	1,198	2,952	107	6,226
Within 2 to 5 years	7,876	5,178	10,948	906	24,908
Within 6 to 10 years	9,844	6,686	11,622	2,982	31,134
Within 11 to 15 years	9,844	7,711	9,308	4,271	31,134
Within 16 to 20 years	9,844	11,464	6,084	3,742	31,134
Within 21 to 25 years	7,057	10,755	1,677	2,831	22,320
<b>Total</b>	<b>46,434</b>	<b>42,992</b>	<b>42,591</b>	<b>14,839</b>	<b>146,856</b>

The liability outstanding to the contractor for capital expenditure incurred is as follows:

	2014/15 £000
Commencing values	44,171
Payments during the year	(1,179)
<b>Balance at 31st March</b>	<b>42,992</b>

### ***District Energy Heating & Combined Heat Power Scheme***

On 14<sup>th</sup> January 2011 the Council signed an agreement with Leicester District Energy Company Ltd (LDEC Ltd) for the implementation and provision of a district heating and combined heat and power scheme in Leicester.

The scheme involves the replacement of existing heating boilers, the use of existing heating networks and the construction of additional heating networks in the City Centre and some outer Council estates. Leicester University are part of the scheme and their heating and electricity networks are linked into the overall network scheme. It is envisaged that other public and private sector organisations will buy into the scheme and become part of a dynamic network.

The scheme came on stream during 2012/13 although one phase (Aikman Avenue) has yet to be completed.

The Council is paying charges to LDEC Ltd based on three elements:

- a. Fixed Charges for Heat and Electricity – these include the capital costs of the scheme,
- b. Unit Charges for Heat and Electricity – these are based on actual consumption of heat and energy and the current purchase price of fuel, and
- c. Performance Charges for Heat and Electricity – these are based on performance targets and will be reduced where these are not met.

The initial capital investment made by LDEC Ltd for the whole scheme was £13.7m, of which £935k was funded by a CESP (Community Energy Saving Programme) Grant from LDEC Ltd's parent company, GDF Suez, who are an energy provider.

### *Property Plant and Equipment*

The assets used to provide the service and directly attributable to the City Council are recognised on the Council's Balance Sheet. The value of fixed assets attributable to the Council and operational as at 31<sup>st</sup> March 2015, are shown below:

	<b>Vehicles, Plant &amp; Equipment £000</b>
Balance at 1st April 2014	9,773
Depreciation	(425)
<b>Balance at 31st March 2015</b>	<b>9,348</b>

### *Payments*

The Council will make payments each year which will be increased by inflation (based on a number of inflation measures) and can be reduced if the contractor fails to meet performance standards. Payments (substantially based on assumed levels of energy consumption) scheduled to be made under the contract at 31<sup>st</sup> March 2015 (excluding future inflation increases but including the final phase due to become operational during 2015/16) are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Lifecycle Capital Replacement £000</b>	<b>Total £000</b>
Within 1 year	1,317	112	927	215	2,571
Within 2 to 5 years	6,941	646	3,796	860	12,243
Within 6 to 10 years	8,676	1,246	4,307	1,076	15,305
Within 11 to 15 years	8,676	2,010	3,543	1,076	15,305
Within 16 to 20 years	8,676	3,242	2,311	1,076	15,305
Within 21 to 25 years	4,619	2,470	477	538	8,104
Within 26 - 30 years	418	67	3	-	488
<b>Total</b>	<b>39,323</b>	<b>9,793</b>	<b>15,364</b>	<b>4,841</b>	<b>69,321</b>

### *Liability*

The liability outstanding to the contractor for capital expenditure incurred up to 31<sup>st</sup> March 2015 is as per the following table:

	<b>2014/15 £000</b>
Liability for capital expenditure incurred for operational phases	9,416
Payments during the year	(173)
<b>Balance at 31st March</b>	<b>9,243</b>

Under the terms of the agreement, at the end of the scheme, or, if earlier, upon termination of the agreement, LDEC Ltd will sell the boiler plant and heating network (such parts that are required to heat all of the City Council's buildings) to the City Council or to a new service provider. The term is designed to ensure that the City Council has a working district heating system at the end of the contract period. At the end of the scheme the expectation is that the sale price would be minimal.

Under the agreement the Council has granted to LDEC Ltd licence to exercise rights to use the heat network to supply heat to any third party consumer. Any such supply agreements will be co-terminus with or less than the scheme term.

#### **43. Impairment Losses**

There were no material impairments of assets during the year.

#### **44. Capitalisation of Borrowing Costs**

The Council has not capitalised any of its borrowing costs during 2014/15.

#### **45. Termination Benefits**

The Council terminated the contracts of a number of employees in 2014/15 incurring liabilities of £3,273k (£3,827k in 2013/14). Of this £2,213k (£2,752k in 2013/14) was for redundancy and other departure costs, and £1,060k (£1,074k in 2013/14) was the cost arising from the early release of pension benefits as required by the regulations of the Local Government Pension Scheme (LGPS).

The number of exit packages with total cost per band and total cost of the exit packages are set out in the table below. In 2014/15 the Council approved 73 compulsory redundancies. Payments arising from these in 2014/15 are included in the figures below:

<b>Band</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages 2013/14</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages 2014/15</b>
<b>£</b>	<b>2013/14</b>	<b>£</b>	<b>2014/15</b>	<b>£</b>
0 - 20,000	271	1,806,281	189	1,293,411
20,001 - 40,000	38	1,003,936	40	1,102,739
40,001 - 60,000	8	381,392	8	382,760
60,001 - 80,000	7	453,663	6	408,596
80,001 - 100,000	2	181,588	1	85,973
100,001 - 150,000	-	-	-	-
<b>Total</b>	<b>326</b>	<b>3,826,860</b>	<b>244</b>	<b>3,273,479</b>

#### **46. Pensions Schemes Accounted For as Defined Contribution Schemes**

##### ***Teachers' Pensions***

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority 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 Authority is not able to identify its share of 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 2014/15, the council paid £13.9m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £13.6m and 14.1%. The cost of teacher's retirement benefits for 2015/16 are expected to remain at a similar level to those in 2014/15.

The Authority 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 47.

### ***Public Health***

Public Health employees who were compulsorily transferred from the PCTs to the Council who had access to the NHS Pension Scheme on 31<sup>st</sup> March 2013 retained access to that scheme on transfer at 1<sup>st</sup> April 2013. The scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15, the Council paid £0.1m to the NHS Pension Scheme in respect of former NHS Staff retirement benefits representing 14% of pensionable pay.

## **47. Defined Benefit Pension Schemes**

### ***Participation in Pension Schemes***

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

The Council participates in three post-employment pension schemes:

- Teachers' Pensions Scheme –see Note 46 for further information
- NHS Pension Scheme –see Note 46 for further information

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

Hymans Robertson, an independent firm of actuaries, has valued the Council's fund asset share and liabilities for the Local Government Pension Scheme

### ***Transactions relating to post-employment benefits (LGPS)***

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	2013/14 £000	2014/15 £000
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
<b>Cost of Services</b>		
Current service cost	41,165	42,916
Past service cost	809	435
Settlements and curtailments	(278)	(331)
<b>Total Service Cost</b>	<b>41,696</b>	<b>43,020</b>
<b><u>Financing and Investment Income and Expenditure</u></b>		
Expected return on scheme assets	(35,542)	(35,723)
Interest cost	55,203	61,452
<b>Net Interest Cost</b>	<b>19,661</b>	<b>25,729</b>
<b>Total Post-employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>61,357</b>	<b>68,749</b>
<b><u>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</u></b>		
Return on plan assets excluding amounts included in net interest	5,619	(96,627)
Actuarial losses arising from changes in demographic assumptions	30,038	-
Actuarial losses arising from changes in financial assumptions	37,472	242,858
Other Experience adjustments	63,474	(8,368)
Effect of business combinations & disposals	-	-
<b>Total remeasurements recognised in other comprehensive income and expenditure statement</b>	<b>136,603</b>	<b>137,863</b>
<b>Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement</b>	<b>197,960</b>	<b>206,612</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	26,147	29,773
<b>Actual amount charged against the General Fund Balance for Employer's contributions payable to the scheme</b>	<b>(35,209)</b>	<b>(38,976)</b>

## **Assets and Liabilities in Relation to Post-employment Benefits**

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2013/14 £000	2014/15 £000
<b>Balance at 1st April</b>	<b>1,218,801</b>	<b>1,422,976</b>
Current service cost	41,165	42,916
Past service costs (including curtailments)	809	435
Effect of settlements	(657)	(710)
Interest cost	55,203	61,452
Contributions by scheme participants	10,910	11,233
Benefits paid	(34,239)	(39,345)
Remeasurements arising from changes in assumptions	130,984	234,490
Effect of business combinations and disposals	-	-
<b>Balance at 31st March</b>	<b>1,422,976</b>	<b>1,733,447</b>

Reconciliation of fair value of the scheme (plan) assets:

	2013/14 £000	2014/15 £000
<b>Balance at 1st April</b>	<b>784,759</b>	<b>826,184</b>
Interest income	35,542	35,723
Effect of settlements	(378)	(379)
Contributions by scheme participants	10,910	11,233
Employer contributions	35,209	38,976
Benefits paid	(34,239)	(39,345)
Effect of business combinations and disposals	-	-
Return on plan assets excluding amounts included in net interest	(5,619)	96,627
<b>Balance at 31st March</b>	<b>826,184</b>	<b>969,019</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

### **Scheme History**

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Present value of funded obligations	(848,312)	(962,314)	(1,165,624)	(1,369,228)	(1,676,690)
Present value of unfunded obligations	(47,765)	(50,275)	(53,177)	(53,748)	(56,757)
Fair value of assets in the scheme	654,805	673,061	784,759	826,184	969,019
<b>Surplus/(deficit) in the scheme</b>	<b>(241,272)</b>	<b>(339,528)</b>	<b>(434,042)</b>	<b>(596,792)</b>	<b>(764,428)</b>

With effect from 1<sup>st</sup> April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

### **Impact on future cash flows**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £1,733.4m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £764.4m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31<sup>st</sup> March 2016 is £37.1m.

The maturity profile is as follows:

	<b>Liability Split</b>	<b>Weighted Average Duration</b>
Active members	59.1%	23.7
Deferred members	16.4%	22.9
Pensioner members	24.5%	11.7
<b>Total</b>	<b>100.0%</b>	<b>19.5</b>

### **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 dependent on assumptions about mortality rates, salary levels, etc. The fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2013.

The principal assumptions used by the actuary have been:

<b>Local Government Pension Scheme</b>	<b>2013/14</b>	<b>2014/15</b>
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	22.2	22.2
Women	24.3	24.3
Longevity at 65 for future pensioners:		
Men	24.2	24.2
Women	26.6	26.6
Rate of increase in salaries	4.6%	4.3%
Rate of increase in pensions	2.8%	2.4%
Rate for discounting scheme liabilities	4.3%	3.2%
Take-up of option to convert annual pension into retirement lump-sum – relating to service pre April 2008	50.0%	50.0%
Take-up of option to convert annual pension into retirement lump-sum – relating to service post April 2008	75.0%	75.0%

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



	2013/14		2014/15	
	Bid Values £000	Percentage of Total Assets	Bid Values £000	Percentage of Total Assets
<b>Equity</b>				
Consumer	-	0%	-	0%
Manufacturing	-	0%	-	0%
Energy and Utilities	-	0%	-	0%
Financial Institutions	-	0%	-	0%
Health and Care	-	0%	-	0%
Information Technology	-	0%	-	0%
Other	30,353	4%	30,070	3%
<b>Debt Securities</b>				
UK Government	10,223	1%	53,162	5%
Other	59,065	7%	39,846	4%
<b>Private Equity</b>				
All	32,421	4%	36,767	4%
<b>Real Estate</b>				
UK Property	77,235	9%	91,827	10%
<b>Investment Fund and Unit Trusts</b>				
Equities	416,548	51%	488,577	51%
Bonds	54,366	7%	90,262	9%
Hedge Funds	28,225	3%	42,051	4%
Commodities	37,421	5%	40,707	4%
Infrastructure	18,745	2%	22,843	2%
Other	42,835	5%	17,778	2%
<b>Derivatives</b>				
Interest Rate	-	0%	5,417	1%
<b>Cash and Cash Equivalents</b>				
All	18,747	2%	9,712	1%
<b>Total</b>	<b>826,184</b>	<b>100%</b>	<b>969,019</b>	<b>100%</b>

#### **48. Contingent Liabilities**

##### **MIRA Business Park**

The City Council is the accountable body for the Leicester and Leicestershire Enterprise Partnership (LLEP). As part of that role the Council entered into a formal agreement with Hinckley and Bosworth Borough Council (HBBC) on the 17th July 2013 to provide a guarantee relating to the future costs of maintaining highway improvements carried out to the A5 road near to the MIRA Technology Park development.

These works are the subject of a s278 agreement with the Secretary Of State for Transport and require MIRA to pay a commuted lump sum based on the expected development of the Technology Park.

HBBC will assume liability for the payment of any commuted lump sum that remains outstanding ten years after the completion of the works. The guarantee indemnifies

HBBC in the event that the development does not proceed as projected, effectively passing the risk to the LLEP and thus the Council as accountable body.

The Council judges that it is more likely than not that this guarantee will not be called upon – as such it is disclosed as a contingent liability only.

#### **49. Contingent Assets**

The Council has not recognised any contingent assets at 31<sup>st</sup> March 2015.

#### **50. Nature and Extent of Risks arising from Financial Instruments**

The Council’s activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The 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 a central treasury team, under policies approved by the Council in the Council’s Treasury Policy Statement.

#### ***Credit Risk***

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council’s customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by leading credit rating agencies. Investments are also made in unrated building societies considered to be of equivalent credit worthiness.

The credit criteria in respect of loans to commercial entities as at the balance sheet date are as detailed below:

<b>Investment Type</b>	<b>Maximum Investment Period</b>	<b>Minimum Credit Rating</b>	<b>Individual Lending Limit</b>	<b>Limit for Investment Type</b>
Deposits	1 year	A long term rating of A and a short term rating of F1	£10m, £1m for unrated building societies.	£80m in the sector as a whole of which no more than

	6 months	A long term rating of A- and a short term rating of F2	£10m, £1m for unrated building societies.	£10m may be invested in unrated building societies.
Covered Bonds	5 years	A long term rating of AA	£20m	

The credit criteria applied to other investments are as detailed below.

<b>Investment Type</b>	<b>Counterparty</b>	<b>Maximum Investment Period</b>	<b>Individual Lending Limit</b>	<b>Limit for Investment Type</b>
Deposits	Local authority	2 Years	£20m	£100M (all local authority investments)
Deposits and Treasury Bills	UK Government	Unlimited	Unlimited	Unlimited
Money Market Funds and Money Market Plus Funds	Various Fund Managers	Non specified	£20M	£60M

The above criteria are based on credit ratings issued by Fitch Ratings but investments are also permitted on the basis of equivalent ratings issued by Moody's Investors Services or Standard and Poor's.

The main commercial customers are lessees, and the financial standing of potential lessees is checked before leases are granted. There is no uniform practice in respect of other customers, but many of these are receiving a service linked to the social aims and objectives of the Council where it would not be practicable to assess the customer's financial standing as a precondition for the provision of that service.

The Council's maximum exposure to credit risk in relation to its investments in commercial institutions (banks and building societies) of £60m at 31<sup>st</sup> March 2015 (£24m 31<sup>st</sup> March 2014) 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 non-recovery applies to all of the Council's deposits, but there was no evidence at 31<sup>st</sup> March 2015 or subsequently that this was likely to crystallise.

The Council's exposure to credit risk in relation to its investments in other local authorities is £88m (£141m as at 31<sup>st</sup> March 2014), and in relation to investments in the UK Government £17m (£18m as at 31<sup>st</sup> March 2014). Such investments are assessed to be risk free.

The following analysis summarises the Council's potential maximum exposure to credit risk on receivables classified as financial instruments, based on experience of

default and levels of collectability over the last five financial years, adjusted to reflect current market conditions.

The value of receivables classified as financial instruments on the Balance Sheet as at 31<sup>st</sup> March 2015 was £20m (£20m as at 31<sup>st</sup> March 2014). The following matrix is used for both 2013/14 and 2014/15 to estimate the non-collectible proportion of these receivables.

<b>Age of Receivable</b>	<b>Estimated Non-Collection Rate</b>
Less than one year	0%
One month to three months	10%
Three months to six months	25%
Six months to nine months	50%
Nine months to one year	75%
One year to two years	80%
Over two year	100%

On this basis it is estimated that the uncollectable amount on commercial and personal debts outstanding at 31<sup>st</sup> March 2015 will be £8.7m (£8.1m as at 31<sup>st</sup> March 2014) and that the impaired value of these debts are £11.2m (£11.6m as at 31<sup>st</sup> March 2014).

The following table shows receivables analysed by age, and the impaired value after allowing for default and non-collectability. The Council does not write off debt from its Balance Sheet until all options for debt collection have been exhausted, a process that often will take a number of years.

	31st March 2014		31st March 2015	
	Due £000	Impaired Value £000	Due £000	Impaired Value £000
Less than three months	9,929	9,765	8,972	8,557
Three to six months	1,643	756	2,038	1,529
Six months to one year	1,007	613	1,556	671
More than one year	7,292	445	7,338	405
<b>Total Assets less Liabilities</b>	<b>19,871</b>	<b>11,579</b>	<b>19,904</b>	<b>11,162</b>

### **Liquidity Risk**

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and 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 Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets upper and lower limits on the proportion of its fixed rate borrowing maturing during specified periods, expressed as a percentage of all such loans.

*Upper limits:*

	%
Under 12 months	30
12 months and within 24 months	40
24 months and within 5 years	60
5 years and within 10 years	60
10 years and within 25 years	100
25 years and within 50 years	100
Above 50 years	20

*Lower limits:*

	%
Less than 5 years	0
Over 5 years	60

The maturity analysis of loans (nominal value) is shown in the table below.

	31st March 2014 £m	31st March 2015 £m
Under 12 months	-	-
Between 1 and 5 years	-	8.6
Between 5 and 10 years	8.6	-
Between 10 and 15 years	-	-
Between 15 and 20 years	-	-
More than 20 years	230.8	230.8

The maturity analysis of all significant financial liabilities and other long-term liabilities is shown in the table below and this includes all principal repayments due under loans, PFI schemes, finance leases and debt managed on behalf of Leicester City Council by Leicestershire County Council.

	31st March 2014 £m	31st March 2015 £m
Under 12 months	4.2	4.2
Between 1 and 5 years	19.5	27.2
Between 5 and 10 years	30.6	22.3
Between 10 and 15 years	23.4	23.9
Between 15 and 20 years	44.9	43.8
More than 20 years	248.1	244.1

All trade and other payables are due to be paid in less than one year.

***Interest Rate Risk***

The Council is exposed to 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 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 or the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council's policy had a number of strategies for managing interest rate risk as at the balance sheet date.

- Its policy was that the nominal amount of fixed interest rate loans should not exceed £270m and that the nominal amount of variable rate loans (net of short term and variable rate investment) should not exceed £60m.
- Where economic circumstances make it favourable, fixed rate loans will be repaid early to reduce the interest paid, and may be replaced with new loans on more advantageous terms.
- 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 forecasts during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

This part of the note illustrates the interest rate risk on the basis of the financial asset and liabilities of the Council as at 31<sup>st</sup> March 2015. If interest rates had been 1% higher with all other variables held constant, the significant impacts over the course of a 12 month period are estimated to be as follows:

- The interest received on variable, short dated investments and interest paying cash equivalents would increase by £1.7m with a similar impact on the Surplus or Deficit on the Provision of Services.
- The fair value of fixed rate borrowing liabilities would have decreased by £45m but with no impact on the Surplus or Deficit on the Provision of Services.

### ***Price Risk***

The Council holds equity shares in companies linked to its service objectives. These are not held for sale and accordingly no estimate is made of the price risk of these holdings.

The Council holds tradable financial instruments in the form of highly credit rated certificates of deposits and UK Government Treasury Bills. The exposure to the price risk of these investments is judged to be immaterial.

## ***Foreign Exchange Risk***

The Council has no significant financial assets or liabilities denominated in foreign currencies in which it has a beneficial interest and thus has no significant exposure to loss arising from movements in exchange rates.

## **51. Heritage Assets**

Four year summary of transactions:

	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation at 1st April</b>				
Buildings	2,006	2,591	2,591	2,657
Civic Silver etc.	950	1,111	1,471	1,471
Museum Exhibits	46,544	46,586	70,781	70,802
Statues & Monuments	1	1	1	5,876
<b>Total cost or valuation</b>	<b>49,501</b>	<b>50,289</b>	<b>74,844</b>	<b>80,806</b>
<b>Additions</b>				
Buildings	-	-	-	-
Civic Silver etc.	-	-	-	-
Museum Exhibits	37	-	21	472
Statues & Monuments	-	-	-	-
<b>Total additions</b>	<b>37</b>	<b>-</b>	<b>21</b>	<b>472</b>
<b>Net Revaluation Increases/(Decreases)</b>				
Buildings	585	-	66	-
Civic Silver etc.	161	360	-	-
Museum Exhibits	5	24,195	-	117
Statues & Monuments	-	-	5,875	-
<b>Total revaluation Increases/(Decreases)</b>	<b>751</b>	<b>24,555</b>	<b>5,941</b>	<b>117</b>
<b>De-recognition (Disposals)</b>				
Buildings	-	-	-	-
Civic Silver etc.	-	-	-	-
Museum Exhibits	-	-	-	-
Statues & Monuments	-	-	-	-
<b>Total disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value at 31st March</b>	<b>50,289</b>	<b>74,844</b>	<b>80,806</b>	<b>81,395</b>

Note that information for 2010/11 is unavailable but the above analysis will in future cover a five year period.

## ***Heritage Buildings***

A number of Buildings previously included as Community Assets were reclassified as Heritage Assets as part of the 2011/12 Statement Of Accounts; the land and buildings relating to these assets are included as part of the 5 year revaluation cycle employed by the Council, however, none of these assets are charged depreciation as per our stated accounting policy on Heritage Assets (included in Note 1) in

accordance with FRS 30. As at 31<sup>st</sup> March 2015 these buildings had a net book value of £2.657m as agreed by the Council's valuer.

### ***Civic Silver***

The civic silver and other mayoral regalia was previously classified as a Community Asset. It was re-valued during 2012/13 and as at the 31<sup>st</sup> March 2015 had a net book value of £1.471m.

### ***Museum Exhibits***

Leicester City Council manages a family of five complimentary museums in the City. Museum exhibits are included in the Balance Sheet at insurance value which is tendered for insurance purposes every 3 years. In July 2014 the new King Richard III visitor centre opened. It includes exhibits that belong to the City Council's museum exhibits collection, and these form part of the overall valuation included in the Balance Sheet.

Museums exhibits were re-valued during 2012/13 and, together with more recent acquisitions (valued at historic cost), are included in the Balance Sheet as at 31<sup>st</sup> March 2015 at £71.4m

Whilst insurance value provides the best estimate as to the fair value of museum exhibits it does have its limitations as not all of the Council's Heritage Assets may be disclosed. There are (circa) two million heritage assets which are managed in accordance with the policies and procedures that are approved by the Council in line with nationally and internationally agreed standards. A specialist database, Mimsy XG, is used to document the collections, recording each object, what they are, their provenance, their condition and location as well as exhibitions and loans into and out of the museums. The Council are still in the process of populating the database although all materially significant assets have been added. It is likely that this may result in further revaluation gains for Heritage Assets in future financial years.

The museum sites are Accredited Museums, meaning they meet standards approved by the Arts Council on behalf of DCMS/the government for collections care, visitor experience and organisational health.

The Council accepts on loan items from collections of other museums, institutions and individuals and touring exhibitions which although not included in the Balance Sheet are covered by the Council for insurance purposes. It also occasionally makes available for loan items from its collections to other museums; these remain on the Council's Balance Sheet as it is viewed that the significant risk and rewards of the asset remain with the Council.

There is a small annual budget for collections management costs. This is used to ensure that the collections are stored, displayed, handled, recorded and maintained carefully in order to preserve them for future generations. These costs are charged to the Comprehensive Income and Expenditure Statement.



The Council's latest Collections Development Policy covers the period 2014-16. It presents an overview of the collections held and sets out priorities for future collecting as well explaining the policy for rationalising and disposing of any items or collections where this is appropriate. Leicester Museums have a dedicated charity, the Friends of the Museum Fund for the City of Leicester, referred to as the City of Leicester Trust, which oversees money collected through museum donation boxes and other sources and uses it to present exhibits and items for the collections.

Information is provided on the Council's web site [www.leicester.gov.uk/museums](http://www.leicester.gov.uk/museums)

### ***Statues and Monuments***

The Council has responsibility for a number of statues and monuments with information on some of these provided on the Council's web site.

[www.leicester.gov.uk/your-council-services/lc/growth-and-history/statuesandsculpture/](http://www.leicester.gov.uk/your-council-services/lc/growth-and-history/statuesandsculpture/)

A large number of these assets were not previously included on the Council's Balance Sheet but have now all been accounted for. A number were valued during 2012/13 and are included at their insurance value. The rest are included at a nominal value as per our stated accounting policy on Heritage Assets (included within Note 1). As a result a total value of £5.876m is held on the Balance Sheet at 31<sup>st</sup> March 2015.

### **52. Authorisation of Accounts**

This Statement of Accounts was authorised for presentation on the 29<sup>th</sup> September 2015 by Alison Greenhill CPFA, Director of Finance and s151 Officer. All events up to and including 29<sup>th</sup> September 2015 have been considered in these accounts.

## HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT

2013/14 £000		Note	2014/15 £000
	<b>Income</b>		
76,542	Dwelling Rents	5	78,736
1,309	Non-dwelling Rents	6	1,154
4,962	Service Charges	6	4,735
-	HRA Subsidy		-
80	Contributions from General Fund		82
<b>82,893</b>	<b>Total Income</b>		<b>84,707</b>
	<b>Expenditure</b>		
11,758	General Management		9,592
5,740	Special Management	3	6,570
27,776	Repairs & Maintenance		32,693
748	Rent, Rates, Taxes & Other Charges		547
-	Negative HRA Subsidy		-
671	Contribution to Bad Debt Provision	4	243
8,526	Depreciation & Impairment of Fixed Assets	12	10,956
60	Debt Management Expenses		60
<b>55,279</b>	<b>Total Expenditure</b>		<b>60,661</b>
<b>(27,614)</b>	<b>"Net Cost of HRA Services" as included in the whole authority Comprehensive Income &amp; Expenditure Statement</b>		<b>(24,046)</b>
-	HRA share of Corporate & Democratic Core	15	566
-	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	15	-
<b>(27,614)</b>	<b>"Net Cost of HRA Services"</b>		<b>(23,480)</b>
-	Exceptional item: Capital Grants & Contributions		-
(3,409)	(Gain) or Loss on Sale of HRA Assets		(1,270)
9,637	Loan Charges - Interest		9,714
(68)	Investment Interest		(75)
5,161	Pensions - Interest on Liabilities	14	5,807
(3,323)	Pensions - Expected Return on Assets	14	(3,376)
<b>(19,616)</b>	<b>(Surplus) / Deficit for the Year</b>		<b>(12,680)</b>

## STATEMENT ON MOVEMENT OF HRA BALANCE

2013/14 £000		Note	2014/15 £000
(19,616)	<b>(Surplus) / Deficit for the Year (from above)</b>		<b>(12,680)</b>
	<b>Additional items required by Statute and non-statutory proper practices to be taken into account in determining the movement on the Housing Revenue Account Balance</b>		
-	Exceptional item: transfers to Capital Receipts Reserve		-
903	Amounts charged to the HRA for amortisation of Premia and Discounts for the year determined in accordance with statute		45
(2,609)	HRA share of contributions to/(from) the Pension Reserve	14	(3,130)
3,409	Gain of (Loss) on Sale of HRA Fixed Assets		1,270
(306)	Impairment of Fixed Assets	12	(3,443)
11,417	Capital Expenditure Financed from Revenue Account	10	16,264
-	HRA Set-Aside (MRP)		151
-	Exceptional item: transfers (from) Capital Receipts Reserve		-
-	Transfers to/(from) the Major Repairs Reserve	13	-
75	Transfers to/(from) the Employee Benefits Reserve		(117)
<b>12,889</b>	<b>Total value of items reversed as part of determining the statutory movement on the Housing Revenue Account Balance</b>		<b>11,040</b>
<b>(6,727)</b>	<b>Net (surplus)/deficit on the Housing Revenue Account in the year</b>		<b>(1,640)</b>
(7,744)	Balance Brought Forward		(14,471)
<b>(14,471)</b>	<b>Balance Carried Forward - 31st March</b>		<b>(16,111)</b>

## Notes to the Housing Revenue Account

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### **1. Housing Revenue Account**

The Council is required by the provisions of the Local Government and Housing Act 1989 to maintain a separate Housing Revenue Account (HRA). The purpose of this account is to record transactions relating to dwellings available to provide accommodation and other properties ancillary to the housing function.

The Act specifies the debits and credits to be made to the HRA. These have been supplemented by a suite of self-financing determinations issued by the Department for Communities and Local Government in 2012 and these include what are known as Item 8 Credit and Item 8 Debit determinations. These determinations have been made by the Council and the appropriate entries have been made in respect of capital accounting and financing transactions.

### **2. Changes to Accounting Practice (and 2012/13 comparative figures)**

There has been no change in accounting practice.

### **3. Special Services**

These include group central heating and hot water schemes, caretaking services, security services to high rise flats, maintenance of shrubberies and grassed areas and communal services.

### **4. Rent Arrears and Provision for Bad Debts**

#### ***Rents and Service Charges***

The bad debt provision for rents and service charges at 31<sup>st</sup> March 2015 was £1.322m (£1.375m in 2013/14). This is calculated on a rent and service charge arrears balance of £2.106m (£2.312m in 2013/14).

### **5. Net Rent Income from Dwellings**

	2013/14 £000	2014/15 £000
Total Rent income from Dwellings	76,542	78,736
Less Housing Benefit	(47,341)	(48,840)
<b>Total</b>	<b>29,201</b>	<b>29,896</b>

## 6. Non-dwelling Rents and Service Charges

These include the charges made to tenants for central heating and garages; rents from shops; and security and cleaning services to flats.

## 7. Housing Stock

The Council was responsible for managing a stock of 21,846 dwellings at 31<sup>st</sup> March 2015, of which 13,596 were houses or bungalows and 8,250 were flats. During the year the following movements took place:

	2013/14	2014/15
Construction of new dwellings	-	96
Right to Buy sales	(174)	(206)
Sales to H.A.s/Losses on Conversions/Other	(9)	-
<b>Net Increase/(Decrease)</b>	<b>(183)</b>	<b>(110)</b>

## 8. Value of HRA Assets

	31st March 2014 £000	31st March 2015 £000
<b><u>Operational</u></b>		
Dwellings	608,353	623,835
Non-dwellings	24,543	14,137
	<b>632,896</b>	<b>637,972</b>
<b><u>Non-operational</u></b>		
Non-dwellings	1,628	88
<b>Total</b>	<b>634,524</b>	<b>638,060</b>

## 9. Vacant Possession Value of Council Dwellings

The vacant possession value of council dwellings at 31<sup>st</sup> March 2015 was £1,834.8m. At the same date the balance sheet value of council dwellings was £623.8m. The difference of £1,211.0m reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. The value placed on operational assets in a commercial environment will reflect the required economic rate of return in relation to the income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for council housing will be reduced.

	31st March 2014 £000	31st March 2015 £000
Vacant possession values	1,789,272	1,834,810

## 10. Capital Expenditure

HRA capital expenditure on land, houses and other property in 2014/15 totalled £30.909m, financed as follows:

	2013/14 £000	2014/15 £000
Major Repairs Reserve	7,262	7,513
Use of borrowing	3,306	4,771
Government grants	-	-
Other grants and contributions	-	-
Usable capital receipts	-	2,361
Financing from revenue account	11,218	16,264
<b>Total</b>	<b>21,786</b>	<b>30,909</b>

Under the HRA Subsidy system, which ended in 2011/12, a very large part of the HRA's capital financing was from the Major Repairs Reserve (MRR) since this was initially credited with the Major Repairs Allowance (MRA) element of subsidy, which formed the main constituent of the HRA's capital financing resources. Under the 'self-financing' system, the majority of financing is provided directly from the revenue account with further financing coming from the MRR which is funded by depreciation charges to the HRA revenue account.

## 11. Capital Disposals

HRA capital disposals in 2014/15 were as follows:

## 12. Depreciation & Impairment of Fixed Assets

A breakdown of the depreciation and impairment charges are provided in the table below:

	2013/14			2014/15		
	Depreciation 2013/14	Impairment 2013/14	Total 2013/14	Depreciation 2014/15	Impairment 2014/15	Total 2014/15
Dwellings	6,645	314	6,959	6,796	208	7,004
Other Land and Buildings	160	770	930	177	1,695	1,872
Vehicles, Plant, Furniture & Equipment	455	-	455	474	-	474
Surplus Assets	-	180	180	-	1,540	1,540
Intangible Assets	2	-	2	66	-	66
<b>Total</b>	<b>7,262</b>	<b>1,264</b>	<b>8,526</b>	<b>7,513</b>	<b>3,443</b>	<b>10,956</b>

To be consistent with the format of the dwellings valuation supplied by the authority's external valuers, the dwellings depreciation charge has been calculated by dividing the buildings element of the valuation (on an 'Existing Use Value – Social Housing' basis) by the residual life of the properties.

### **13. Use of the Major Repairs Reserve**

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
<b>Balance at 1st April</b>	<b>(1,200)</b>	<b>(1,200)</b>
Depreciation credited	(7,262)	(7,513)
Transfer to HRA	-	-
Capital expenditure on land, houses and other property	7,262	7,513
<b>Balance at 31st March</b>	<b>(1,200)</b>	<b>(1,200)</b>

Under the HRA Subsidy system, a transfer was made to or from the HRA revenue account so that the MRA element of subsidy would be available in the MRR for capital financing. This adjustment is not required under the 'self-financing' system applying from 2012/13.

### **14. HRA Contributions to the Pensions Reserve**

This table identifies the total HRA share of contributions to and (from) the pensions reserve and breaks the figure down to show the type of contribution to or (from) the reserve. More detailed information on pensions is provided in note 46 to the core financial statements.

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
<b><u>Pension costs incurred in Net Cost of Services</u></b>		
Current service cost	(771)	(699)
Past service cost	-	-
	<b>(771)</b>	<b>(699)</b>
<b><u>Pension interest cost and expected return on assets</u></b>		
Interest on liabilities	(5,161)	(5,807)
Expected return on assets	3,323	3,376
	<b>(1,838)</b>	<b>(2,431)</b>
<b>Total Transfer to Pension Reserve</b>	<b>(2,609)</b>	<b>(3,130)</b>

### **15. Corporate and Democratic Core Costs**

A charge of £566k was made to the Housing Revenue Account for Corporate & Democratic Core costs in 2014/15. This was the first year that such a charge has been explicitly made, and is part of a wider review of recharging within the authority.

## Collection Fund Income & Expenditure Account

2013/14				Note	2014/15		
Council Tax	Business Rates	Total			Council Tax	Business Rates	Total
£000	£000	£000			£000	£000	£000
			<b>Income</b>				
97,928		97,928	Council Tax Collectable	2	102,951		102,951
	100,309	100,309	Income from Business Ratepayers			98,648	98,648
		<b>198,237</b>	<b>Total Income</b>				<b>201,599</b>
			<b>Expenditure</b>				
			Precepts and Demands:	3			
77,690		77,690	Leicester City Council		82,178		82,178
10,792		10,792	Leicester Police Authority		11,361		11,361
3,623		3,623	Leicester Fire Authority		3,814		3,814
		92,105	Business Rates:	4			97,353
	46,915	46,915	Payments to Government			50,618	50,618
	938	938	Payments to Fire			1,012	1,012
	45,976	45,976	Payments to Leicester City Council			49,606	49,606
	489	489	Costs of Collection			490	490
		94,318					101,726
680		680	Contributions in respect of previous year's surplus / (deficit)	5	2,765	(1,960)	805
			Bad and Doubtful Debts:	6			
1,229	1,021	2,250	Write-offs		1,126	1,469	2,595
1,360	681	2,041	Increase / (Reduction) to provision		500	(6)	494
	7,251	7,251	Increase / (Reduction) to Provision for appeals			2,377	2,377
		11,542					5,466
		<b>198,645</b>	<b>Total Expenditure</b>				<b>205,350</b>
(2,554)	2,962	408	Fund (Surplus) / Deficit for the Year		(1,207)	4,958	3,751
(928)	-	(928)	Fund (Surplus) / Deficit brought forward		(3,482)	2,962	(520)
<b>(3,482)</b>	<b>2,962</b>	<b>(520)</b>	<b>FUND BALANCE AS AT 31st MARCH</b>	<b>7</b>	<b>(4,689)</b>	<b>7,920</b>	<b>3,231</b>



## Notes to the Collection Fund

### Income & Expenditure Account

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#### 1. General

This account fulfils the statutory requirement for the Council to maintain a separate Collection Fund.

#### 2. Council Tax

The Council's Tax Base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Estimated No. of Taxable Properties After Effect of Discount	Ratio	Band D Equivalent Dwellings	Less Band D Equivalent LCTR Scheme Dwellings	Net Band D Equivalent Dwellings
A-	190	5/9	105	36	69
A	65,420	6/9	43,613	13,095	30,518
B	21,828	7/9	16,978	2,530	14,448
C	13,068	8/9	11,616	1,279	10,337
D	5,601	1	5,601	367	5,234
E	2,820	11/9	3,446	141	3,305
F	1,355	13/9	1,958	57	1,901
G	553	15/9	922	11	911
H	29	18/9	58	0	58
	<b>110,864</b>		<b>84,297</b>	<b>17,516</b>	<b>66,781</b>
	Less adjustments for collection rates and anticipated changes to liability to pay the tax under the Local Council Tax Reduction Scheme (LCTRS)				(2,406)
	<b>Council Tax Base</b>				<b>64,375</b>

The collectable Council Tax for 2014/15 was £128.165m (including sums paid under the Local Council Tax Reduction Scheme). After taking into account the total amount of this reduction (£24.992m), the average number of Band D dwellings equates to 68,223. This is an increase from the 64,375 dwellings existing when the 2014/15 budget was prepared due to the net effect of the following:

- 1) Changes in discounts and exemptions allowed;
- 2) New properties;
- 3) Lower total amounts of local council tax reduction granted than expected.

### **3. Precepts and Demands**

The following sums were paid from the collection fund:-

	<b>2013/14</b>	<b>2014/15</b>
Leicestershire Police Authority	10,792	11,361
Leicester City Council	77,690	82,178
Leicestershire Fire Authority	3,623	3,814
<b>Total</b>	<b>92,105</b>	<b>97,353</b>

### **4. Income from Business Rates – 2014/15**

Under the arrangements for business rates, the Council collects rates payable in the City, which are based on the rateable values multiplied by a uniform rate. With the current rates retention scheme, the total amount less certain reliefs and other deductions is shared between Central Government (50%), Leicestershire Fire Authority (1%) and the Council (49%).

The total non-domestic rateable value at 31<sup>st</sup> March 2015 was £263,093,840 (£263,464,847 at 31<sup>st</sup> March 2014). The national non-domestic rating multiplier for the year was 48.2p (47.1p), (47.1p (46.2p) in 2013/14), with the small business non-domestic rating multiplier for the respective years shown in brackets.

### **5. Contributions to Collection Fund Surpluses and Deficits**

#### ***Share of Surpluses/Deficits***

#### *Council Tax*

Every January, the Authority has to estimate the surplus/deficit for the collection fund at the end of the financial year.

For the Council Tax, this has to be notified to the police and the fire authority, which are entitled to receive a share of any surplus (or contribute a share towards a deficit) made in respect of Council Tax. This is detailed in the table below.

	<b>City £000</b>	<b>Police £000</b>	<b>Fire £000</b>	<b>Total £000</b>
<b>Estimate Jan 2014</b>	2,332	324	109	<b>2,765</b>

## *Business Rates*

For Business Rates, this is notified to central government and the fire authority, which are entitled to receive a share of any surplus (or contribute a share towards a deficit) made in respect of Business Rates. This is detailed in the table below.

	<b>City</b>	<b>Central Government</b>	<b>Fire</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Estimate Jan 2014</b>	(960)	(980)	(20)	<b>(1,960)</b>

## **6. Bad and Doubtful Debts**

The table below provides more detail on the bad debt write-offs and the increase in the provision for bad and doubtful debts.

<b>Provisions</b>	<b>Bad Debt Provision</b>			<b>Bad Debt Write-offs In year £000</b>
	<b>Balance at 1<sup>st</sup> April 2014 £000</b>	<b>Increase/ (Decrease) £000</b>	<b>Balance at 31<sup>st</sup> March 2015 £000</b>	
Council Tax	5,473	500	5,973	1,126
NDR	2,844	(6)	2,838	1,469
<b>Total</b>	<b>8,317</b>	<b>494</b>	<b>8,811</b>	<b>2,595</b>

## **7. Collection Fund Surpluses/Deficits**

The Collection Fund account shows a cumulative deficit of £3,231,215 at 31<sup>st</sup> March 2015 (£519,772 surplus at 31<sup>st</sup> March 2014).

The surplus arising on the Council Tax during the financial year 2014/15 will be distributed between Leicester City Council, the Police & Crime Commissioner for Leicestershire and the Leicester, Leicestershire & Rutland Combined Fire Authority in proportion to the respective precepts and demands.

The deficit arising on the Business Rates during the financial year 2014/15 will be shared between Leicester City Council (49%), Central Government (50%) and the Leicester, Leicestershire & Rutland Combined Fire Authority (1%).

# Appendix 1 - LEICESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT 2014-15

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## 1. Background

Leicester City Council is responsible for ensuring that its business is conducted in accordance with the law; proper standards; that public money is safeguarded; properly accounted for; and, used economically, efficiently and effectively.

It 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, Leicester City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Leicester City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives (CIPFA/SOLACE) framework *Delivering Good Governance in Local Government*. A copy of the code is on our website or it can be obtained from Customer Services.

This statement is produced in fulfilment of the requirements of regulations 4(2) and 4(3) of the Accounts and Audit (England) Regulations 2011.

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## 2. Introduction

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

Local government continues to undergo significant changes and the environment in which it works remains complex. As well as being provided directly, public services are increasingly delivered through commissioning, partnerships and collaboration, with many shared services and partnership boards now in existence. The introduction of new structures and ways of working provides challenges for managing risk, ensuring transparency and demonstrating accountability.

The system of internal control is the most significant part of the Council's governance 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 may only provide reasonable, not absolute, assurance of effectiveness.

The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of the 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 Leicester City Council for the year ended 31 March 2015 and up to the date of approval of the accounts.

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### **3. The Governance Framework**

The Council has in place an assurance framework that takes the Council's principal strategic and organisational objectives as its starting point, including the City Mayor's nine Key Priorities for Leicester. Key strategies and plans translate these objectives into deliverable actions. High-level risks that threaten the achievement of objectives are identified in the strategic and operational risk registers. It is the responsibility of management to establish and maintain effective systems of governance and internal control to ensure that the Council's service objectives are delivered and risks to those objectives are managed in accordance with the Council's Risk Management Strategy and Policy.

In order that the Council's business is delivered in a way that promotes public trust and confidence, there must be sufficient assurance that sound internal control arrangements are in place and operating effectively. The assurance framework brings together various internal and external sources of assurance with internal audit being fundamental to this.

The Council is also required to carry out, at least annually, a review of the effectiveness of its system of internal control. This is done by all Directors by means of positive assurance in the form attached at Appendix A. The intention of the assurance framework is, therefore, to set out a structured and coordinated process, drawing together the outcomes of the various assurance, governance and control mechanisms to ensure that the Annual Governance Statement is comprehensive in its coverage and reliable in its content

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### **4. Review of Effectiveness**

The Council is committed to the maintenance of a system of internal control which:

- Demonstrates openness, accountability and integrity;
- Monitors and reviews compliance with policies, procedures, laws and regulations and effectiveness against agreed standards and targets;
- Monitors and reviews the effectiveness of the operation of controls that have been put in place;
- Identifies, profiles, controls and monitors all significant strategic and operational risks.

The risks identified are subject to regular review and appropriate controls are identified to manage them. The results of that review, together with the three measures below, provide the core information for the preparation of the Annual Governance Statement:

- An independent review of the effectiveness of internal control carried out by the Council's Internal Audit team
- An annual review of the Effectiveness of the System of Internal Audit, as required by the Accounts and Audit Regulations (England) 2011
- The External Auditor's Annual Audit Letter and Annual Governance Report which include findings from the work of other inspection regimes,

Leicester City 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, Internal Audit's annual report and opinion, and by comments made by the external auditors and other review agencies and statutory inspectorates.

The Council's Local Code of Corporate Governance complies with CIPFA/SOLACE's guidance *Delivering Good Governance in Local Government* and includes a self-assessment of compliance with the six core principles of good governance. The results of that assessment are set out in the Directors' Certification at Appendix A.

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## 5. Significant Governance Issues

The Council's control frameworks enable the identification of any areas of the Council's activities where there are significant concerns in the financial controls, governance arrangements or the management of risk. Having considered all the principles within the CIPFA *'Code of Practice on Managing the Risk of Fraud and Corruption'*, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Overall, it can be concluded that controls are operationally sound and that the Council's financial management arrangements conform with the governance requirements of the CIPFA *'Statement on the Role of the Chief Financial Officer in Local Government (2010)'* as set out in the Application Note to *'Delivering Good Governance in Local Government: Framework'*.

Areas of significant risk or priorities for action have been identified and are listed at Appendix A below. This is in two parts:

- Those items identified in the Annual Governance Statement for 2013-14, with the action taken since to address them
- Additional items identified in 2014-15, together with a summary of the action being taken or planned to make the necessary improvements.

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.

Signed:

  
..... (City Mayor) 29/9/15 (Date)

  
..... (Chief Operating Officer) 29/9/15 (Date)

  
..... (Director of Finance) 29/9/15 (Date)

**Appendix A - Leicester City Council Annual Governance  
Statement 2014-15  
Directors' Certification**

Leicester City Council is required to demonstrate that its governance processes and procedures comply with the six CIPFA/SOLACE fundamental principles of corporate governance. These are listed below with the principal sources of evidence or assurance:

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

- Major strategic documents setting out the vision for specific areas of work are in place, including the Economic Action Plan, Health and Wellbeing Strategy, Climate Change programme of action, Children & Young People's Plan and Heritage Action Plan.
- A major programme of work is being successfully delivered to support regeneration and economic development in the City. This includes a significant programme of capital projects and programme of activity to support business growth and increased employment levels for Leicester's residents. Appropriate programme management and partnership arrangements are in place, most notably the Leicester & Leicestershire Enterprise Partnership.
- The Council has an equality and diversity strategy which is being implemented to ensure we meet our public sector equality duties and focus on the needs of communities particularly in relation to the 'protected characteristics' defined by the 2010 Equality Act.
- Robust safeguarding arrangements are in place to mitigate the risk of harm to children and vulnerable adults, supported by established Safeguarding Boards.
- Departments have established their own performance management arrangements to underpin both the vision and manifesto commitments the wider operational activity of divisions including, where appropriate, departmental plans and regular performance monitoring and reporting. A Performance Group for Children's social care and safeguarding services has been established to reinforce the departmental performance management arrangements in this critical area. Continuing to improve the rigour of performance management across the Council remains a priority.
- Organisational vision and values have been developed for staff and will underpin policies like performance management and are being formally launched.

**B. Members and officers working together to achieve a common purpose with clearly defined functions and roles;**

- The Council's Constitution is kept under regular review and has been extensively updated in a number of areas to account for both



legislative changes and the continued development of governance arrangements and practice.

- The 'Political Conventions' within the Constitution offer clear advice on the working relationships between officers and members and the City Mayor and his Executive.
- Formal and informal working between the Executive and officers is well established.
- Lead Directors are in place to support scrutiny commissions.

**C. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;**

- The code of conduct and standards regime for elected members which was introduced in July 2012 is becoming embedded and has been reviewed to ensure it remains fit for purpose. New independent members have been appointed to fill vacancies which existed on the Standards Committee.
- The staff code of conduct was revised and agreed in 2013-14.
- As noted above a defined organisational vision and values have been developed to reinforce the organisational purpose, vision and values to staff and a programme to formally launch and embed these is now in development.
- A programme of reviews of key human resources policies and associated procedures continues for example, the attendance management policy and procedure was reviewed and a new policy and procedure agreed in 2014-15.
- The number of complaints to the Local Government Ombudsman has reduced.
- Robust management practices continue for issues such as attendance management and controls around spending e.g. agency staff, consultancy, etc.
- There are regular mechanisms for engagement with the recognised trade unions around staffing and workforce issues.
- There are well established programme and project management standards along with corporate oversight and support to ensure those involved in the governance and delivery of projects and programmes understand and are able to adhere to the expected standards.
- There is an established and effective system of internal control and internal audit, aimed at ensuring proper use of resources and giving assurance on the effectiveness of the arrangements for the management of risk. The system of internal audit, which includes the fulfilment of its role by the Audit & Risk Committee, has been reviewed for effectiveness.

- The Council's Fraud and Investigations teams have been thoroughly reviewed, re-organised and re-launched and have given added emphasis to the Council's 'zero tolerance' attitude to fraud.

**D. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;**

- Risk, financial, legal, equalities and sustainability implications are considered within the decisions taken.
- Strategic and operational risk registers are regularly considered and reviewed.
- Information assets and the supporting information infrastructure are subject to appropriate governance controls to mitigate risk whilst supporting partnership working and compliance with transparency requirements.
- Processes for forward planning, taking and publication of Executive decisions under the mayoral model are defined and are supported by officer guidance.
- There is a recognised approach for taking executive decisions in line with recently changed legislation on this issue.
- There is a need to continue to look at how scrutiny is supported to ensure that it works efficiently and effectively.
- A Capital Advisory Board is now well established, chaired by the Strategic Director for City Development and Neighbourhoods. This has senior officer representation from legal, finance, property, procurement, governance and programme management who provide rigorous challenge and oversight of capital projects and programmes at key gateway points.
- The Council continues to adhere to the recommendations arising from an equal pay audit commissioned in 2013-14. This found that the Council's pay structure remains transparent and free from gender bias, with a low level of vulnerability to equal pay claims. Recommendations from the audit continue to be actively implemented.

**E. Developing the capacity and capability of members and officers to be effective;**

- A comprehensive programme of induction for members has been planned and is being delivered following the May 2015 elections. This covers a range of critical information and also provides an opportunity for new elected members to meet with key officers and services.
- There is a nominated workforce development lead for member development.
- The accommodation strategy seeks to maximise the productivity of the workforce and support positive collaboration.

- The Leicester Leaders training and development programme has successfully engaged many senior managers.
- The HR service was reviewed to ensure resources were properly aligned to priority areas of support. It is recognised there still are aspects of people management that need to be improved. A strategic HR work programme for 2013-2017 has been developed with a focus on these areas, including workforce planning, staff performance management, workforce development and workforce representation.
- A framework and training programme was developed to support service redesign and transformation which continues to be a major demand in terms of skills and capacity given the scale of change and savings that still need to be achieved. Some aspects have been concluded and we are reshaping the function to provide better workforce support.
- The new staff intranet (launched in 2013-14) continues to provide a key source of guidance for staff on policies, procedures, governance and other aspects of the Council's operations.
- Talent-match has been developed as an internal jobs market approach and is being piloted as a means of effectively recruiting staff and minimising the costs associated with redundancy.

**F. Engaging with local people and other stakeholders to ensure robust public accountability.**

- There is a more robust and consistent approach to consultation through the work of the Research & Intelligence Team.
- The consultation platform, Citizen Hub, provides an effective on-line approach to support consultations across the Council.
- There remains a strong focus on media engagement and external communication with core capacity boosted to support this.
- Key strategic partnerships are in place around major themes and operating in accordance with legislation where relevant, such as Health and Wellbeing and Leicester and Leicestershire Economic Partnership.
- The City Mayor's Faith and Community Forum has been operating for over a year to support effective engagement with key communities, especially (but not exclusively) those identifying with the protected characteristic of religion or belief. This is key to supporting integration and cohesion with the city and our public sector equality duty.
- A short digest of our constitution is published on our website aimed at making the key governance arrangements of the Council clearer and more accessible.
- The Council's website has been fundamentally redeveloped to support on-line transactions and engagement and to provide key up to date and relevant information to the public in an easily accessible and user friendly format. Feedback to date has been very positive.

- The Council is reviewing the services it commissions from the voluntary and community sector to support engagement with key communities across the protected characteristics of faith, race, sexual orientation and gender identity, with a view to establishing a robust and appropriate approach for the future.
- The Council has in place processes for responding to external audit and inspection arrangements, with particular reference to the annual audit of the Council's published financial statements and the Annual Governance Statement.

### Significant Governance Issues

The Council's control frameworks enable the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. Overall, it can be concluded that controls are operationally sound.

The areas of significant risk or priorities for action that have been identified are listed below:

#### A. Items identified in the Annual Governance Statement for 2013-14, with the action taken since to address them.

Area of significant risk or priority for action	Comment	Action planned	Action taken
Medium-term financial strategy	The Council approved £85m of spending cuts between 2010-11 and 2014-15 in response to unprecedented real terms cut in government funding. Whilst this has been carefully managed and the Council continues to live within its available resources, the governments most recent spending plans (July 2015) indicate a continued trajectory of reductions. The methodology adopted by government has adversely affected deprived authorities such as Leicester, who are more reliant on government grant. This now includes an impact to the Housing Revenue Account (HRA) with the proposed reduction in social rents by 1% per annum.	The Council continues to manage its medium term-financial strategy carefully, with significant input from the City Mayor and Executive. A process has been agreed and is under way to address the funding challenges the Council faces. This includes a managed reserves strategy to enable the City Mayor and Executive to properly plan and consider future reductions appropriately.	The Council's spending review programme is designed to address the need to reduce budgets, but this is a significant challenge. The recent impact to the HRA will be evaluated and considered as part of the overall budget strategy.

Area of significant risk or priority for action	Comment	Action planned	Action taken
Performance management	There is a need to continue to ensure the effectiveness of performance management across the Council.	Children's Performance Group in place to review and strengthen performance management in this area. Corporate Management Team have introduced a monthly business and performance meeting into their cycle.	Departments have established their own performance management arrangements to underpin strategic priorities and plans, as well as wider operational delivery. This is supported by key systems including the new Liquid Logic system across adult and children's social care. There is a continued need to embed and assure the strength of these arrangements.
Voluntary and community sector engagement	There is a need for a more co-ordinated approach to managing our engagement with the Voluntary and Community Sector (VCS) and to be aware at an earlier stage of any emerging issues.	A review is underway of arrangements for working with the city's voluntary and community sector (VCS) to support engagements with communities. The manifesto also includes a commitment to review the way the Council involves and engages with the VCS.	The Council has reviewed the services it commissions in relation to: <ul style="list-style-type: none"> <li>• Support for the City's VCS; and,</li> <li>• Support for volunteering in the city.</li> </ul> New services were commissioned in these areas.

Area of significant risk or priority for action	Comment	Action planned	Action taken
The Care Act 2014	Reflecting the most significant reform in adult services in over 60 years, the Care Act builds on developments in adult social care away from paternalistic and managed care towards empowerment, choice and control for adults and carers.	Originally the Care Act was due to be introduced in two parts. Part one (April 2015) saw the introduction of a national eligibility criteria and carers assessments. . Part two of the Act was due to be implemented in April 2016, which would have seen the introduction of new funding reform. However the Government has deferred the implementation until 2020.	Processes are in place to monitor the impact of the changes via the Adult Social Care departmental Change Management Board.

Area of significant risk or priority for action	Comment	Action planned	Action taken
Continuing variable compliance with rules and procedures.	There is an increased risk that controls will be diluted as a result of streamlining of management structures in response to the current financial pressures. The consequent loss of experienced staff increases the risk of error. Moreover, these factors combined with the increased incentive brought about by financial hardship during a recession increase the risk of fraud.	Internal Audit assurance work in the 2015-16 audit plans.	Continuing requirement. Strengthening of senior management monitoring of compliance. Internal Audit has maintained an extensive programme of planned audit reviews supplemented by specially commissioned audits undertaken on the basis of risk to the Council. Service management has responded constructively to the conclusions of audit reviews and the recommendations made. Any matters of concern together with any non-implementation of recommendations are reported to the Audit & Risk Committee on a regular basis throughout the year.

<b>Previous years</b>		
<b>Area of significant risk or priority for action</b>	<b>Comment</b>	<b>Action taken</b>
Management and letting of contracts	<p>Significant work is being carried out to develop a procurement approach which delivers value for money from procuring goods and services whilst improving the skills and knowledge within the procurement teams.</p> <p>Some concerns remain, however, in relation to the management of contracts and the Internal Audit Contract Audit Plan included a number of contracts and procurement-related audits to help provide assurance in relation to this area.</p>	Internal Audit has re-established its contract audit capacity. It now has a programme of contract audits, the scope of which includes the processes for procurement and contract management. Contract audit remains a priority in Internal Audit planning.
Management of Payments to Service Users	An Internal Audit identified significant weaknesses in the procedure for managing payments to service users.	Implementation of the Audit recommendations was managed via a joint response from the Adult Social Care and Business Service Centre teams.
Improve engagement with stakeholders within Adult Social Care.	Adult Social Care has now approved a Stakeholder Engagement Strategy to ensure effective engagement and increase co-production with their stakeholders.	The planned Stakeholder Engagement Strategy has been fully implemented and is used in key project activity.



**B. Additional items identified, together with a summary of the action being taken or planned to make the necessary improvements.**

Area of significant risk or priority for action	Comment	Action planned
<p>Response to the recent 'OFSTED' inspection.</p>	<p>An Ofsted 'Inspection of Services for Children in Need of Help and Protection, Children Looked After and Care Leavers' published on 20<sup>th</sup> March 2015, graded Leicester's children's services as 'inadequate'.</p>	<p>In line with national requirements from the Department for Education (DFE) we have established an Improvement Board chaired by an experienced person approved by the DfE; and have submitted an Improvement Plan to Ofsted by 22<sup>nd</sup> June 2015.</p> <p>There are also a number of internal controls in place to ensure that work on the Ofsted recommendations progresses satisfactorily:</p> <ul style="list-style-type: none"> <li>• The Operational Improvement Group (which meets fortnightly) chaired by the Divisional Director, monitoring detailed service improvement plans for Early Help, Children in Need, Children Looked After and Workforce</li> <li>• The Performance Group (which meets monthly) examining the monthly report on key performance indicators and any other significant areas of Performance and Quality including progress against the Workforce Strategy</li> <li>• Service Performance Meetings in Early Help, CIN (Children in Need) and Children Looked After</li> <li>• Quality Assurance work being carried out to audit case files by external auditors</li> <li>• Regular reviews of progress and reports to the Audit and Risk Committee by Internal Audit.</li> </ul>

Therefore, all Directors have confirmed that they understand the responsibilities placed upon them and in particular that:

- Subject to the identified areas of significant risk and priorities for action, all of the services for which they are responsible have in place processes and procedures that align to these principles and to the best of their knowledge and belief these processes are operating satisfactorily;
- The Directors as a management team set the 'tone from the top', embedding core values and principles throughout all Council service areas.

# Glossary

This Glossary explains terms that may be encountered in discussion of Local Government finance. Definitions are intended to assist a general audience, rather than reflecting exactly the technical sense in which the terms are used.

## **Accountable Body**

An accountable body is an organisation which takes financial responsibility for the management of funds which comprise of contributions from multiple organisations; the fund itself is not a legal entity.

## **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. Accounting policies do not include estimation techniques.

## **Accruals**

The concept that items of income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

## **Actuarial Basis**

The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

## **Amortisation**

The reduction in an amount carried on the Balance Sheet by the regular debiting or crediting to an Income and Expenditure Account.

## **Appropriation**

The process of transferring balances from revenue to reserves and vice versa.

## **Assets**

Right or other access to future economic benefits.

## **Assets Held for Sale**

These are assets which are very likely to be sold within 12 months of the balance sheet date. They are therefore classified as Current Assets.

## **Audit of Financial Statements**

An audit is an examination by an independent expert of the authority's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

## **Balance Sheet**

The Balance Sheet shows the assets and liabilities of the Authority.

## **Bonds**

Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.

## **Budget**

The financial plan reflecting the Council's policies and priorities over a period of time.

## **Capital Expenditure**

Expenditure on the purchase, construction or enhancement of major items which have a lasting value to the authority.

## **Capital Financing**

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable

capital receipts, capital grants, capital contributions and revenue reserves.

### **Capital Financing Requirement**

Reflects the authority's level of debt relating to capital expenditure.

### **Capital Programme**

The capital schemes the Authority intends to carry out over a specified time period.

### **Capital Receipts**

Money the Council receives from selling assets (buildings, land etc.). Capital receipts from the sale of housing assets cannot be used entirely to fund new capital expenditure; a proportion must be paid to government.

### **Central Support Services**

The provision of services which include finance, human resources, legal, information technology and property.

### **CIPFA (Chartered Institute of Public Finance and Accountancy)**

The principal accountancy body dealing with local government finance.

### **Code of Practice on Local Authority Accounting (The Code)**

A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts.

### **Collection Fund**

A separate fund recording the expenditure and income relating to Council Tax and NNDR.

### **Community Assets**

Assets that the Council intends to hold in perpetuity, that have no determinable useful lives and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **Community schools**

Schools which the Council run, employ the staff and normally owns and maintains the land and buildings (with the exception of PFI schools).

### **Comprehensive Income and Expenditure Statement**

This Statement reports the net cost of all services and functions for which the authority is responsible for.

### **Constitution**

The document that sets out how the Council operates, how decisions are made and the procedures which are followed.

### **Contingent Liabilities**

Liabilities which may or may not occur in the future. They often depend on future events for which the outcome cannot be predicted. Due to their uncertainty they do not appear in the balance sheet.

### **Council**

The Council comprises the City Mayor and all elected Councillors who represent the various electoral divisions.

### **Council Tax**

This is a tax, which is levied on the broad capital value of domestic properties, and charged to the resident or owner of the property.

### **Council Tax Base**

This is a figure that expresses the total band D equivalent properties. The amount to be funded by Council Tax is divided by this, and charges for all other bands of property are based on this charge.

### **Council Tax Precept**

The amount of income due to Leicestershire Police Authority and Leicester, Leicestershire and Rutland Combined Fire Authority from the Council, who are responsible for billing Council Tax.

### **Creditors**

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

### **Debits and Credits**

A debit represents expenditure against an account and a credit represents income to an account.

### **Debt Charges**

This represents the interest payable on outstanding debt.

### **Debtors**

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

### **Dedicated Schools Grant**

A ring-fenced grant from the government that has to be used to fund the delegated budget of each school, together with certain items of related central expenditure.

### **Deficit**

Arises when expenditure exceeds income or when expenditure exceeds available budget.

### **Depreciation**

The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed (i.e. wear and tear).

### **Direct Revenue Financing**

The cost of capital projects that is charged against revenue budgets.

### **Equities**

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.

### **Executive**

The City Mayor, Deputy City Mayor and Assistant City Mayors provide the executive function of the Council. The Council's Constitution sets out what matters are reserved to Council and its committees rather than the Executive.

### **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

### **Finance Procedure Rules**

These provide the framework within which the Council conducts its financial affairs. Finance Procedure Rules are supplemented by Codes of Practice giving detailed guidance for financial practice in the Council.

### **Financial Instruments**

Financial instruments are formally defined in the Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### **Financial Reporting Standards (FRSs)**

Statements prepared by the Financial Reporting Council. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

### **Foundation schools**

Schools run by their own governing body, which employs the staff and sets the admissions criteria. Land and buildings are usually owned by the governing body or a charitable foundation.

### **General Fund**

The Council's main revenue account, covering the net cost of all services other than Council housing.

### **Going Concern**

The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

### **Government Grants**

Payment by Government towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

### **Housing Benefits**

A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

### **Housing Revenue Account (HRA)**

A separate account to the General Fund which includes the expenditure and income arising with the provision of housing accommodation by the Council. The HRA is ring-fenced: no cross subsidy is allowed between the HRA and the General Fund in either direction.

### **Impairment Loss**

A material reduction in the value of fixed assets outside the normal periodic revaluations.

### **Inflow**

This represents cash coming into the Council.

### **Internal Audit**

An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation.

### **International Financial Reporting Standards (IFRSs)**

These are guidelines for the production of financial statements. Many of these now apply to local authorities and departure

from these must be disclosed in the published accounts.

### **International Financial Reporting Interpretations Committee (IFRIC)**

Aims to provide guidance on newly identified financial reporting issues not specifically dealt with in IFRSs.

### **Inventories**

Comprises; goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion, long term contract balances and finished goods.

### **Investments**

An asset which is purchased with a view to making money by providing income, capital appreciation or both.

### **Joint Venture**

An organisation for which the Council has partial control and ownership, but decisions require the consent of all participants.

### **Leasing**

A method of financing the acquisition of assets, notably equipment, vehicles and plant. This is normally for an agreed period of time, up to several years.

### **Levy**

A charge made by an outside organisation, which has to be met from within the Council's overall budget.

### **Liabilities**

An obligation to transfer economic benefits. Current liabilities are payable within one year.

### **Liquid Resources**

These are resources that the Council can easily access and use, e.g. cash or investments of less than 1 year.

### **LOBO Loans**

Lender Option, Borrower Option loans. This is a loan in which the lender can, at a predetermined time, request to change the interest rate at which the loan is being charged. If the borrower does not agree to the rate change, the borrower then has the option to repay the loan.

### **Long Term Borrowing**

Loans raised to finance capital spending which have to be repaid over a period in excess of one year from the date of the accounts.

### **Materiality**

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

### **Minimum Revenue Provision (MRP)**

A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

### **Movement In Reserves Statement**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'useable reserves' (i.e. those that be applied to fund expenditure or reduce local taxation) and other reserves.

### **National Challenge Co-operative Trust Schools**

These schools are formed under the previous Government's National Challenge initiative to improve academic achievement. When Trust status is attained all assets normally transfer to the Trust body.

### **National Non-Domestic Rate (NNDR)**

Represents the rate of taxation on business properties. Central Government have the responsibility for setting the rate

and Local Authorities are responsible for the billing and collection of the tax.

### **Net Book Value**

The amount at which non-current assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.

### **Net Expenditure / Net Cost of Service**

The actual cost of a service to an organisation after taking account of all income charged for services provided.

### **Non-Current Assets**

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

### **Operating Lease**

A lease where an asset is used only for a small proportion of its economic life.

### **Operational Assets**

Fixed assets held and occupied in the pursuit of strategic or service objectives.

### **Outflow**

This represents cash going out of the Council.

### **Precept**

An amount charged by another authority to the Council's Collection Fund. There are two preceptors on Leicester's collection fund: the Police and Fire Authorities.

### **Prior Period Adjustments**

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

### **Private Finance Initiative**

An initiative for utilising private sector funding to provide public sector assets.

### **PFI Credits**

The financial support provided to Local Authorities to part fund PFI capital projects.

### **Provision**

An amount of money set aside in the budget to meet liabilities that are likely or certain to arise in the future, but which cannot be quantified with certainty.

### **Prudential Borrowing**

This gives local authority's freedom to borrow within prudent, affordable and sustainable limits.

### **Prudential Indicator**

Linked to "Prudential Borrowing" above these are calculations that indicate if borrowing is within prudent, affordable and sustainable limits.

### **Public Works Loan Board (PWLB)**

A government agency providing long and short-term loans to local authorities. Interest rates are generally lower than the private sector, and slightly higher than the rates at which the Government may borrow.

### **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the monetary value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

### **Revaluation Reserve**

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

### **Reserves**

Sums are set aside in reserves for future purposes rather than to fund past events. Earmarked reserves are those established for a specific purpose.

### **Revenue Expenditure**

Represents day-to-day running expenses, e.g. salaries, fuel etc.

### **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

This is expenditure that is classified as capital although it does not result in the creation of a fixed asset belonging to the Council.

### **Revenue Support Grant**

A non-ring-fenced government grant which can be used by the authority to finance revenue expenditure on any service.

### **Royal Institute of Chartered Surveyors (RICS)**

A professional body for land, property, construction and environmental related issues.

### **Service Reporting Code of Practice**

SeRCOP (BVACOP) establishes 'proper practice' for consistent financial reporting, which allows direct comparisons to be made with financial information published by other local authorities.

### **Specific Grants**

Grants paid to the Council for a specific purpose, including housing benefit, housing improvement, etc.

### **Subsidiary**

An organisation that is under the control of the Council or the Council is the majority share holder.

### **Surplus**

Arises when income exceeds expenditure or when expenditure is less than available budget.

### **Trading Services**

These are services operated by the Council which largely trade with other departments of the Council, and with external clients.



### **Trading Accounts**

A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.

### **Usable Capital Receipts Reserve**

Represents the resources held by the Council that have arisen from the sale of non-current assets that are yet to be spent on other capital projects.

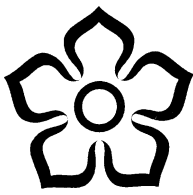
### **Voluntary-aided schools**

Schools which are mainly religious or 'faith' schools, the governing body, employs the staff, and sets the admission criteria. Buildings and land are normally owned by a charitable foundation.

### **Voluntary-controlled schools**

Schools which the Council run, employ staff, set admission criteria, and maintain land & buildings. But normally are owned by a charity, who appoints members to the governing body





Leicester  
City Council

WARDS AFFECTED  
All

# Appendix D

## FORWARD TIMETABLE OF CONSULTATION AND MEETING Audit and Risk Committee

29 September 2015

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### Annual Governance Statement 2014 - 2015

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#### Report of the Director of Finance

##### 1. Purpose of Report

- 1.1. To seek the approval of the Committee for the Council's Annual Governance Statement 2014 – 2015.

##### 2. Recommendations (or OPTIONS)

- 2.1. The Committee is recommended to approve the Council's Annual Governance Statement 2014 - 2015 as detailed within this report.

##### 3. Summary

- 3.1. The Council is required to publish, as part of its financial accounts reporting, an Annual Governance Statement. This statement should assure the people of Leicester that the Council operates in accordance with the law and has due regard to proper standards of behaviour and that it safeguards the public purse. This statement has to be completed by the end of September each year as it forms part of the statutory statement of accounts.

##### 4. Report

- 4.1. To remind members of the format required – which is dictated to a large extent by the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'. The Annual Governance Statement 2014-15, along with the Director's Certification (which underpins the statement) is attached at Appendix 1.
- 4.3. These documents were produced in previous years with the support of both the Strategic and Operational Directors and once again the process began earlier this year to allow meaningful contributions to be made by all Directors.

## 5. **FINANCIAL IMPLICATIONS**

### 5.1. **Financial Implications**

5.1.1 'There are no financial implications arising directly from this report, although the annual governance statement helps to provide assurance about the proper use of the Council's resources'. Colin Sharpe, Head of Finance – 37 4081.

### 5.2. **Legal Implications**

5.2.1 There are no direct Legal implications. Kamal Adatia, City Barrister and Head of Standards – 37 1401.

## 6. **Other Implications**

<b>OTHER IMPLICATIONS</b>	<b>YES/ NO</b>	<b>Paragraph/References Within Supporting information</b>
Risk Management	Yes	All of the paper.
Climate Change	No	
Equal Opportunities	No	
Policy	Yes	All of the paper.
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

## 7. **Consultations**

Andy Keeling, Chief Operating Officer  
All Strategic Directors  
All Divisional Directors  
All City Officers  
Finance Division Senior Management Team

## 8. **Report Author**

8.1. Tony Edeson, Head of Internal Audit and Risk Management – 37 1621.

# Appendix 1 - LEICESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT 2014-15

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## 1. Background

Leicester City Council is responsible for ensuring that its business is conducted in accordance with the law; proper standards; that public money is safeguarded; properly accounted for; and, used economically, efficiently and effectively.

It 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, Leicester City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Leicester City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives (CIPFA/SOLACE) framework *Delivering Good Governance in Local Government*. A copy of the code is on our website under 'Council and Democracy' or can be obtained from Customer Services.

This statement is produced in fulfilment of the requirements of regulations 4(2) and 4(3) of the Accounts and Audit (England) Regulations 2011.

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## 2. Introduction

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

Local government continues to undergo significant changes and the environment in which it works remains complex. As well as being provided directly, public services are increasingly delivered through commissioning, partnerships and collaboration, with many shared services and partnership boards now in existence. The introduction of new structures and ways of working provides challenges for managing risk, ensuring transparency and demonstrating accountability.

The system of internal control is the most significant part of the Council's governance 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 may only provide reasonable, not absolute, assurance of effectiveness.

The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of the 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 Leicester City Council for the year ended 31 March 2015 and up to the date of approval of the accounts.

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### **3. The Governance Framework**

The Council has in place an assurance framework that takes the Council's principal strategic and organisational objectives as its starting point, including the City Mayor's nine Key Priorities for Leicester. Key strategies and plans translate these objectives into deliverable actions. High-level risks that threaten the achievement of objectives are identified in the strategic and operational risk registers. It is the responsibility of management to establish and maintain effective systems of governance and internal control to ensure that the Council's service objectives are delivered and risks to those objectives are managed in accordance with the Council's Risk Management Strategy and Policy.

In order that the Council's business is delivered in a way that promotes public trust and confidence, there must be sufficient assurance that sound internal control arrangements are in place and operating effectively. The assurance framework brings together various internal and external sources of assurance with internal audit being fundamental to this.

The Council is also required to carry out, at least annually, a review of the effectiveness of its system of internal control. This is done by all Directors by means of positive assurance in the form attached at Appendix A. The intention of the assurance framework is, therefore, to set out a structured and coordinated process, drawing together the outcomes of the various assurance, governance and control mechanisms to ensure that the Annual Governance Statement is comprehensive in its coverage and reliable in its content

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### **4. Review of Effectiveness**

The Council is committed to the maintenance of a system of internal control which:

- Demonstrates openness, accountability and integrity;
- Monitors and reviews compliance with policies, procedures, laws and regulations and effectiveness against agreed standards and targets;
- Monitors and reviews the effectiveness of the operation of controls that have been put in place;
- Identifies, profiles, controls and monitors all significant strategic and operational risks.

The risks identified are subject to regular review and appropriate controls are identified to manage them. The results of that review, together with the three measures below, provide the core information for the preparation of the Annual Governance Statement:

- An independent review of the effectiveness of internal control carried out by the Council's Internal Audit team
- An annual review of the Effectiveness of the System of Internal Audit, as required by the Accounts and Audit Regulations (England) 2011
- The External Auditor's Annual Audit Letter and Annual Governance Report which include findings from the work of other inspection regimes,

Leicester City 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, Internal Audit's annual report and the Summary of Internal Audit Conclusions, and by comments made by the external auditors and other review agencies and statutory inspectorates.

The Council's Local Code of Corporate Governance complies with CIPFA/SOLACE's guidance *Delivering Good Governance in Local Government* and includes a self-assessment of compliance with the six core principles of good governance. The results of that assessment are set out in the Directors' Certification at Appendix A.

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## 5. Significant Governance Issues

The Council's control frameworks enable the identification of any areas of the Council's activities where there are significant concerns in the financial controls, governance arrangements or the management of risk. Having considered all the principles within the CIPFA *'Code of Practice on Managing the Risk of Fraud and Corruption'*, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Overall, it can be concluded that controls are operationally sound and that the Council's financial management arrangements conform with the governance requirements of the CIPFA *'Statement on the Role of the Chief Financial Officer in Local Government (2010)'* as set out in the Application Note to *'Delivering Good Governance in Local Government: Framework'*.

Areas of significant risk or priorities for action have been identified and are listed at Appendix A below. This is in two parts:

- Those items identified in the Annual Governance Statement for 2013-14, with the action taken since to address them
- Additional items identified in 2014-15, together with a summary of the action being taken or planned to make the necessary improvements.

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.

**Signed:**

..... (City Mayor) ..... (Date)

..... (Chief Operating Officer) ..... (Date)

..... (Director of Finance) ..... (Date)



**Appendix A - Leicester City Council Annual Governance  
Statement 2014-15  
Directors' Certification**

Leicester City Council is required to demonstrate that its governance processes and procedures comply with the six CIPFA/SOLACE fundamental principles of corporate governance. These are listed below with the principal sources of evidence or assurance:

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

- Major strategic documents setting out the vision for specific areas of work are in place, including the Economic Action Plan, Health and Wellbeing Strategy, Climate Change programme of action, Children & Young People's Plan and Heritage Action Plan.
- A major programme of work is being successfully delivered to support regeneration and economic development in the City. This includes a significant programme of capital projects and programme of activity to support business growth and increased employment levels for Leicester's residents. Appropriate programme management and partnership arrangements are in place, most notably the Leicester & Leicestershire Enterprise Partnership.
- The Council has an equality and diversity strategy which is being implemented to ensure we meet our public sector equality duties and focus on the needs of communities particularly in relation to the 'protected characteristics' defined by the 2010 Equality Act.
- Robust safeguarding arrangements are in place to mitigate the risk of harm to children and vulnerable adults, supported by established Safeguarding Boards.
- Departments have established their own performance management arrangements to underpin both the vision and manifesto commitments the wider operational activity of divisions including, where appropriate, departmental plans and regular performance monitoring and reporting. A Performance Group for Children's social care and safeguarding services has been established to reinforce the departmental performance management arrangements in this critical area. Continuing to improve the rigour of performance management across the Council remains a priority.
- Organisational vision and values have been developed for staff and will underpin policies like performance management and are being formally launched.

**B. Members and officers working together to achieve a common purpose with clearly defined functions and roles;**

- The Council's Constitution is kept under regular review and has been extensively updated in a number of areas to account for both

legislative changes and the continued development of governance arrangements and practice.

- The 'Political Conventions' within the Constitution offer clear advice on the working relationships between officers and members and the City Mayor and his Executive.
- Formal and informal working between the Executive and officers is well established.
- Lead Directors are in place to support scrutiny commissions.

**C. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;**

- The code of conduct and standards regime for elected members which was introduced in July 2012 is becoming embedded and has been reviewed to ensure it remains fit for purpose. New independent members have been appointed to fill vacancies which existed on the Standards Committee.
- The staff code of conduct was revised and agreed in 2013-14.
- As noted above a defined organisational vision and values have been developed to reinforce the organisational purpose, vision and values to staff and a programme to formally launch and embed these is now in development.
- A programme of reviews of key human resources policies and associated procedures continues for example, the attendance management policy and procedure was reviewed and a new policy and procedure agreed in 2014-15.
- The number of complaints to the Local Government Ombudsman has reduced.
- Robust management practices continue for issues such as attendance management and controls around spending e.g. agency staff, consultancy, etc.
- There are regular mechanisms for engagement with the recognised trade unions around staffing and workforce issues.
- There are well established programme and project management standards along with corporate oversight and support to ensure those involved in the governance and delivery of projects and programmes understand and are able to adhere to the expected standards.
- There is an established and effective system of internal control and internal audit, aimed at ensuring proper use of resources and giving assurance on the effectiveness of the arrangements for the management of risk. The system of internal audit, which includes the fulfilment of its role by the Audit & Risk Committee, has been reviewed for effectiveness.

- The Council's Fraud and Investigations teams have been thoroughly reviewed, re-organised and re-launched and have given added emphasis to the Council's 'zero tolerance' attitude to fraud.

**D. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;**

- Risk, financial, legal, equalities and sustainability implications are considered within the decisions taken.
- Strategic and operational risk registers are regularly considered and reviewed.
- Information assets and the supporting information infrastructure are subject to appropriate governance controls to mitigate risk whilst supporting partnership working and compliance with transparency requirements.
- Processes for forward planning, taking and publication of Executive decisions under the mayoral model are defined and are supported by officer guidance.
- There is a recognised approach for taking executive decisions in line with recently changed legislation on this issue.
- There is a need to continue to look at how scrutiny is supported to ensure that it works efficiently and effectively.
- A Capital Advisory Board is now well established, chaired by the Strategic Director for City Development and Neighbourhoods. This has senior officer representation from legal, finance, property, procurement, governance and programme management who provide rigorous challenge and oversight of capital projects and programmes at key gateway points.
- The Council continues to adhere to the recommendations arising from an equal pay audit commissioned in 2013-14. This found that the Council's pay structure remains transparent and free from gender bias, with a low level of vulnerability to equal pay claims. Recommendations from the audit continue to be actively implemented.

**E. Developing the capacity and capability of members and officers to be effective;**

- A comprehensive programme of induction for members has been planned and is being delivered following the May 2015 elections. This covers a range of critical information and also provides an opportunity for new elected members to meet with key officers and services.
- There is a nominated workforce development lead for member development.
- The accommodation strategy seeks to maximise the productivity of the workforce and support positive collaboration.

- The Leicester Leaders training and development programme has successfully engaged many senior managers.
- The HR service was reviewed to ensure resources were properly aligned to priority areas of support. It is recognised there still are aspects of people management that need to be improved. A strategic HR work programme for 2013-2017 has been developed with a focus on these areas, including workforce planning, staff performance management, workforce development and workforce representation.
- A framework and training programme was developed to support service redesign and transformation which continues to be a major demand in terms of skills and capacity given the scale of change and savings that still need to be achieved. Some aspects have been concluded and we are reshaping the function to provide better workforce support.
- The new staff intranet (launched in 2013-14) continues to provide a key source of guidance for staff on policies, procedures, governance and other aspects of the Council's operations.
- Talent-match has been developed as an internal jobs market approach and is being piloted as a means of effectively recruiting staff and minimising the costs associated with redundancy.

**F. Engaging with local people and other stakeholders to ensure robust public accountability.**

- There is a more robust and consistent approach to consultation through the work of the Research & Intelligence Team.
- The consultation platform, Citizen Hub, provides an effective on-line approach to support consultations across the Council.
- There remains a strong focus on media engagement and external communication with core capacity boosted to support this.
- Key strategic partnerships are in place around major themes and operating in accordance with legislation where relevant, such as Health and Wellbeing and Leicester and Leicestershire Economic Partnership.
- The City Mayor's Faith and Community Forum has been operating for over a year to support effective engagement with key communities, especially (but not exclusively) those identifying with the protected characteristic of religion or belief. This is key to supporting integration and cohesion with the city and our public sector equality duty.
- A short digest of our constitution is published on our website aimed at making the key governance arrangements of the Council clearer and more accessible.
- The Council's website has been fundamentally redeveloped to support on-line transactions and engagement and to provide key up to date and relevant information to the public in an easily accessible and user friendly format. Feedback to date has been very positive.

- The Council is reviewing the services it commissions from the voluntary and community sector to support engagement with key communities across the protected characteristics of faith, race, sexual orientation and gender identity, with a view to establishing a robust and appropriate approach for the future.
- The Council has in place processes for responding to external audit and inspection arrangements, with particular reference to the annual audit of the Council's published financial statements and the Annual Governance Statement.

### Significant Governance Issues

The Council's control frameworks enable the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. Overall, it can be concluded that controls are operationally sound.

The areas of significant risk or priorities for action that have been identified are listed below:

#### A. Items identified in the Annual Governance Statement for 2013-14, with the action taken since to address them.

Area of significant risk or priority for action	Comment	Action planned	Action taken
Medium-term financial strategy	The Council approved £85m of spending cuts between 2010-11 and 2014-15 in response to unprecedented real terms cut in government funding. Whilst this has been carefully managed and the Council continues to live within its available resources, the governments most recent spending plans (July 2015) indicate a continued trajectory of reductions. The methodology adopted by government has adversely affected deprived authorities such as Leicester, who are more reliant on government grant. This now includes an impact to the Housing Revenue Account (HRA) with the proposed reduction in social rents by 1% per annum.	The Council continues to manage its medium term-financial strategy carefully, with significant input from the City Mayor and Executive. A process has been agreed and is under way to address the funding challenges the Council faces. This includes a managed reserves strategy to enable the City Mayor and Executive to properly plan and consider future reductions appropriately.	The Council's spending review programme is designed to address the need to reduce budgets, but this is a significant challenge. The recent impact to the HRA will be evaluated and considered as part of the overall budget strategy.

Area of significant risk or priority for action	Comment	Action planned	Action taken
Performance management	There is a need to continue to ensure the effectiveness of performance management across the Council.	Children's Performance Group in place to review and strengthen performance management in this area. Corporate Management Team have introduced a monthly business and performance meeting into their cycle.	Departments have established their own performance management arrangements to underpin strategic priorities and plans, as well as wider operational delivery. This is supported by key systems including the new Liquid Logic system across adult and children's social care. There is a continued need to embed and assure the strength of these arrangements.
Voluntary and community sector engagement	There is a need for a more co-ordinated approach to managing our engagement with the Voluntary and Community Sector (VCS) and to be aware at an earlier stage of any emerging issues.	A review is underway of arrangements for working with the city's voluntary and community sector (VCS) to support engagements with communities. The manifesto also includes a commitment to review the way the Council involves and engages with the VCS.	The Council has reviewed the services it commissions in relation to: <ul style="list-style-type: none"> <li>• Support for the City's VCS; and,</li> <li>• Support for volunteering in the city.</li> </ul> New services were commissioned in these areas.

Area of significant risk or priority for action	Comment	Action planned	Action taken
The Care Act 2014	Reflecting the most significant reform in adult services in over 60 years, the Care Act builds on developments in adult social care away from paternalistic and managed care towards empowerment, choice and control for adults and carers.	Originally the Care Act was due to be introduced in two parts. Part one (April 2015) saw the introduction of a national eligibility criteria and carers assessments. . Part two of the Act was due to be implemented in April 2016, which would have seen the introduction of new funding reform. However the Government has deferred the implementation until 2020.	Processes are in place to monitor the impact of the changes via the Adult Social Care departmental Change Management Board.

Area of significant risk or priority for action	Comment	Action planned	Action taken
Continuing variable compliance with rules and procedures.	There is an increased risk that controls will be diluted as a result of streamlining of management structures in response to the current financial pressures. The consequent loss of experienced staff increases the risk of error. Moreover, these factors combined with the increased incentive brought about by financial hardship during a recession increase the risk of fraud.	Internal Audit assurance work in the 2015-16 audit plans.	Continuing requirement. Strengthening of senior management monitoring of compliance. Internal Audit has maintained an extensive programme of planned audit reviews supplemented by specially commissioned audits undertaken on the basis of risk to the Council. Service management has responded constructively to the conclusions of audit reviews and the recommendations made. Any matters of concern together with any non-implementation of recommendations are reported to the Audit & Risk Committee on a regular basis throughout the year.



<b>Previous years</b>		
<b>Area of significant risk or priority for action</b>	<b>Comment</b>	<b>Action taken</b>
Management and letting of contracts	<p>Significant work is being carried out to develop a procurement approach which delivers value for money from procuring goods and services whilst improving the skills and knowledge within the procurement teams.</p> <p>Some concerns remain, however, in relation to the management of contracts and the Internal Audit Contract Audit Plan for 2012-13 includes a number of contracts and procurement-related audits to help provide assurance in relation to this area.</p>	Internal Audit has re-established its contract audit capacity. It now has a programme of contract audits, the scope of which includes the processes for procurement and contract management. Contract audit remains a priority in Internal Audit planning.
Management of Payments to Service Users	An Internal Audit identified significant weaknesses in the procedure for managing payments to service users.	Implementation of the Audit recommendations was managed via a joint response from the Adult Social Care and Business Service Centre teams.
Improve engagement with stakeholders within Adult Social Care.	Adult Social Care has now approved a Stakeholder Engagement Strategy to ensure effective engagement and increase co-production with their stakeholders.	The planned Stakeholder Engagement Strategy has been fully implemented and is used in key project activity.

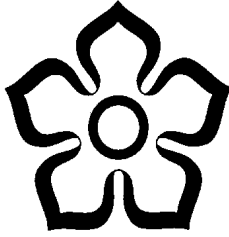
**B. Additional items identified, together with a summary of the action being taken or planned to make the necessary improvements.**

Area of significant risk or priority for action	Comment	Action planned
<p>Response to the recent 'OFSTED' inspection.</p>	<p>An Ofsted 'Inspection of Services for Children in Need of Help and Protection, Children Looked After and Care Leavers' published on 20<sup>th</sup> March 2015, graded Leicester's children's services as 'inadequate'.</p>	<p>In line with national requirements from the Department for Education (DFE) we have established an Improvement Board chaired by an experienced person approved by the DfE; and have submitted an Improvement Plan to Ofsted by 22<sup>nd</sup> June 2015.</p> <p>There are also a number of internal controls in place to ensure that work on the Ofsted recommendations progresses satisfactorily:</p> <ul style="list-style-type: none"> <li>• The Operational Improvement Group (which meets fortnightly) chaired by the Divisional Director, monitoring detailed service improvement plans for Early Help, Children in Need, Children Looked After and Workforce</li> <li>• The Performance Group (which meets monthly) examining the monthly report on key performance indicators and any other significant areas of Performance and Quality including progress against the Workforce Strategy</li> <li>• Service Performance Meetings in Early Help, CIN (Children in Need) and Children Looked After</li> <li>• Quality Assurance work being carried out to audit case files by external auditors</li> <li>• Regular reviews of progress and reports to the Audit and Risk Committee by Internal Audit.</li> </ul>

Therefore, all Directors have confirmed that they understand the responsibilities placed upon them and in particular that:

- Subject to the identified areas of significant risk and priorities for action, all of the services for which they are responsible have in place processes and procedures that align to these principles and to the best of their knowledge and belief these processes are operating satisfactorily;
- The Directors as a management team set the 'tone from the top', embedding core values and principles throughout all Council service areas.





Leicester  
City Council

**WARDS AFFECTED:**  
ALL

## **FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**

**Audit & Risk Committee**  
**Council**

**29 September 2015**  
**26 November 2015**

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### **Annual Report of the Audit & Risk Committee to Council for the municipal year 2014-15**

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#### **Report of the Director of Finance**

#### **1 PURPOSE OF REPORT**

- 1.1 To present to the Council the annual report of the Audit & Risk Committee setting out what the Committee has achieved over the municipal year 2014-15.
- 1.2 There is no specific requirement for such a report. However, best practice is for the Audit & Risk Committee to be able to demonstrate its effectiveness in overseeing the City Council's control environment and this is reflected in the Committee's terms of reference. This report was presented to the Committee for approval at its meeting on 29 September 2015.

#### **2 RECOMMENDATIONS**

- 2.1 The Audit & Risk Committee is recommended to approve this report for submission to the Council.
- 2.2 The Council is recommended to receive this report.

#### **3 SUMMARY**

- 3.1 The Audit & Risk Committee has considered a wide range of business in fulfilment of its central role as part of the Council's system of corporate governance and internal audit and control. It has conducted its business in an appropriate manner through a programme of meetings and has fulfilled the expectations placed upon it.
  - 3.2 The report covers the municipal year 2014-15 rather than the financial year so as to align with members' terms of office.
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**4 REPORT**

4.1 The Committee's terms of reference had been reviewed and updated immediately prior to the beginning of the municipal year and the Committee had approved these at its meeting on 8 May 2013 and by the Council on 23 May. A further update of the terms of reference was approved by the Committee at its final meeting of the municipal year, 15 April 2014. The terms of reference formally confer upon the Committee the role of 'the board' for the purposes of the *Public Sector Internal Audit Standards*, issued jointly by Chartered Institute of Public Finance & Accountancy and the Chartered Institute of Internal Auditors as the recognised professional standards for local authority internal audit.

4.2 The Committee is well established and has continued to make an important contribution to the effectiveness of the City Council's internal control and corporate governance frameworks. It is also a central component of the Council's system of internal audit.

**Achievements of the Committee**

4.3 During the municipal year 2014-15, the Committee met on seven occasions:

- 25 June 2014
- 30 July 2014
- 29 September 2014
- 29 October 2014
- 3 December 2015
- 4 February 2015
- 31 March 2015

The Committee's terms of reference require it to meet at least three times a year. All of the Committee's meetings have been properly constituted and quorate.

4.4 The appendices to this report give further information on the activities of the Committee during the municipal year 2014-15:

- Appendix 1 - a summary of the Committee's work according to its responsibilities under its terms of reference.
- Appendix 2 – an assessment of the effectiveness of the Committee against the criteria in *Audit Committees - Practical Guidance for Local Authorities and Police*, CIPFA 2013.

4.5 Key outcomes from the Committee's work:

The responsibilities of the Committee are set out in its terms of reference:

- The Committee has continued to keep its own terms of reference under review to ensure compliance with current best practice.
- The Committee's membership in 2014-15 was well established and experienced. Nonetheless, Members considered their training needs in

support of their role on the Committee. In furtherance of this, they received briefings on a number of relevant topics including: the published statement of accounts; the Regulation of Investigatory Powers Act 2000 (RIPA); the Council's approach to procurement; and the delivery of the Council's objectives for public health.

### Internal Audit

- The Committee considered the Internal Audit annual and quarterly plans and monitored their delivery and outcomes during the year. The Committee also received the Internal Audit annual report and opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control.
- The Committee reserves the right to summon relevant officers to attend its meetings to discuss in more depth specific issues raised by Internal Audit reports. This has helped to maintain the profile of the Committee and its role in promoting adherence to procedures and improved internal control.
- The Committee received and approved the annual review of the effectiveness of the Council's system of internal audit, as required under regulation 6(3) of the Accounts and Audit (England) Regulations 2011. Further detail on this is given below at paragraph 4.12.

### Fraud

- The Committee maintained an effective overview of the Council's measures to combat fraud and financial irregularity. Specifically, the Committee:
  - Reviewed and approved the Council's updated Anti-Fraud, Bribery and Corruption Policy and Strategy
  - Considered the annual counter-fraud report, which brought together the various strands of counter-fraud work in 2013-14 with data on the various types of work carried out by the teams involved
  - Reviewed and supported the Council's participation in the National Fraud Initiative
  - Reviewed the Council's activity and performance under the Regulation of Investigatory Powers Act 2000 and the Disclosure Policy and Whistleblowing Policy.

### External audit

- The Committee considered the external auditor's plans and progress and the outcomes of this work, with particular reference to the annual audit of the Council's statutory financial statements.
- The external auditor places reliance on Internal Audit work in connection with the external audit of the Council's accounts and the certification of certain grant claims and returns. The Committee has received reports on the outcomes of such work and to this extent is fulfilling its responsibility to promote an effective working relationship between the two audit functions.

### Risk Management

- The Committee confirmed the Risk Management Strategy and Policy and Corporate Business Continuity Management Strategy. The Committee maintained a regular overview of the risk management arrangements including the Council's strategic and operational risk registers and 'horizon-scanning' for potential emerging risks to the Council and its business.
- The continued management of the Internal Audit and Risk Management functions by one head of service has meant good coordination between the two related disciplines, including reporting to the Committee.

### Corporate Governance

- During 2014-15, the Committee has fulfilled the responsibilities of 'the board' for the purposes of the City Council's conformance to the CIPFA *Public Sector Internal Audit Standards* in terms of the overseeing of the Council's arrangements for audit, the management of risk and the corporate governance assurance framework.
- The Committee maintained its oversight of the Council's corporate governance arrangements. The Council's updated assurance framework, which maps out the process for collating the various sources of assurance and from them preparing the Council's statutory<sup>1</sup> Annual Governance Statement, was reviewed and approved by the Committee.
- Alongside this was the approval by the Committee of the updated Local Code of Corporate Governance.
- The Committee approved the draft Annual Governance Statement for 2013-14. The annual review of the assurance framework, which sets out the essential process for preparing the Annual Governance Statement, was approved by the Committee.
- This annual report to Council is part of the governance arrangements, through giving a summary of the Committee's work and contribution to the good governance of the City Council and demonstrating the associated accountability.

### Financial reporting

- The Committee received and approved the Council's statutory Statement of Accounts for 2013-14 and associated external audit reports. It approved the Council's letter of representation, by means of which the City Council gives assurance to the external auditor; there were no significant items that were not reflected in the Council's accounting statements.

### Effectiveness of Committee's work

- 4.6 In considering the above, it is concluded that the Committee fulfilled in all material respects the requirements of its terms of reference.

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<sup>1</sup> Regulation 4(3) of the Accounts and Audit (England) Regulations 2011



- 4.7 The work of the Committee is reflected in the external auditor's Annual Governance Report for 2013-14, which is issued to the Committee as 'those charged with governance'. In this report, the auditors confirmed that their audit opinion on the Council's financial statements for 2013-14 would be 'unqualified' and that the Council has 'made proper arrangements to secure economy, efficiency and effectiveness in its use of resources'.
- 4.8 The Committee considered at its meeting on 30 July 2013 the annual review of the effectiveness of the system of internal audit, as required by the Accounts and Audit (England) Regulations 2011. This review found that for 2013-14 the Audit & Risk Committee met all of the main indicators of being an effective audit committee as set out by CIPFA<sup>2</sup>. The criteria include:
- Regular meetings
  - Sufficient independence of other functions
  - Constructive meetings, conducted freely and openly and without political influence
  - Proper, approved terms of reference with a sufficient spread of responsibilities for internal and external audit, governance and risk management
  - Playing a sufficient part in the management of Internal Audit including approval of audit plans, review of Internal Audit performance and the outcomes of audit work plus management's responses to it
  - Maintaining a proper overview of the relationship with and the work of the external auditor.
- 4.9 An assessment of conformance to the CIPFA guidance has been conducted in the preparation of this report; the outcome is given in Appendix 2. There are no significant areas of non-conformance with this recognised best practice. There are points of detail that could be considered in the next annual review of the Committee's terms of reference.
- 4.10 As has been acknowledged in previous years, annual changes in membership are to be expected but can hinder the development of expertise and knowledge acquired by members. As a result, and given the complexities of the Committee's business, meetings of the Committee are normally preceded by a briefing or training session on a particular topic, usually linked to that meeting's agenda. Overall, throughout 2014-15, the Committee's membership was such as to ensure both continuity and that the Committee had a positive effect on the Council's control environment.
- 4.11 The Head of Internal Audit & Risk Management attends all meetings of the Committee. In addition, and in the interests of providing the full range of legal, constitutional and financial advice and expertise, meetings of the Committee are routinely attended by the Director of Finance and the City Barrister & Head of Standards (who is also the Council's designated monitoring officer) or their representatives.

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<sup>2</sup> Chartered Institute of Public Finance & Accountancy: *Audit Committees: Practical Guidance for Local Authorities and Police*, 2013.

## **Conclusions**

- 4.12 The Committee fulfilled all of the requirements of its terms of reference and the good practice guidance issued by CIPFA.
- 4.13 It is the view of the Head of Internal Audit & Risk Management and the Director of Finance that during the municipal year 2014-15 the Audit & Risk Committee made a significant contribution to the good governance of the City Council. Through its work, it has reinforced the Council's systems of internal control and internal audit and has given valuable support to the arrangements for corporate governance, legal compliance and the management of risk.
- 4.14 Especially following the changes in membership after the 2015 local elections, there is a need to support members with relevant training and briefings on the Committee's responsibilities for internal and external audit, risk management, internal control and governance. These are technically complex subjects, particularly in the context of the governance of a large local authority and especially during a period of continued financial stringency and change. The effectiveness of the Committee is enhanced by having members who have sufficient expertise and experience, attributes which benefit from continuity of membership.

## **5 FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

### **5.1 Financial Implications**

An adequate and effective Audit & Risk Committee is a central component in the governance and assurance processes intended to help ensure that the Council operates efficiently, cost effectively and with integrity. Its support for the processes of audit and internal control will help the Council as it faces the financially challenging times ahead.

*Colin Sharpe, Head of Finance (Corporate Resources) x37 4081*

### **5.2 Legal Implications**

The Audit & Risk Committee aids the fulfilment by the Council of its statutory responsibilities under the Accounts and Audit Regulations 2011 for monitoring the Council's system for internal control. It is an important part of the way the duties of the Director of Finance are met as the responsible financial officer under s151 of the Local Government Act 1972.

*Kamal Adatia, City Barrister & Head of Standards, x37 1401*

### **5.3 Climate Change Implications**

This report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council's climate change targets.

*Louise Buckley, Senior Environmental Consultant (Climate Change), 37 2293*

**6 Other Implications**

<b>OTHER IMPLICATIONS</b>	<b>YES/NO</b>	<b>Paragraph references within supporting information</b>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	Yes	4.5 – references to fraud and corruption
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities	No	
Risk Management	Yes	The whole report concerns the audit, risk management and governance process, a main purpose of which is to give assurance to Directors and this Committee that risks are being properly identified and managed appropriately by the business.

**7 BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972**

Minutes of the Audit & Risk Committee 25 June, 30 July, 29 September, 29 October and 3 December 2014, 4 February and 31 March 2015.

**8 CONSULTATIONS**

City Barrister & Head of Standards.

**9 REPORT AUTHOR**

Steve Jones, Audit Manager, Internal Audit, Financial Services, extension 37 1622.

## Summary of work of the Audit & Risk Committee – municipal year 2014-15

This table shows the activities of the Audit & Risk Committee during the municipal year 2014-15 alongside the terms of reference of the Committee as approved immediately prior to the municipal year (15 April 2014). (Note that the Committee also reviewed its terms of reference on 31 March 2015 in preparation for the 2015-16 municipal year.

*There is no area that has not been covered at least sufficiently by the Committee.*

Terms of Reference	Date considered	Item	Outcome
<b>1. AUDIT FRAMEWORK</b>			
<b>1.1 Internal Audit</b>			
On behalf of the Council, to approve the Head of Internal Audit's annual report and opinion, considering the level of assurance given over the Council's corporate governance arrangements and decide on appropriate actions.	29.10.14	Internal Audit Annual Report for 2013-14 including the Internal Audit opinion	Approved
To consider, challenge and approve (but not direct) Internal Audit's strategy and plan and monitor performance on an annual basis.	30.7.14	Internal Audit Q2 Operational Plan 2014-15	Noted
	3.12.14	Internal Audit Q3 and Q4 Operational Plan 2014-15	Noted
	31.3.15	Internal Audit Annual Plan 2015-16	Approved
	31.3.15	Internal Audit Q1 Operational Plan 2015-16	Noted
To receive summaries of Internal Audit reports and the main issues arising.	30.7.14	Outcomes of Internal Audit Work in Q4 2013-14 (January 2014 to March 2014)	Noted
	3.12.14	Internal Audit Update Q1 and Q2 2014-15 (April 2014 to September 2014)	Noted
To review and challenge management's responsiveness to the internal audit findings and recommendations, seeking assurance that appropriate action has been taken where necessary and agreed recommendations have been implemented within a reasonable timescale.	As last item	Internal Audit Updates - as last item	Noted
	29.10.14	Internal Audit Annual Report for 2013-14 including the Internal Audit opinion	Approved
To monitor and assess the role and effectiveness of the Internal Audit function.	30.7.14	Review of the Effectiveness of the System of Internal Audit 2013-14	Approved
	30.7.14	Annual Review of Internal Audit Charter	Approved
	31.3.15	Annual Review of Internal Audit Charter (refresh for next financial year)	Approved
In fulfilling these functions, the Audit & Risk Committee fulfils the role of 'the board' for the purposes of the <i>Public Sector Internal Audit Standards</i> .	25.6.14	Schedule of A&R Committee meetings for 2014-15	Noted
	29.9.14	Draft A&R Committee Annual Report to Council 2013-14	Approved
	31.3.15	Annual Review of the Council's Assurance Framework, Local Code of Corporate Governance, and the Committee's Terms of Reference	Approved

## Summary of work of the Audit & Risk Committee – municipal year 2014-15

Terms of Reference	Date considered	Item	Outcome
(Continued) In fulfilling these functions, the Audit & Risk Committee fulfils the role of 'the board' for the purposes of the <i>Public Sector Internal Audit Standards</i> .	31.3.15	Schedule of planned A&R Committee agendas and meeting dates for 2015-16	Approved
<b>1.2 External Audit</b>			
On behalf of the Council, to review with the external auditor and inspection agencies the findings of their work including any major issues which are unresolved; key accounting and audit judgments; and the levels of errors identified during the audit. The Committee should obtain explanations from management and from external auditors, where necessary, as to why errors might remain unadjusted.	29.9.14	Annual Governance Report 2013-14 and Letter of Representation	Approved
	3.12.14	External Auditor's Annual Audit Letter 2013-14	Noted
	31.3.15	Certification of Grants, Claims and Returns 2013-14 Annual Report (external auditor)	Noted
	31.3.15	Risk Management & Insurance Services update including management briefing on Ofsted report on Children's Services	Noted
	As next item	External Audit Progress Reports and Technical Updates	Noted
To consider the scope and depth of external audit work and to assess whether it gives value for money.	30.7.14	External Audit Progress Report and Technical Update	Noted
	4.2.15	External Audit Progress Report and Technical Update	Noted
	31.3.15	Annual External Audit Plan for financial year 2014-15	Noted
To liaise with the Audit Commission (or such other body that assumes this responsibility <sup>3</sup> ) over the appointment of the Council's external auditor and conduct such other related functions as required by the local public audit regime.	N/A	This has not been needed during the 2014-15 municipal year.	
To facilitate effective relationships between external and internal audit, inspection agencies and other relevant bodies and ensure the value of these audit relationships is actively promoted.	Various	Reference to joint working or coordination is made in various internal and external reports, with particular reference to the annual audit of the main financial systems.	Noted
To approve any instances of non-audit work by the external auditors in accordance with the <i>Policy for Engagement of External Auditors for Non-Audit Work</i> and report any such instances to the Council.	25.6.14	Policy for Engagement of External Auditors for Non-Audit Work	Approved

<sup>3</sup> Public Sector Audit Appointments Ltd with effect from 1<sup>st</sup> April 2015.

## Summary of work of the Audit & Risk Committee – municipal year 2014-15

Terms of Reference	Date considered	Item	Outcome
<b>2. RISK MANAGEMENT FRAMEWORK</b>			
On behalf of the Council, to consider and challenge the effectiveness of the Council's Risk Management Strategy and Framework, including the Risk Management and Insurance Services function.	25.6.14	Risk Management & Insurance Services update	Noted
	29.10.14	Risk Management & Insurance Services update	Noted
	3.12.14	Risk Management & Insurance Services update	Noted
	4.2.15	Risk Management & Insurance Services update	Noted
	4.2.15	Risk Management and Business Continuity Management Strategies and Policies for 2015	Noted
	31.3.15	Risk Management & Insurance Services update	Noted
To consider and approve, on behalf of the Council, the Council's Risk Management Strategy and its key risk management policies including the Council's statement of overall risk appetite.	4.2.15	Risk Management and Business Continuity Management Strategies and Policies for 2015	Approved
To approve, on an annual basis, the Risk Management and Insurance Services function's terms of reference and its annual plan.	4.2.15	Risk Management and Business Continuity Management Strategies and Policies for 2015	Approved
To review (and take any actions as a consequence of) reports from the Head of Internal Audit & Risk Management in respect of the status of key current and emerging risks and internal controls relating to those risks (the Operational and Strategic Risk Registers).	25.6.14 29.10.14 3.12.14 4.2.15 31.3.15	Risk Management & Insurance Services updates	Noted
<b>3. INTERNAL CONTROL AND GOVERNANCE FRAMEWORK</b>			
To review the adequacy of the Council's internal control framework through review of its system of internal control and system of internal audit and overseeing the production and approval of the Council's Annual Governance Statement prepared in accordance with the Local Code of Conduct Governance.	30.7.14	Annual Review of Internal Audit Charter	Approved
	30.7.14	Review of the Effectiveness of the System of Internal Audit 2013-14	Approved
	29.9.14	Annual Governance Statement 2013-14	Approved
	31.3.15	Annual review of the Council's, Assurance Framework, Local Code of Corporate Governance and annual review of the Committee's terms of reference	Approved
	31.3.15	Annual Review of Internal Audit Charter (refresh for next financial year)	Approved

Summary of work of the Audit & Risk Committee – municipal year 2014-15

Terms of Reference	Date considered	Item	Outcome
To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts. (The Committee is to do this before approving the Council's published financial statements. The Committee should take note of any adjustments set out in the external auditor's report and agree any such adjustments where management has declined to do so or set out the reasons for not doing so.)	29.9.14	Annual Governance Report 2013-14 and Letter of Representation	Approved
	3.12.14	External Auditor's Annual Audit Letter 2013-14	Noted
To maintain an overview of the Council's Constitution in respect of contract procedure rules, finance procedure rules and codes of conduct and behaviour.	Various	Reference is made to constitutional requirements and rules of procedure where relevant in internal and external audit reports	Noted
	29.9.14	Proposed Changes to the Contract Procedure Rules and Finance Procedure Rules	Noted
To review and approve, on an annual basis, the Council's anti-fraud, bribery and corruption and its disclosure (whistle-blowing) policies and procedures.	29.9.14	Regulation of Investigatory Powers Act 2000	Training for Committee
	29.9.14	Regulation of Investigatory Powers Act 2000 - Biannual performance report January – June 2014	Noted
	29.9.14	Counter-Fraud Annual Report 2013-14	Noted
	29.9.14	Review of the Anti-Fraud, Bribery and Corruption Policy and Strategy	Approved
	29.10.14	Revenues & Benefits prosecutions data 2013-14	Noted
	3.12.14	Counter-Fraud update report – first half of 2014-15	Noted
	3.12.14	Disclosure Policy and Whistleblowing Annual Summary 2013-14	Noted
	4.2.15	Corporate Fraud review – update from management	Noted
	4.2.15	National Fraud Initiative - annual report	Noted
	4.2.15	Review of the Whistleblowing Policy	Noted
	31.3.15	RIPA Statistics and Performance report July - December 2014	Noted
Annually, to assess all significant risk issues considering: <ul style="list-style-type: none"> <li>Changes since the last annual assessment and the Council's response;</li> <li>The scope and quality of management's ongoing monitoring of risks and the system of internal control;</li> <li>The incidence of significant control failings in relation to all significant risks and their impact.</li> </ul>	25.6.14 29.10.14 3.12.14 4.2.15 31.3.15	Risk Management & Insurance Services updates (including briefing at 31.3.15 meeting on the Council's response to the Ofsted report on Children's Services)	Noted

## Summary of work of the Audit & Risk Committee – municipal year 2014-15

Terms of Reference	Date considered	Item	Outcome
To review regular reports from Internal Audit and Risk Management on risk and internal controls, considering: <ul style="list-style-type: none"> <li>The effectiveness of systems of internal control across the Council</li> </ul>	30.7.14 3.12.14	Internal Audit Update reports	Noted
	29.10.14	Internal Audit Annual Report for 2013-14 including the Internal Audit opinion	Approved
	<ul style="list-style-type: none"> <li>Reports on major control issues and their impact on the Council's risk profile.</li> </ul>	Various as above	Risk Management & Insurance Services updates
25.6.14		Procedural Guidance and Recent Changes in Arrangements for Cash Handling at the Council	Noted
29.10.14		Leicester Markets Cash Collection	Noted
29.10.14		Scrutiny Report on Collection of Income	Noted
To consider and decide on appropriate actions relating to the Council's compliance with its own and other published or regulatory policies, standards and controls, including:	29.10.14	Internal Audit Annual Report for 2013-14 including the Internal Audit opinion	Approved
	30.7.14 3.12.14	Internal Audit Update reports (which include reference to the various legal and policy requirements as relevant to the specific subject matter)	Noted
	29.9.14	Annual Governance Statement 2013-14	Approved
<ul style="list-style-type: none"> <li>Policies relating to information governance and assurance</li> </ul>	25.6.14	Customer Data Integration project	Briefing for Committee
	29.9.14	Regulation of Investigatory Powers Act 2000 - LCC policy and compliance	Training for Committee
	29.9.14	Regulation of Investigatory Powers Act 2000 - Biannual performance report January – June 2014	Noted
<ul style="list-style-type: none"> <li>Health &amp; Safety at Work</li> <li>Civil Contingencies Act</li> </ul>	Various as above	Risk Management & Insurance Services updates	Noted
<ul style="list-style-type: none"> <li>Policies relating to disclosures and complaints</li> </ul>			
<ul style="list-style-type: none"> <li>Others as appropriate</li> </ul>	3.12.14	Disclosure Policy and Whistleblowing Annual Summary 2013-14	Noted
	4.2.15	Review of Whistleblowing Policy	Noted
	25.6.14	Procedural guidance on cash handling	Noted
	29.9.14	Proposed Changes to the Contract Procedure Rules and Finance Procedure Rules	Noted
	4.2.15	Procurement Plan Update 2014-15	Noted
	31.3.15	Procurement Plan 2015-16	Noted



## Summary of work of the Audit & Risk Committee – municipal year 2014-15

Terms of Reference	Date considered	Item	Outcome
<b>4. FINANCIAL REPORTING FRAMEWORK</b>			
To review and approve the Council's published financial statements, the external auditor's annual opinion and other reports to Members and to monitor management action in response to issues raised.	30.7.14	Draft Statement of Accounts 2013-14	Noted
To review and approve the annual statement of accounts and the annual Letter of Representation on behalf of the Council, giving particular attention to critical accounting policies and practices, decisions requiring a significant element of judgement, how any unusual transactions should be disclosed and the clarity of the disclosures.	30.7.14	Introduction to the Statement of Accounts	Training for Committee
	29.9.14	Statutory Statement of Accounts 2013-14	Approved
	29.9.14	Annual Governance Report 2013-14 and Letter of Representation	Approved
To bring to the attention of the Council any concerns arising from the financial statements or from the audit.		None.	
<b>5. OTHER MATTERS</b>			
To consider, approve or make recommendations in respect of any other matters referred to it by the City Mayor, Chief Operating Officer (as the Head of Paid Service) or a Director or any Council body.	Training and briefings on:		
	25.6.14	Demonstration of the Customer Data Integration system	Training for Committee
	29.10.14	Training – The Council's approach to Procurement	Training for Committee
	3.12.14	Training - Delivery of the Objectives of the Public Health service	Training for Committee
	4.2.15	Briefing on the Council's new telephone system	Briefing for Committee
To consider any relevant matters reserved for Member-level decision as detailed in Rules of Procedure.		None	
To present an annual report to the Council on the Committee's conduct, business and effectiveness.	29.9.14 (Council 13.11.14)	Draft A&R Committee annual report to Council 2013-14	Approved. Presented to Council 13.11.14

**Audit & Risk Committee – municipal year 2014-15**

**August 2015 - Review of conformance to CIPFA *Practical Guidance for Audit Committees* (2013 Edition)**

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	Good practice questions	Yes	Partly	No	Notes and actions
Audit committee purpose and governance					
1	Does the authority have a dedicated audit committee?	Y			
2	Does the audit committee report directly to full council? (Applicable to local government only.)	Y			
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s Position Statement?	Y			<p>Though we conform to the criteria, compliance could be strengthened by addressing the following:</p> <ul style="list-style-type: none"> <li>• Ref 3(5): We do not routinely take all reports of other inspections agencies (e.g. Ofsted, Care Quality Commission) to A&amp;R Committee</li> <li>• Ref 4(2): Closer working with the Standards Committee?</li> <li>• Ref 4(3): Decide whether review of Treasury Management arrangements should be within the Committee’s specific remit and if so, update Terms of Reference accordingly</li> <li>• Ref 5(5): Update Terms of Reference to specify minimum four meetings a year (currently three). In practice, the Committee meets at least six times a year.</li> </ul>
4	Is the role and purpose of the audit committee understood and accepted across the authority?	Y			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y			

## Audit &amp; Risk Committee – municipal year 2014-15

August 2015 - Review of conformance to CIPFA *Practical Guidance for Audit Committees* (2013 Edition)

	Good practice questions	Yes	Partly	No	Notes and actions
Functions of the committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?	Y			Subject to Q3 above.
	good governance	Y			
	assurance framework	Y			
	internal audit	Y			
	external audit	Y			
	financial reporting	Y			
	risk management	Y			
	value for money or best value		P		This is implied but is not explicit in the terms of reference.
	counter-fraud and corruption.	Y			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Y			
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?		P		There has been no specific consideration of this by the Committee but there is no area in the Position Statement that has been fundamentally omitted in the Committee's remit or activity in 2014-15.
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Y			Further revision of the Committee's terms of reference.
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Y			

## Audit &amp; Risk Committee – municipal year 2014-15

August 2015 - Review of conformance to CIPFA *Practical Guidance for Audit Committees* (2013 Edition)

	Good practice questions	Yes	Partly	No	Notes and actions
Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected?	Y			
	This should include:				
	separation from the executive	Y			
	an appropriate mix of knowledge and skills among the membership	Y			
	a size of committee that is not unwieldy	Y			
	where independent members are used, that they have been appointed using an appropriate process.	N/A			
13	Does the chair of the committee have appropriate knowledge and skills?	Y			
14	Are arrangements in place to support the committee with briefings and training?	Y			
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	Y			With the exception of Treasury Management (which is not specified in the Committee's terms of reference).
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	Y			
17	Is adequate secretariat and administrative support to the committee provided?	Y			
Effectiveness of the committee					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Y			The opportunity is there from the full Council on presentation of the Committee's annual report. There are regular discussions between the Chair and lead officers.

**Audit & Risk Committee – municipal year 2014-15**

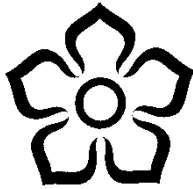
**August 2015 - Review of conformance to CIPFA *Practical Guidance for Audit Committees* (2013 Edition)**

	Good practice questions	Yes	Partly	No	Notes and actions
19	Has the committee evaluated whether and how it is adding value to the organisation?	Y			Such evaluations are done as part of the annual report and as part of the annual Review of the Effectiveness of the System of Internal Audit, which includes the Committee.
20	Does the committee have an action plan to improve any areas of weakness?	Y			The Committee has a forward planner for agenda items including scheduled training sessions to address identified needs. Regular review of the Committee’s terms of reference and associated governance documentation gives the opportunity to improve any necessary areas, e.g. Q3 and Q7 above.

Ends

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Leicester  
City Council

WARDS AFFECTED  
All

## FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Corporate Management Team	2 September 2015
Finance Management Team	3 September 2015
Audit & Risk Committee	29 September 2015

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### Internal Audit Annual Report for the financial year 2014-15 including the Internal Audit Opinion

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#### Report of the Director of Finance

#### 1. Purpose of Report

- 1.1. The Public Sector Internal Audit Standards (PSIAS) define internal audit as *'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'*.
- 1.2. This report fulfils the requirements of the Public Sector Internal Audit Standards in producing the Internal Audit Annual Report and Opinion. The terms of reference of the Audit & Risk Committee include the Committee's requirement to approve the Head of Internal Audit's annual report and opinion and to monitor performance on an annual basis. This report provides senior management and the Committee with an overall view of:
- Internal Audit work planned and completed in 2014-15
  - Internal Audit performance and a statement on conformance with the PSIAS
  - Internal Audit's annual opinion for 2014-15 on the adequacy and effectiveness of the Council's framework of governance, risk management and control
  - Internal Audit service developments in 2014-15
  - The Internal Audit strategy and service development plans for 2015-16.

#### 2. Recommendations

The Audit & Risk Committee is recommended to:

- Receive the report

- Consider whether Internal Audit has met the Committee's expectations of the service during the financial year 2014-15
- Consider Internal Audit's opinion on the Council's system of internal control in 2014-15
- Consider the Internal Audit strategy for 2015-16
- Make any recommendations it sees fit to the Director of Finance or the Executive.

### **3. Summary**

**3.1.** The annual report, which is attached at Appendix A, identifies the work carried out by the Internal Audit service and includes information on reports issued, the main influences on the level and standard of performance of Internal Audit during 2014-15 and the key priorities for the service in 2015-16.

**3.2.** The main things identified within that report are:

- Successful completion of 125 internal audits, giving sufficient coverage of the audit areas identified in the generic annual audit plan for 2014-15. This exceeded the target level of in-year completion of planned audits.
- A high degree of client satisfaction with Internal Audit's work.
- The Internal Audit annual opinion for 2014-15; see 3.3 and 3.4 below.
- A self-assessment of conformance with the Public Sector Internal Audit Standards, concluding that there are no significant areas of non-conformance.
- A constructive working relationship between Internal Audit and KPMG, the Council's external auditor, such that they could place reliance on Internal Audit's work in accordance with the agreed joint working protocol.
- Internal Audit service developments during 2014-15 and those planned for 2015-16.

**3.3.** As part of its work, Internal Audit considers the systems of internal control, draws conclusions as to their existence and effectiveness and makes recommendations where necessary to improve performance, efficiency, effectiveness and economy in the use of resources by the Council.

**3.4.** The Internal Audit annual opinion for 2014-15 is derived from the conclusions from audit work completed during the year. Details of the individual audits that made up this work have previously been given in the periodic update reports to senior management and the Committee. The conclusion drawn is that, overall, the Council has an adequate and effective system of governance, risk management and internal control.

### **4. Report**

**4.1.** Internal Audit Annual Report 2014-15 - see Appendix A.



## 5. Financial, Legal and Other Implications

### 5.1. Financial Implications

As defined by CIPFA in the Public Sector Internal Audit Standards (PSIAS), Internal Audit should be an independent, objective assurance and consulting activity designed to improve and add value to the Council's operations. It should help the Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The self-assessment against PSIAS has concluded that there are no significant areas of non-conformance; however, some areas for improvement have been identified.

*Colin Sharpe, Head of Finance, ext. 37 4081*

### 5.2. Legal Implications

Internal Audit aids the fulfilment by the Council of its statutory responsibilities under the Accounts and Audit (England) Regulations 2011 (which were applicable throughout the financial year 2014-15) for independently evaluating the Council's system of internal control. It is an important part of the way the duties of the Director of Finance are met as the responsible financial officer under s151 of the Local Government Act 1972.

*Kamal Adatia, City Barrister and Head of Standards – 37 1401*

### 5.3. Climate Change Implications

Other than its references to environmental audit work under the Eco-Management and Audit Scheme (EMAS) during 2014-15, this report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council's climate change targets.

*Louise Buckley, Senior Environmental Consultant, Climate Change, 37 2293*

## 6. Other Implications

<b>Other Implications</b>	<b>Yes/No</b>	<b>Paragraph/reference within supporting information</b>
Equal Opportunities	No	-
Policy	No	-
Sustainable and Environmental	Yes	Various references to audit under the Eco-Management and Audit Scheme (EMAS) including paragraph 3.3.1 of Appendix A.
Crime and Disorder	No	-
Human Rights Act	No	-
Elderly/People on Low Income	No	-
Corporate Parenting	No	-
Health Inequalities Impact	No	-
Risk Management	Yes	The whole report concerns the Internal Audit process and its outcomes, a main purpose of which is to give assurance to Directors and this Committee that risks are being properly identified and managed appropriately by the business.

**7. Background Papers – Local Government Act 1972**

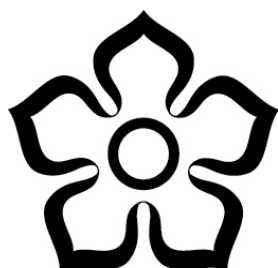
Files held by Internal Audit.

**8. Consultations**

The Corporate and Finance Management Teams have been consulted on this report. Information relating to Internal Audit reports referred to has been shared with members of the Audit & Risk Committee and relevant Directors.

**9. Report Author**

Steve Jones, Audit Manager, Internal Audit, Financial Services, extension 37 1622.



Leicester  
City Council

Internal Audit  
Leicester City Council

# Internal Audit Annual Report 2014-15

August 2015

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## **1 Introduction**

### **1.1** The duties of the Audit & Risk Committee as set out in its terms of reference include:

*On behalf of the Council, to approve the Head of Internal Audit's annual report and opinion, considering the level of assurance given over the Council's corporate governance arrangements and decide on appropriate actions.*

and

*To consider, challenge and approve (but not direct) Internal Audit's strategy and plan and monitor performance on an annual basis.*

### **1.2** In addition, recognised Internal Audit professional standards (the Public Sector Internal Audit Standards, published by the Chartered Institute of Public Finance & Accountancy) require the production of an annual report on the work of the Internal Audit function.

### **1.3** This report fulfils these requirements by providing the Committee with an overall view of audit work planned and completed. It identifies the work carried out by Internal Audit<sup>1</sup> and includes information on reports issued as well as the main influences on the level and standard of performance of Internal Audit during 2014-15. The key priorities and strategy for the service in 2015-16 are also given in this report.

## **2 Summary of the year**

### **2.1** During the financial year 2014-15, Internal Audit:

- Successfully completed 125 internal audits (to at least draft report stage), which have been well received by clients and have contributed to the effective governance of the City Council. This exceeded the target for in-year completion of planned audits and there was sufficient coverage of the audit areas identified in the generic annual audit plan for 2014-15.
- Has concluded from the audit work undertaken that the Council's framework of governance, risk management and internal control is adequate and effective.
- Achieved a high degree of client satisfaction with its work.
- Conducted a self-assessment of conformance with the Public Sector Internal Audit Standards. This has concluded that there are no significant areas of non-conformance but some areas for potential improvement have been identified.

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<sup>1</sup> There is a separate annual report for the Council's Counter-Fraud activity.

- Maintained a constructive working relationship with KPMG, the Council's external auditors, such that they could place reliance on Internal Audit's work in accordance with the agreed joint working protocol.
- Undertaken numerous service developments during 2014-15 and identified those planned for 2015-16. Chief among these is the early development of a partnership arrangement with Lincolnshire County Council Internal Audit.

### 3 Internal Audit Plan Monitoring

**3.1** Each year, Internal Audit undertakes a programme of work both in fulfilment of an annual Audit Plan and in response to specific requests for audit assistance. The Audit & Risk Committee approved the 2014-15 plan on 15<sup>th</sup> April 2014.

#### **3.2 Completion of Plan: Internal Audit work 2014-15**

**3.2.1** Internal Audit completed 84% of the total audit work ultimately required for 2014-15 by 31<sup>st</sup> March 2015. This exceeded the target of 80% completion of the revised audit plan within the year, as follows:

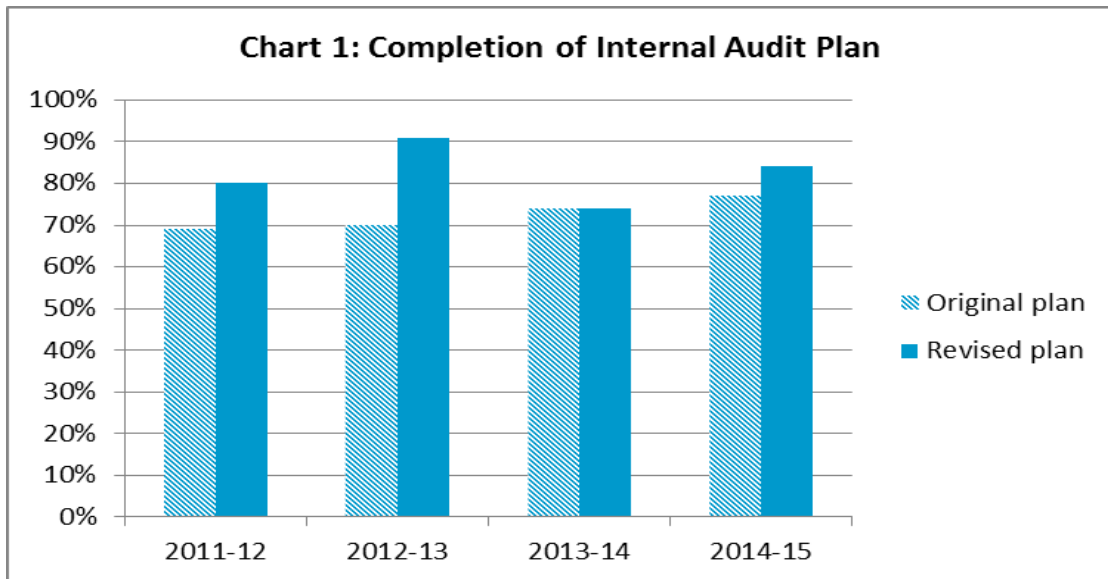
Type of audit	Final	Draft	Work in progress	Not started	Total revised plan	Canc-elled	Total original plan
2013-14 audits brought forward to 2014-15	37	1	2	0	40	5	<b>45</b>
2014-15 Planned	71	7	14	6	98	8	<b>106</b>
<b>Original plan no. audits</b>	108	8	16	6	N/A	13	<b>151</b>
<b>Original plan no. completed</b>	<b>116</b>						
% completion based on original <sup>2</sup> plan			<b>77%</b>				
2014-15 Commissioned	8	1	2	0	<b>11</b>	0	N/A
<b>Grand total no. audits</b>	<b>116</b>	<b>9</b>	<b>18</b>	<b>6</b>	<b>149</b>	N/A	N/A
<b>Revised plan no. completed</b>	<b>125</b>						
<b>%<sup>3</sup> completion based on revised plan</b>			<b>84%</b>				

**3.2.2** The well-established process of identifying the broad areas to be covered by Internal Audit in a generic annual audit plan supplemented by detailed quarterly operational plans continued in 2014-15. It has made audit planning more flexible and responsive to emerging priorities and risks and has resulted in fewer cancellations of planned audits.

<sup>2</sup> The original plan includes audits brought forward from the previous year. The revised plan includes amendments to the original plan, including cancellations and commissioned audits in 2014-15.

<sup>3</sup> The % completion is based on the number of audits that have reached draft or final report stage.

3.2.3 Chart 1 below shows the performance of Internal Audit over the last four years in completing the audit plan. The target of 80% completion of the revised audit plan within the year was exceeded; improving on the position in 2013-14. Moreover, included within the 14 planned audits for 2014-15 that were work-in-progress is work done for the Leicester & Leicestershire Enterprise Partnership (LLEP). This is counted as one audit but is a major piece of work. It is made up of many individual verifications of expenditure incurred by businesses supported with grant funding under the Regional Growth Fund; in 2014-15, 65 such verification cases were referred to Internal Audit.



3.2.4 The list of planned and commissioned audits and the status of each at the year-end is summarised in Appendix 1.1.

### 3.3 Categories of audit coverage

3.3.1 The following table summarises the degree of planned coverage, in terms of numbers of audits scheduled in each quarter of the year (Q1 – Q4) against each of the audit areas in the annual audit plan for 2014-15. The purpose of this table is therefore to give the Committee assurance that sufficient attention has been given to each of the areas intended to be covered during the year and to account for any differences.

Audit plan area	Q1	Q2	Q3	Q4	Total	Comments
Financial Systems	2	-	-	7	9	Includes both: <ul style="list-style-type: none"> <li>• Significant Financial Systems (SFS) designated in accordance with the joint working protocol with the external auditor, KPMG.</li> <li>• Other financial systems.</li> </ul>
IT & information security	1	3	3	4	11	The Q4 audits include an IT general controls review in support of the SFS audits above.

Audit plan area	Q1	Q2	Q3	Q4	Total	Comments
Corporate Governance	1	-	-	-	1	Advice on and facilitation of the Annual Governance Statement process and preparation.
Public Health	-	-	-	1	1	
Contracts and Procurement	1	-	-	1	2	
Cash audits & establishments	4	1	1	-	6	
Schools	9	-	22	18	49	The schools audit plan largely commences with the new academic year, hence the high volume in Q3 and Q4. The totals here include follow-up audits.
EMAS Environmental audits	3	3	-	2	8	Audits of conformance with the Eco-Management & Audit Scheme (EMAS).
Other operational risks – compliance audits	-	-	-	-	-	General provision for audits of compliance with specific legal or regulatory requirements.
Certifications and verifications	2	6	3	-	11	Scheduled according to external timetables. Includes coverage of LLEP (started in Q3).
Value for Money and responsive audits	-	-	-	-	-	General provision should the need arise.
Follow-up audits	-	-	-	-	-	Many of these were done in the year but were incorporated within the numbers of audits included above.
<b>Total audits in plan</b>	<b>23</b>	<b>13</b>	<b>29</b>	<b>33</b>	<b>98</b>	

### 3.3.2 The following are worthy of note:

- The significant financial systems work is planned to coincide with the end of the financial year so as to cover the whole year.
- The level of work involved with the LLEP verifications, which started in Q3, has been extensive and has affected the volume of work in other areas, especially Value for Money audits and those covering other operational risks.
- Though the quarterly audit plans make general provision for follow-up audits, these are included within the other audit plan areas within the figures above. The main area in terms of numbers is schools.
- Similarly, though provision is made to include responsive audits within the quarterly plans, almost by definition such audits may require more urgent attention. Eleven such audits arose in 2014-15; in some cases these related to grant certifications where the eligibility for Internal Audit to undertake the work needed clarification with the relevant funding agencies. They are listed at Appendix 1c.



3.3.3 Despite the flexibility of quarterly audit planning, eight audits were cancelled and removed from the 2014-15 plan for reasons essentially beyond the control of Internal Audit. These are listed below:

Audit	Audit area	Qtr	Reason	Notes
Open Housing IT system – data migration	IT & information security	Q4	Deferred awaiting implementation of system.	To commence when system is ready for audit.
LiquidLogic social care IT system	IT & information security	Q1	Deferred at client request to 2015-16.	In 2015-16 audit plan.
Schools 6 audits	Schools	Q3	One audit cancelled (two separate audits of the Madani Boys and Girls Schools respectively were combined into one audit).	
		Q3 and Q4	Five audits deferred pending senior staff recruitment or at client request.	To be reinstated.

3.3.4 It will be seen that with one exception Internal Audit coverage included all intended audit areas to a sufficient degree by the end of the financial year. The main operational risk area for which provision was allowed in the audit plan was Children’s safeguarding; this has also been deferred until 2015-16. Those audits not completed by the end of the year were mostly under way or had been deliberately postponed.

## 4 Internal Audit Opinion

### 4.1 Context

4.1.1 Under the Public Sector Internal Audit Standards, the Head of Internal Audit & Risk Management is required to give an overall annual opinion on the adequacy and effectiveness of the Council’s framework of governance, risk management and control. This is prepared as a contribution to the Council’s Annual Governance Statement, as required for 2014-15 under regulation 4 of the Accounts and Audit (England) Regulations 2011.

4.1.2 The overall structure of the Council’s system of corporate governance is set out in the Local Code of Corporate Governance, which is part of the Assurance Framework. All this is reviewed annually and for 2014-15 was approved by the Audit & Risk Committee at its meeting on 15<sup>th</sup> April 2014. It includes reference to the processes of risk management, internal and external audit and assurance and it maps the process for production of the Council’s Annual Governance Statement. In the opinion of Internal Audit, it is fit for purpose and robust.

**4.2 Levels of assurance**

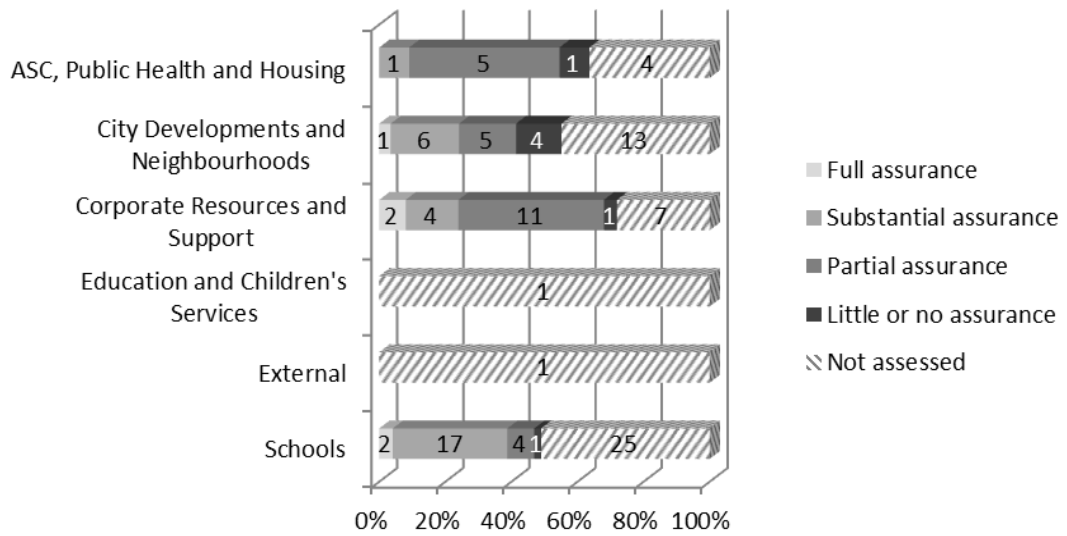
4.2.1 Turning to Internal Audit specifically, at the conclusion of each audit, Internal Audit gives an assessment of the overall level of assurance that can be placed on the controls in operation in the process or activity reviewed. The levels of assurance are:

Full assurance	Controls operating soundly
Substantial assurance	Controls generally sound but some improvement necessary
Partial assurance	Controls adequate in some areas but material weaknesses also identified
Little or no assurance	Controls inadequate
Not assessed	It was not appropriate to give an assurance level. The main areas are: <ul style="list-style-type: none"> <li>• Grant certifications, which are confirmations of the correctness and eligibility of stated values rather than audits of systems and processes</li> <li>• Follow-up audits of previous recommendations. In such cases, a conclusion is drawn on the degree of implementation but not on the entirety of the activity or system under review. To give an overall level of assurance may therefore be misleading.</li> </ul>

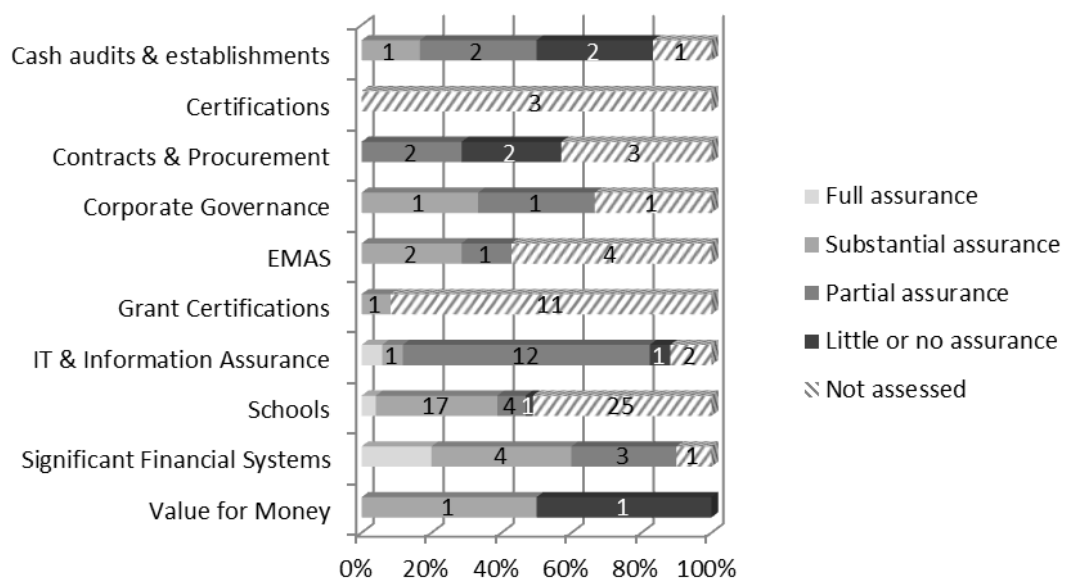
4.2.2 References to material weaknesses should be seen in the context of the process or activity being reviewed. For example, there may be material weaknesses in the operation of a major financial system and others in a petty cash float; the latter would not be of material concern to the Council as a whole.

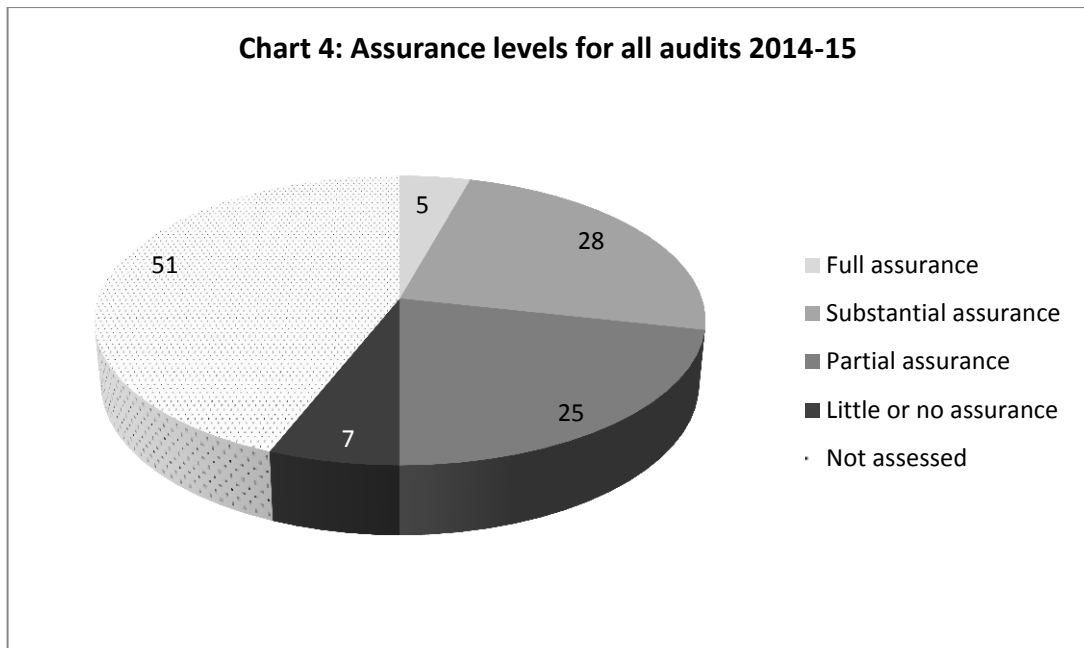
4.2.3 The charts below show the levels of assurance given in the final reports issued in 2014-15, analysed by department, audit plan area and in total respectively. Chart 2 shows the assurance levels analysed by Council department and Chart 3 by audit plan area. In each case, the respective numbers of audits are given in the relevant section of each bar while the bars as a whole are subdivided in percentage terms. Chart 4 gives the overall position for all audits finalised in 2013-14.

**Chart 2: Internal Audit % assurance levels by department**



**Chart 3: Internal Audit % assurance levels by audit plan area**



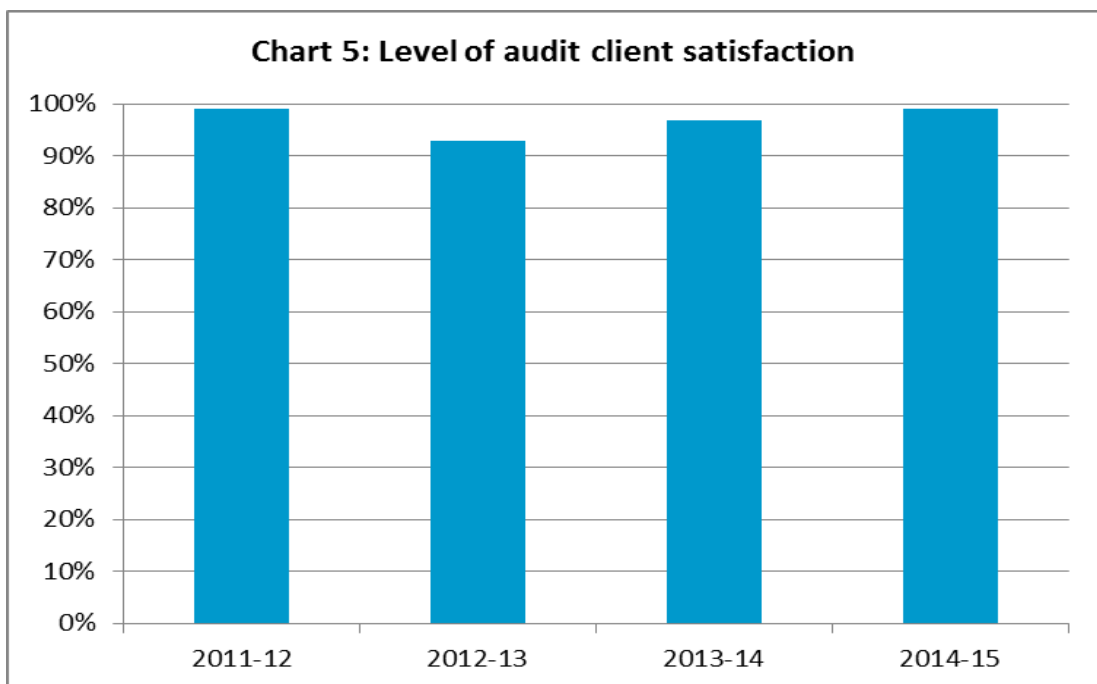


- 4.2.4 Though there are many audits where no specific level of assurance has been given, the outcomes were satisfactory. Those covering grant or other certifications concluded that the claims or returns formally submitted were sufficiently accurate and soundly based. Those covering follow-ups of previous audit recommendations found a sufficient degree of implementation, with any concerns being raised with the Audit & Risk Committee. Of the audits that did give a level of assurance, roughly half (33 audits, 51%), gave full or substantial assurance. The other half (32 audits, 49%) gave lower levels of assurance. Those giving little or no assurance (7 audits, 10% of the total) or otherwise giving rise to concern have been drawn specifically to the attention of senior management and the Audit & Risk Committee in regular update reports; Internal Audit is satisfied that appropriate action has been taken or is in hand in each case.
- 4.2.5 It is stressed that this assessment is based solely on the Internal Audit work done and does not, therefore, constitute a comprehensive assessment of the state of the Council's internal control system. It should also be remembered that the conclusions presented for each audit refer to the position at the time of the audit work. Recommendations were made to address weaknesses identified and the associated risks. They were agreed with management at the time and, subject to the target implementation dates, have been followed up subsequently by Internal Audit. On that basis, the Council's system of internal control is considered to be adequate and effective
- 4.2.6 It should also be noted that the investigation of fraud and financial irregularity was during 2014-15 primarily carried out by the Council's counter-fraud teams and therefore fell outside the scope of Internal Audit. The Audit & Risk Committee has received update reports on counter-fraud activity in 2014-15 and such activity is considered to have been adequate and effective.

4.2.7 Drawing all this together, it is the opinion of the Head of Internal Audit & Risk Management that the Council's framework of governance, risk management and internal control is adequate and effective.

## **5 Internal Audit client satisfaction**

5.1 Internal Audit issues client satisfaction survey questionnaires (usually electronically) with its final reports. These ask the client (the Council director, head of service or school headteacher to whom the audit report was formally issued) to indicate how well they felt the audit was conducted and met their needs. Though the return rate is not high, Chart 5 below shows the overall results from the last four years in terms of the percentage of audit clients who were at least satisfied with the audit. It demonstrates that Internal Audit continues to have a very high level of satisfaction amongst client management.



## **6 Public Sector Internal Audit Standards (PSIAS)**

6.1 The Internal Audit Charter, an updated version of which was approved by the Audit & Risk Committee on 31<sup>st</sup> March 2015, formally recognises the Public Sector Internal Audit Standards as the professional standards to which Internal Audit operates. One requirement of these is a statement of conformance with the Standards and in furtherance of that a self-assessment against all of the Standards has been undertaken. Overall, there is a high degree of conformance with the Standards but there are a few specific actions, updates or improvements that need to be made. None of these are considered fundamental in terms of conformance with the new Standards and action will be taken in 2015-16 to address them. The associated Quality Assessment and Improvement Programme will be reported to a forthcoming meeting of the Audit & Risk Committee.

- 6.2** Accordingly, from the self-assessment undertaken, Internal Audit is considered to be operating sufficiently in conformance with the Standards.
- 6.3** One specific requirement of the Standards is for Internal Audit to give an overall annual opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion for the financial year 2014-15 is given at section 4 of this report.
- 6.4** Assessment against the Standards is an annual requirement, with an external review required at least once in the first five years. Preliminary approaches have been made to colleagues in other local authorities with a view to setting up a mutual process of peer review for future external assessment.

## **7 External Audit**

- 7.1** In line with the national arrangements for local authority external audit, KPMG has taken over from the Audit Commission as the Council's external auditor. 2014-15 was the second financial year to fall within this arrangement. A joint working protocol has been agreed between Internal Audit and KPMG under which KPMG seeks to place reliance on Internal Audit work on the Council's significant financial systems; this supports KPMG's annual audit of the Council's published financial statements. During 2014-15, Internal Audit undertook a programme of work on the significant financial systems in accordance with the joint protocol and KPMG have been able to place reliance on this work. Regular liaison is maintained between Internal Audit and KPMG so as to maintain a constructive working relationship, avoid duplication, avoid unnecessary additional external audit work and support the Audit & Risk Committee in its responsibilities for both functions.

## **8 Developments in the Internal Audit service in 2014-15**

- 8.1** During 2014-15, Internal Audit has maintained a sufficient degree of delivery of audit work in terms of coverage and quality. The annual review of the effectiveness of the system of internal audit, as required by the Accounts and Audit (England) Regulations 2011 and reported to the Audit & Risk Committee on 12<sup>th</sup> August 2015, concluded that the Council has an effective system of internal audit. In terms of the objectives identified for 2014-15, Internal Audit has:
- Maintained the delivery of an adequate and effective internal audit service in line with statutory and regulatory requirements and the recognised professional standards. A major part of this is continuation of the flexible approach to audit planning via quarterly updates and alignment with the Council's strategic and operational risk management process.
  - Supported management with ad hoc requests for assistance determined on the basis of risk. This has been furthered by the continuing close coordination between the Council's Internal Audit and Risk Management functions.

- Maintained the joint working arrangements with the Council's external auditor, KPMG, in the interests of coordination and efficiency in the audit of the significant financial systems. This has included regular communication with KPMG on matters of common interest, including liaison on reporting to the Audit & Risk Committee.
- Responded to requests for Internal Audit certification of grant claims and returns submitted by the Council. These are driven by the requirements of the funding agencies or by legal provisions and as such represent an important responsibility for Internal Audit.
- Continued to develop the technical audit of information systems and governance following the successful recruitment in 2013-14 of a technical IT auditor. This part of the audit service is of ever-greater relevance as the dependence on IT systems continues to increase and with it the potential risks and threats. It is also a major part of Internal Audit's marketing strategy in seeking to provide fee-earning audit work to other organisations.
- Continuing to provide audit coverage of other important areas identified in the generic annual audit plan for 2014-15 including corporate governance.
- Continued to seek efficiencies in the provision of the audit service including further development of Internal Audit's usage of the Pentana Vision audit database system. Alongside this has been the relocation to City Hall in July 2014, with its opportunities for more efficient use of office accommodation and proximity to colleagues in other disciplines, especially Finance.
- Seeking potentially viable opportunities to provide traded audit services to external clients on a fee-earning basis. Of greatest significance so far has been an agreement to work in partnership with Audit Lincolnshire, the Internal Audit service of Lincolnshire County Council.
- Continuing to work closely with the Audit & Risk Committee so as to strengthen the mutually beneficial working relationship in the best interests of the Council.

## **9 Objectives and Strategy for 2015-16**

**9.1** The financial pressures facing the Council remain severe and these emphasise the importance of good governance in the use of scarce resources to deliver important objectives. Internal Audit's role in supporting the Council and providing credible independent assurance on its systems of control, risk management and corporate governance remains as important as ever. Internal Audit seeks to respond to its responsibilities and the associated challenges in 2015-16, with particular reference to the following:

- Maintaining the delivery of an effective internal audit service in line with current statutory and regulatory requirements and professional standards. The flexible approach to audit planning via quarterly updates will continue, with greater emphasis on risk and alignment with the Council's risk management process. It is intended that this will include consideration of



assurance mapping in conjunction with directors whereby the various sources of assurance can be identified and assessed.

- Subject to resource constraints, Internal Audit will remain available to support management with ad hoc requests for assistance determined on the basis of risk. One such area is assisting the Council in its response to the Ofsted review of Children's Social Care by means of independent internal review and assurance on actions taken or planned.
- Continuation of the joint working arrangements with the Council's external auditor, KPMG, in the interests of coordination and efficiency in the audit of the significant financial systems.
- Further development of the role of Internal Audit in supporting the Council's delivery of its responsibilities for Public Health under the Health and Social Care Act 2012.
- Continued development of the technical audit of information systems and governance. This part of the audit service is of ever-greater importance as the potential risks and threats increase alongside the growing dependence on and technological sophistication of IT systems.
- Maintenance of conformance to the Public Sector Internal Audit Standards and action to address identified areas where this can be strengthened.
- Improving the value of high-level reporting of audit findings to senior management by means of root-cause analysis. The aim is to help the Council learn from its own experience through more structured assessment of the underlying reasons for control weaknesses identified through audit work.
- Strengthening the coordination between Internal Audit and the Council's counter-fraud activity, especially following the return of benefits investigation responsibilities to the Department for Work & Pensions.
- Developing the partnership arrangement agreed in principle with Audit Lincolnshire and the provision of specialist IT audit services to Rotherham Council in Yorkshire. Seeking further potentially viable opportunities to provide traded audit services to external clients on a fee-earning basis.
- Working closely with the Audit & Risk Committee, especially given recent changes in membership, so as to strengthen the mutually beneficial working relationship in the best interests of the Council.

## **10 Acknowledgement**

The Director of Finance acknowledges the efforts of all staff within the Internal Audit service and the help, co-operation and support of members and officers of the City Council.

Internal Audit  
Leicester City Council  
August 2015



# Appendix A – Internal Audit Annual Report 2014-15

## Appendix 1.1a

### Audit Status Report as at 31<sup>st</sup> March 2015 – audits brought forward

#### Audits brought forward from 2013-14 40 audits

Status	Audit Name	Audit Plan Area
Finalised	Adult Social Care cash payments (Grey Friars)	Cash audits & establishments
Finalised	Car Park Income	Cash audits & establishments
Finalised	Adult Social Care, Health & Housing (A&H) Dept Contracts	Contracts & Procurement
Finalised	Framework Contracts	Contracts & Procurement
Finalised	Housing Technical Services Contract – follow-up	Contracts & Procurement
Finalised	ICT Contracts	Contracts & Procurement
Finalised	Property Services Contracts	Contracts & Procurement
Finalised	Section 106 Agreements (Planning)	Contracts & Procurement
Finalised	Performance Management	Corporate Governance
Finalised	Public Health Transition (Information Governance)	Corporate Governance
Finalised	EMAS Level 2: Thematic audit of Environmental complaints	EMAS Environmental Audits
Finalised	Bus Service Operators Grant April - September 2013	Grant Certifications
Finalised	Cautionary Contacts Database	IT & Information Assurance
Finalised	IT General Controls - AXIS Income Manager (Q4)	IT & Information Assurance
Finalised	IT General Controls - Council Tax/NNDR (Q4)	IT & Information Assurance
Finalised	IT General Controls - Housing Rents (Q4)	IT & Information Assurance
Finalised	IT General Controls - Main Accounting System (Q4)	IT & Information Assurance
Finalised	IT General Controls - Payroll (Q4)	IT & Information Assurance
Finalised	Logical Access Controls - Corporate (Q4)	IT & Information Assurance
Finalised	User Administration Corporate (Q4) 2013-14	IT & Information Assurance
Finalised	Barley Croft Primary School Financial audit	Schools
Finalised	Buswells Lodge Primary School Financial audit	Schools
Finalised	High Needs Funding	Schools
Finalised	Pupil Referral Units - Primary	Schools
Finalised	Pupil Referral Units - Secondary	Schools
Finalised	Willowbrook Primary School Financial audit	Schools
Finalised	Capital Additions & Disposals (Q4)	Significant Financial Systems
Finalised	Cash and Cash Equivalents (Q4)	Significant Financial Systems
Finalised	Council Tax (Q4)	Significant Financial Systems
Finalised	Debtors	Significant Financial Systems
Finalised	Financial Reporting (Q4)	Significant Financial Systems
Finalised	Housing Benefits	Significant Financial Systems
Finalised	Housing Rents (Q4)	Significant Financial Systems
Finalised	National Non-Domestic Rates (Q4)	Significant Financial Systems
Finalised	Payroll (Q4)	Significant Financial Systems
Finalised	VfM audit of Regulatory Service Costs	Value for Money
Finalised	VfM Review - Use of Consultants and Interims	Value for Money
Draft report issued	Children's Services Contracts - Taxis	Contracts & Procurement
In progress	EMAS Level 1 audit: Overview of EMAS System	EMAS Environmental Audits
In progress	Customer Data Integration	IT & Information Assurance

Notes:

- KYB = Schools audits based on the *Keeping Your Balance* financial good practice issued by Ofsted and the Audit Commission
- VfM = Value for money

# Appendix A – Internal Audit Annual Report 2014-15

## Appendix 1.1b

### Audit Status Report as at 31<sup>st</sup> March 2015 – Planned audits

#### Planned Audits 2014-15 98 audits

Status	Audit Name	Approved in quarterly plan	Audit Plan Area
Finalised	Customer Services Centre	Q1	Cash audits & establishments
Finalised	Follow-up audit: Blue Badge Scheme	Q1	Cash audits & establishments
Finalised	Libraries - self-service machines	Q1	Cash audits & establishments
Finalised	Museums Assets & Inventories	Q2	Cash audits & establishments
Finalised	Growth Fund grant	Q1	Certifications
Finalised	Leaseholder Reserve Fund 2014-15	Q2	Certifications
Finalised	Partnerships	Q1	Contracts & Procurement
Finalised	Corporate Governance - Annual Governance Statement	Q1	Corporate Governance
Finalised	EMAS Annual Audit Report for 2013-14	Q2	EMAS Environmental audits
Finalised	EMAS Level 2: Street Cleanliness	Q2	EMAS Environmental audits
Finalised	EMAS Level 4: Audit of Interim Environmental Statement (incl sample data verification)	Q2	EMAS Environmental audits
Finalised	Follow-up Audit: EMAS L3: Aylestone Leisure Centre	Q1	EMAS Environmental audits
Finalised	Follow-up audit: EMAS L3: Braunstone Leisure Centre	Q1	EMAS Environmental audits
Finalised	Follow-up audit: EMAS L3: Housing Stores	Q1	EMAS Environmental audits
Finalised	Additional Highways Maintenance Funding (31/2163)	Q2	Grant Certifications
Finalised	Local Pinch Point Fund (LPPF) (31/2183)	Q2	Grant Certifications
Finalised	Local Sustainable Transport Fund (2013-14) - LSTF Grant	Q3	Grant Certifications
Finalised	Local Transport Plan (31/2150) 2014-15	Q2	Grant Certifications
Finalised	NNDR3 Return (2013-14)(Non-Domestic Rates)	Q2	Grant Certifications
Finalised	Pooling of Housing Capital Receipts	Q1	Grant Certifications
Finalised	School-Centred Initial teacher Training (SCITT) Grant 2013-14	Q3	Grant Certifications
Finalised	Service Charges for 2012-13	Q2	Grant Certifications
Finalised	Concerto IT system - data migration	Q2	IT & Information Assurance
Finalised	Follow-up audit: EntraPass Door Access system	Q4	IT & Information Assurance
Finalised	Follow-up audit: Self-Service Password Reset	Q4	IT & Information Assurance
Finalised	Libraries Public PCs and Wi-Fi	Q2	IT & Information Assurance
Finalised	Museums EPOS system	Q2	IT & Information Assurance
Finalised	New Leicester City Council website	Q3	IT & Information Assurance
Finalised	16-19 6th Form Funding - New College	Q4	Schools
Finalised	16-19 Bursary Fund - New College	Q4	Schools
Finalised	Abbey Primary Community School	Q3	Schools
Finalised	Barley Croft Primary School	Q4	Schools
Finalised	Beaumont Leys Specialist Science School follow-up audit	Q3	Schools
Finalised	Beaumont Lodge Primary School	Q4	Schools
Finalised	Belgrave St Peters CofE Primary School	Q4	Schools
Finalised	Braunstone Community Primary School follow-up audit	Q3	Schools

# Appendix A – Internal Audit Annual Report 2014-15

## Appendix 1.1b

### Audit Status Report as at 31<sup>st</sup> March 2015 – Planned audits

Status	Audit Name	Approved in quarterly plan	Audit Plan Area
Finalised	Braunstone Frith Primary School	Q3	Schools
Finalised	Catherine Infant School follow-up audit	Q3	Schools
Finalised	Fullhurst Community College SFVS spot-check	Q1	Schools
Finalised	Glebelands Primary School follow-up audit	Q3	Schools
Finalised	Granby Primary School follow-up audit	Q3	Schools
Finalised	Hamilton Community College	Q4	Schools
Finalised	Hazel Primary School follow-up audit	Q3	Schools
Finalised	Heatherbrook Primary School follow-up audit	Q3	Schools
Finalised	Holy Cross Catholic Primary School	Q3	Schools
Finalised	Hope Hamilton CofE Primary School	Q3	Schools
Finalised	Humberstone Infants School follow-up audit	Q3	Schools
Finalised	Imperial Avenue Primary School	Q4	Schools
Finalised	Inglehurst Junior School SFVS spot-check	Q1	Schools
Finalised	Judgemeadow Community College	Q3	Schools
Finalised	King Richards III Infant and Nursery School follow-up audit	Q3	Schools
Finalised	Linden Primary School SFVS spot-check	Q1	Schools
Finalised	Madani Schools Federation	Q3	Schools
Finalised	Millgate School follow-up audit	Q3	Schools
Finalised	Montrose School SFVS spot-check	Q1	Schools
Finalised	Netherhall School SFVS spot-check	Q1	Schools
Finalised	Oaklands School follow-up audit	Q3	Schools
Finalised	Overdale Junior School	Q3	Schools
Finalised	Parks Primary School follow-up audit	Q3	Schools
Finalised	Rowlatts Hill Primary School	Q4	Schools
Finalised	Sandfield Close Primary School	Q4	Schools
Finalised	Schools Audit Annual Report for 2013-14	Q1	Schools
Finalised	Scraptoft Valley Primary School SFVS spot-check	Q1	Schools
Finalised	Shaftesbury Community Junior School follow-up audit	Q3	Schools
Finalised	St Mary's Fields Infant School	Q4	Schools
Finalised	St Patrick's Catholic Primary School follow-up audit	Q3	Schools
Finalised	Stokes Wood Primary School	Q4	Schools
Finalised	Taylor Road Primary School	Q3	Schools
Finalised	The City of Leicester College SFVS spot-check	Q1	Schools
Finalised	Willowbrook Primary School	Q4	Schools
Finalised	Woodstock Primary School SFVS spot-check	Q1	Schools
Revised draft issued	Website Security Assessment	Q1	IT & Information Assurance
Draft report issued	Sports Centres	Q3	Cash audits & establishments
Draft report issued	CareWorks	Q3	IT & Information Assurance
Draft report issued	Follow-up audit: Access to Records (Children's)	Q3	IT & Information Assurance
Draft report issued	Babington Community College	Q4	Schools
Draft report issued	Caldecote Community Primary School	Q4	Schools

# Appendix A – Internal Audit Annual Report 2014-15

## Appendix 1.1b

### Audit Status Report as at 31<sup>st</sup> March 2015 – Planned audits

Status	Audit Name	Approved in quarterly plan	Audit Plan Area
Draft report issued	Community Support Grant	Q1	Significant Financial Systems
In progress	Follow-up audit: Public Health Transition (Information Governance)	Q4	IT & Information Assurance
In progress	Adult Skills & Learning – Community Education	Q4	Schools
In progress	Buswells Lodge Primary School	Q4	Schools
In progress	Coleman Primary School	Q4	Schools
In progress	St Paul's Catholic School	Q4	Schools
In progress	Budgetary Control	Q1	Significant Financial Systems
In progress	Capital Additions and Disposals 2014-15	Q4	Significant Financial Systems
In progress	Cash and Cash Equivalents 2014-15	Q4	Significant Financial Systems
In progress	Council Tax and NNDR 2014-15	Q4	Significant Financial Systems
In progress	Financial Reporting 2014-15	Q4	Significant Financial Systems
In progress	Housing Rents 2014-15	Q4	Significant Financial Systems
In progress	IT General Controls 2014-15	Q4	Significant Financial Systems
In progress	Payroll 2014-15	Q4	Significant Financial Systems
In progress	Leicester & Leicestershire Enterprise Partnership (LLEP) Regional Growth Fund expenditure verifications	Q3 Q4	Grant Certifications
Not started	Visit Leicester Centre	Q1	Cash audits & establishments
Not started	Schedule of Rates Contracts	Q4	Contracts & Procurement
Not started	EMAS Level 2 - Biodiversity	Q4	EMAS Environmental audits
Not started	EMAS Level 2 - Water	Q4	EMAS Environmental audits
Not started	Public Health – Oral Health	Q4	Public Health Transition
Not started	Licensing Income	Q4	Significant Financial Systems

Notes

- EMAS = Eco-Management and Audit Scheme
- SFVS = Schools Financial Value Standard, as required by the Department for Education

# Appendix A – Internal Audit Annual Report 2014-15

## Appendix 1.1c

### Audit Status Report as at 31<sup>st</sup> March 2015 – 2014-15 Commissioned audits

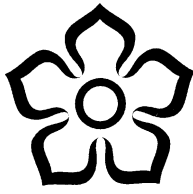
## Commissioned Audits 2014-15

Additional audits added to plans after approval and in response to priority needs.

### 11 audits

Status	Audit Name	Audit Plan Area
Finalised	Direct Payments - overpayments controls	Significant Financial Systems
Finalised	Progeny Door Access IT System	IT & Information Assurance
Finalised	Garden Waste Web Application	IT & Information Assurance
Finalised	Salto Door Access IT System	IT & Information Assurance
Finalised	Service Charges for 2013-14	Grant Certifications
Finalised	Adoption Reform Grant (2013-14)	Grant Certifications
Finalised	Assessed & Supported Year in Employment (ASYE) Grant	Grant Certifications
Finalised	THE ISSUE project - grant certification	Grant Certifications
Draft report issued	Right-To-Buy Leaseholders - charging for repairs	Significant Financial Systems
In progress	Voluntary sector advice services – casework audit	Contracts & Procurement
In progress	Ward Funding	Cash audits & establishments





Leicester  
City Council

WARDS AFFECTED: ALL

**Audit and Risk Committee**

**29 September 2015**

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## **Risk Management and Insurance Services Update Report**

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### **Report of the Director of Finance**

#### **1. Purpose of Report**

To provide the Committee with the regular update on the work of the Council's Risk Management and Insurance Services team's activities.

#### **2. Summary**

The Committee has agreed a reporting schedule to keep it informed of:-

- Risk management activity within the Council;
- Information about the work of the Council's Risk Management and Insurance Services (RMIS) team; and,
- Information about other on-going initiatives in the Council to control risks it faces in the delivery of its services.

#### **3. Recommendations**

The Committee is recommended to:

- 3.1 Receive the report and note its contents.
- 3.2 Make any recommendations or comments it sees fit either to the Executive or Director of Finance.

#### **4. Report**

4.1 The Risk Management and Insurance Services team have responsibility for three critical functions:

- Risk Management Support and Advice;
- Insurance; and
- Business Continuity Support and Advice.

4.2 This report provides an update, in the previously agreed format, on work carried out by the RMIS team since the last meeting, reporting to you progress made against their objectives. It assures you, where possible, that risks within the business continue to be managed effectively.

#### 4.2.1 Risk Management Support and Advice

The Council maintains a Strategic Risk Register and an Operational Risk Register. These registers contain the most significant unmitigated risks which the Council is managing and they are owned by Strategic and Divisional Directors respectively. Whilst there are other key risks, in the view of Directors, these are sufficiently mitigated for them not to appear in these registers.

The Risk Registers as at the 31 July are presented here – Strategic Risk Register – Appendix 1 and Operational Risk Register – Appendix 2. The Operational Risk Register has also been restructured to show risks by:

- Strategic Area (in alphabetical order);
- Then by Divisional Area (again within alphabetical order);
- Then by 'risk score' with the highest first.

The submission of the Divisional risk registers to RMIS was, once again, 100%, with a total of three changes within the Strategic Risk Register and eight changes across the 15 Divisional registers that make up the Operational Risk Register. There are no changes of note from either register to bring to the Committee's attention. For the benefit of members, the risk scoring chart is attached as Appendix 3.

The review of the Council's Operational and Strategic registers by the Risk Management team with responsible Strategic Directors continues. This is a 'sense check' of risks being reported to ensure that descriptions allow the 'uninitiated' to know what the risk actually is and to ensure risks are not over scored. Directors whose registers are affected will be sent all registers that require clarity or amendments, hopefully, before the next submission is due at the end of October.

The 2015 RMIS training programme, the aim of which is helping staff to understand and manage their risks more effectively, was launched to the business on 29 October 2014. The training sessions (an annual programme of events running since January 2011) continue to be supported by the business areas, with any falling attendances being brought to the attention of the Strategic and Divisional Directors by the Head of Internal Audit and Risk Management. The Directors have, and continue to, fully support the work of the team.



Following extremely positive feedback after the presentations on the work he has done here at Leicester City Council to 'PRIMA' in Texas, USA and 'ALARM – The Public Sector Risk Management Association' in Birmingham, the Head of Internal Audit and Risk Management has been asked to deliver the same presentation to ALARM – Scotland in October. This is further evidence of the effectiveness of the risk management process here at Leicester City Council being recognised by peer groups across the UK.

#### 4.2.2 Insurance and Claims

A summary report of claims against the Council received in the current financial year, 1 April to 31 August 2015 is attached as Appendix 4. This shows both successful and repudiated claims, breaking these down into business areas and type of claim i.e. slips and trips, potholes etc. Members should remember that one claim may be reported in more than one policy category – for example a Motor claim may also have a Personal Injury or Public Liability claim too, and that for new claims a value may not have been applied whilst initial investigations conclude.

The figures in brackets represent claims in those areas in the same period last year. The year on year figures, having shown an increase last time, have reverted to the previously seen reducing trend being down 5.5%. We still feel that there are benefits of handling these claims in-house as fewer are being paid and those that are paid are being settled, on the whole, at lower levels and much quicker – hence avoiding inflated Legal fees.

Since the last report to the Committee, the Council has had two cases go to Court. Both cases were successfully defended. In the first case, the judge agreed that the council had fully complied with its responsibilities under s58 of the Highways Act and praised our Highways Inspector (Andrew Smith) for the clarity and content of his evidence. This allowed us to return £36,410 to reserves.

In the second case, the prosecution discontinued their case the day before the trial. This case related to both a motor and a personal injury claim following a tree branch falling onto a vehicle. Our records of inspection were excellent as was our risk assessment and we were able to return a further £15,000 to reserves.

Loss Reduction Fund – For the period 1 April 2015 to 31 August 2015 RMIS received 6 bids for assistance from the fund for a total of £32,948. Of these bids, 2 applications were approved and the fund provided an amount of £5,703 to business areas. In addition, there are 3 bids for a total of £23,908 currently held awaiting further information.

#### **4.2.3 Business Continuity/Emergency Planning updates**

Since the last update report for the Committee there have been no significant events affecting the Council that required formal intervention by the Corporate Business Continuity team.

The team were heavily involved to overcome last minute problems that arose, threatening the 'Build Community Funday' day at Spinney Hill Park on 20 August. They are also working closely with the business areas involved in the project to bring a Ferris Wheel to the City.

#### **4.2.4 Key Risk Issues arising within the Business**

The key significant risk issues arising within the business remain as reported to the last meeting of this Committee. Those surrounding the trade unions' potential for, and actual, industrial action across areas of the public sector remain and the risk of adverse weather conditions causing disruption to service delivery.

The two main teaching unions (NUT and NASUWT) had agreed 'action short of strike action' on 3 October 2012. NUT members took strike action on 26 March and both Unions held a further strike (with much of the rest of the Public Sector) on the 10 July. Although the 'action short of a strike' continues, there is no indication of any more full strikes taking place.

There have also been planned strikes by the unions representing rail staff. This had the potential for impact on both the Council and the City. Following two 24 hour stoppages, on the latest occasion, even though formal agreement has still not been reached, the planned industrial action was cancelled.

The Head of Internal Audit and Risk Management continues to Chair meetings of the Leicestershire Multi-Agency Business Continuity Group (the Leicester and Leicestershire regional business continuity network group) where the risks for group members arising from any strike action, and the group member's response to deal with these incidents, are reviewed. He shall, again, co-ordinate the Council's response with the support of the Chief Operating Officer.

Critical areas considered most at risk of disruption remain – schools – because of the impact on LRF partners and their staff if they fail to open; highways – emergency repairs and response to adverse weather conditions; and, housing – emergency repairs and maintenance.

#### 4.2.5 **Horizon Scanning – events in other Public Sector agencies and the Private sector that may impact upon the Council.**

Early in July, ALARM issued a report on the performance and progress on risk management between 2010 and 2015. This followed detailed analysis of the ALARM/CIPFA risk management benchmarking data – a process supported by Leicester City Council since its inception. In general, they report that ‘public sector organisations have more mature arrangements to manage risk now than in 2010, despite reduced budgets (and teams) combined with ever more complex and emerging risks’.

The Head of Internal Audit and Risk Management will continue to send to and/or discuss with relevant managers and directors any issues and the potential impacts they may have on the Council.

### 5. **Financial, Legal Implications**

There are no direct financial or additional legal implications arising from this report. These implications will rest within (and be reported by) the business areas that have day-to-day responsibility for managing their risk.

### 6. **Other Implications**

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting Information
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Climate Change	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Risk Management	Yes	All of the paper.

### 7. **Report Author/Officer to contact:**

Tony Edeson, Head of Internal Audit and Risk Management, Financial Services - Ext 37 1621

17 September 2015



## Appendix 1 - LCC Strategic Risk Register

Risk Register Owner: Andy Keeling, COO

Date completed: 31 July 2015

RISK  <i>What is the problem; what is the cause; what could go wrong? What is it that will prevent you from achieving your objectives?</i>	CONSEQUENCE/EFFECT:  <i>What would occur as a result, how much of a problem would it be, to whom and why?</i>	EXISTING ACTIONS/CONTROLS  <i>What are you doing to manage this risk now?</i>	RISK SCORE WITH EXISTING MEASURES			FURTHER MANAGEMENT ACTIONS/CONTROLS	TARGET SCORE WITH FURTHER ACTIONS/CONTROLS REQUIRED			COST	RISK OWNER	TARGET DATE
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<p><b>1. FINANCIAL CHALLENGES</b></p> <p>The Council fails to respond adequately to the cuts on public sector funding over the coming 2 - 3 years.</p>	<ul style="list-style-type: none"> <li>- Council is placed in severe financial crisis by not delivering the required budget savings for 2015/16 onwards.</li> <li>- Reputational damage to the Council.</li> <li>- Potential to destabilise the Council and difficult industrial relations.</li> <li>- Mismatch between service demand and budget availability may lead to an increase in financial instability in some instances.</li> <li>- Pressure may be created between 'demand led services' (social care) and other priorities.</li> <li>- Reduction in services, budgets etc may impact on the health and wellbeing of the City.</li> </ul>	<ul style="list-style-type: none"> <li>- Budget approved to 2015/16, and balanced on paper to 16/17.</li> <li>- Work commenced on spending review programme which takes into account the Government's spending intentions as at July 2015.</li> <li>- The first spending review has now concluded. Corporate Management Team and Executive monitoring closely implementation of the existing agreed savings. Capital Advisory Board to review profile and management of capital programme to minimise slippage and overspending.</li> <li>Further savings will be required- the full extent will not become clear until the Government publishes spending plans in October 2015.</li> <li>The council is extending the remit of the spending review programme.</li> </ul>	5	4	20	<ul style="list-style-type: none"> <li>- Continued development of savings proposals for future years beyond the three year strategy, reflecting the Council's strategic service priorities and on-going modelling of the Council's potential future income and cost streams, recognising the significant reviews of Local Government funding and service delivery responsibilities at national level.</li> <li>- Continuation of the spending review initiatives and delivery of the programme.</li> <li>- Consideration and forward planning for the long term savings strategy for 2018/19. Appropriate change management/ project management arrangements to be put in place for major review areas</li> </ul>	5	2	10		<p><b>Andy Keeling</b> <b>Alison Greenhill</b></p>	31/3/2016 and On-going

# Appendix 1 - LCC Strategic Risk Register

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<p><b>2. STAKEHOLDER ENGAGEMENT</b>  <b>The Council</b> fails to further develop and improve the way it works with its stakeholders (partners, neighbouring Councils, NHS etc.). Key partners and stakeholders fail to support the council in delivery of its strategy as a result of tensions and strained relationships due to financial and other pressures.                      Council fails to identify tensions arising in the city (particularly as the financial challenges impact on communities) leading to unrest in specific communities/areas of the city.</p>	<p>- Failure of local agreements and stakeholder arrangements to deliver agreed levels of performance, the impacts of which may reflect negatively on the Council adversely affecting its reputation.                      - Potential litigation where it impacts on formal contractual relationships.                      - Financial risk if Integration Transformation Fund plans are inadequate or not agreed.                      - Partnership working will be an expensive bureaucracy and fail to add value to improving outcomes for the citizens of Leicester.                      - Reputational damage to the Council/City from the perspective of stakeholders.                      - Partnership working fails to take into account the needs of all communities.</p>	<p>- Mechanisms in place for regular dialogue including formal partnerships e.g. Health and Wellbeing Board.                      - City Mayor Faith and Community Forum in place to engage specifically with faith and non-faith communities.                      - New arrangements for support to the Voluntary Community Sector (VCS) have been commissioned and contracts are being put in place. Work continuing to review commissioning of support for engagement of key communities via the VCS                      - Partnership working arrangements in the city were further reviewed following the election of the City Mayor and adoption of new governance arrangements.                      - Cllr Sood has partnership working within her portfolio.</p>	4	3	12	<p>- Close involvement of City Mayor and Members in key partnerships.                      - Regular review and evaluation of the current position by Strategic Management Board.                      - Complete VCS commissioning process                      - Keep arrangements under review and undertake a more formal review post election.                      - Continue to develop and embed the approach to working strategically with the VCS.                      - Develop stakeholder communications/engagement plan of all critical and large partners to ensure that these relationships are given full consideration and priority, where needed.                      - Need to fully embed CMT within the Council.                      - Key aspects of partnership working being reviewed in the light of OfSTED findings eg LSCB</p>	4	2	8		<p><b>Miranda Cannon / All Strategic Directors</b></p>	31/03/16 and ongoing



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<p><b>3. BUSINESS/SERVICE CONTINUITY MANAGEMENT</b></p> <p>Unforeseen unpredictable events such as flood, power/utility failure etc. could impact on the council's assets, communication channels or resources etc.</p>	<p>- Insufficiently prepared management leads to disorder in the rapid restoration of business critical activities and the control of the emergency plan.</p> <p>- The emerging risk environment increasingly makes 'resilience' a significant focus for all organisations.</p> <p>- Budget cuts and rationalisation may also challenge the ability of Category 1 responders (which LCC are) to fulfil their statutory duty.</p> <p>- Resource restraints means that there is limited staff to perform manual operations at the volume required in an event/incident.</p> <p>- Council is unable to communicate to stakeholders/deliver its services.</p>	<p>- All the Senior Management Team have roles in either the Corporate Business Continuity Management Team (CBCT) or are Emergency Controllers.</p> <p>-Head of Internal Audit and Risk Management Chairs the Multi-Agency Business Continuity Group</p> <p>-CBCT have formal refresher meetings three times a year</p> <p>- Training offered corporately</p> <p>- Directors involvement in CBCT Meetings held 3 times a year.</p> <p>- Risk Management and Insurance Services/Emergency Management Team provide updates and lessons learnt on incidents to CBCT/Audit &amp; Risk Committee as appropriate</p> <p>- Self cert annually by Directors</p> <p>- Corporate Business Continuity Plan (BCP) which is reviewed annually but also updated as and when changes occur which should be reflected in the plan</p> <p>- Business Continuity Secure Site (web based) holds BCP and all Business Critical Activities BCPs and is securely accessed by members of the CBCT</p>	4	3	12	<p>- Further embedding of business continuity management approach.</p> <p>- Further completion of Business Continuity tests.</p> <p>- Completion of all Service Business Continuity Plans.</p> <p>- Further communication/training and awareness for staff on continuity arrangements.</p> <p>- Annual review of Critical Service Business Continuity Plans initiated by Risk Management and Insurance Services</p>	4	2	8		<b>Andy Keeling</b>	31/3/2016 and On-going



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<p><b>4. INFORMATION GOVERNANCE</b> Information Governance/Security/Data Protection policies/procedures/protocols are not followed by staff and members.</p>	<ul style="list-style-type: none"> <li>- Major loss of public confidence in the organisation.</li> <li>- Potential litigation and financial loss to the Council.</li> <li>- Reputational damage to the Council.</li> <li>- With data held in a vast array of places and being transferred between supply chain partners, data becomes susceptible to loss; protection and privacy risks.</li> <li>- Reduction in the capacity/capability to retain such data. This could also be costly.</li> <li>- Excessive retention of data can still be requested through a Freedom of Information Act if retained. - Council may not share data with the appropriate individuals/bodies accurately, securely and in a timely manner.</li> <li>-Council fails to adequately secure/protect confidential and sensitive data held.</li> </ul>	<ul style="list-style-type: none"> <li>- Clear policies and protocols in place.</li> <li>- Staff have been trained and made aware of the Council's policies and procedures.</li> <li>- Secure storage solutions are now in place.</li> <li>- Paper retention has been reduced through the introduction of scanning etc.</li> <li>Member induction post May 2015 elections will cover and reinforce the issues around information governance</li> <li>- Programme underway to reinforce to staff the need to manage email data and storage appropriately</li> <li>- Mandatory e-learning module for staff</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>- Clear and on-going communications to staff to reinforce policies and protocols.</li> <li>- Regular review and monitoring of arrangements across services by Service Managers supported by Information Security/Governance Teams.</li> <li>- Ensure that the policy in place around the management of electronic data and disposal of data is in the awareness of staff</li> <li>- Ongoing review and updating of appropriate information sharing agreements.</li> </ul>	4	2	8		<b>Andy Keeling</b>	31/03/2016 and On-going

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<p><b>5. BREACHES IN COMPLIANCE WITH REGULATION, POLICIES, PROCEDURES HEALTH AND SAFETY ETC</b></p> <p>Local management use discretion to apply inconsistent processes and misinterpret Corporate policies &amp; procedures, perpetuating varying standards across business units.</p> <p>The City Council fails to respond effectively to the requirements of Health and Safety</p> <p>Executive/Government proposals and/or legislation which places health and safety responsibilities on local authorities.</p>	<ul style="list-style-type: none"> <li>- Places the organisation at risk e.g. fraud, data loss etc. Potential financial losses / inefficient use of resources.</li> <li>- Possibility of serious injury or death of member of staff or service user/members of the public.</li> <li>- Failure to meet statutory responsibilities.</li> <li>- Reputational damage to the Council.</li> <li>- Negative stakeholder relationships</li> <li>- Potential for increase in the number of insurance claims</li> </ul>	<ul style="list-style-type: none"> <li>- Regular reporting from Internal Audit to Strategic Management Board. Approach to the annual corporate governance review revised and a more effective process established.</li> <li>- Day to day management of Health and Safety responsibility rests with the Operational Directors and their Heads of Service. Corporate Health and Safety team available to assist.</li> <li>- Risk is reported and controlled through Divisional Directors Operational Risk Registers (presented to the CMT each quarter) and these are underpinned by registers at Heads of Service level reviewed and discussed at Divisional Management Teams quarterly.</li> <li>- Regular inspections and reports by the Health and Safety team with all actions being followed up within a reasonable time.</li> </ul> <p>A process of more regular reporting to Corporate Management Team on health and safety matters is underway</p> <ul style="list-style-type: none"> <li>- Significant change to the absence management policy and procedure</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>- Continue to review and reinforce key standards and policies via regular communication.</li> <li>- Ensure Managers are appropriately trained and requirements are clearly set out in Job Descriptions and reinforced via appraisals.</li> <li>- Ensure Internal Audit findings are acted on in a timely manner.</li> <li>- Strategic monitoring and reporting in relation to Health &amp; Safety being reviewed to raise profile and ensure responsibilities are reinforced from the top.</li> <li>- Consider the creation of a policy schedule to maintain an overview of all Council policies.</li> <li>- Implement appropriate quality assurance arrangements for the new absence management procedures</li> </ul>	4	2	8		<p><b>Kamal Adatia / Miranda Cannon</b></p>	<p>31/3/2016 and On-going</p>

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<p><b>6. SAFEGUARDING</b> Weak Management oversight of safeguarding processes in place leads to the Council failing to adequately safeguard vulnerable groups e.g. children and young people, elderly, those with physical and learning disabilities.</p>	<ul style="list-style-type: none"> <li>- Death or serious injury.</li> <li>- Serious case reviews initiated.</li> <li>- Reputational damage to the Council.</li> <li>- Citizens lose confidence in the Council.</li> <li>- Negatively impacts on relationships with stakeholders.</li> <li>- Impacts severely on staff morale</li> <li>- Leads to high turnover of social workers and managers.</li> </ul>	<ul style="list-style-type: none"> <li>- Safeguarding Adults and Children's Boards in place.</li> <li>- Regular reviews of policies/procedures and close supervision of staff.</li> <li>- Range of quality assurance processes exist within the Divisions.</li> <li>- Range of developments, including corporate training, exist within the Divisions to manage, support recruit and retain staff.</li> <li>- Improvement Board established following the Ofsted inspection and other arrangements eg Performance Board set up</li> <li>- 24/7 Duty and Advice Service in place (and identified as a strength by OFSTED).</li> </ul>	5	3	15	<ul style="list-style-type: none"> <li>- Board performance and framework development.</li> <li>- Chair of Board has direct accountability through Chief Operating Officer.</li> <li>- Regular bi-annual meetings with Mayor and Adults and Children's Lead Members.</li> <li>- Full implementation of all necessary improvements identified via the Ofsted inspection of Children's Services</li> <li>- Review of assessments and plans following OFSTED to ensure all are 'good enough quality', to include training of staff as appropriate.</li> <li>- Social work electronic recording system will be developed by xx/xx/2015.</li> </ul>	5	2	10		<p><b>Andy Keeling</b> <b>/Frances Craven</b></p>	<p>31/3/2016 and On-going</p>

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<b>7. SCHOOL IMPROVEMENT</b>  256	Poor OFSTED outcome for schools Increased risk of schools going into category of special measures Poor outcome for Local Authority if inspected under the OFSTED framework for LA School Improvement effectiveness	Revised desk top analysis to identify potential underperformance in individual schools and settings Revised School Improvement Framework Regular reporting to DMT and LMB on schools causing concern and targeted work Self evaluation against OFSTED framework for inspection completed At risk schools discussed and warning notices considered Inspection file being collated to evidence effective and good practice in targetted work with schools	4	4	16	Targeted visits by Director of Learning Revised support packages Single plan implementation for RI schools Local Authority Reviews of individual schools to be negotiated Preparation for inspection to include briefing to all schools	4	2	8		<b>Frances Craven</b>	31/3/2016 and On-going

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<p><b>8. CIVIL CONTINGENCY RESPONSE/INCIDENT RESPONSE</b></p> <p>Council resources may not be adequate or sufficient to respond should an external incident/disaster occur (for example, the impact of climate change leading to floods placing responsibility to the Council to house evacuees from other counties/areas) .</p>	<p>- An increase in inclement weather (flood, heat, waves, drought, windstorm, increased snow fall etc.) building the right infrastructure and new statutory flood and water risk management duties.</p> <p>- Having sufficient financial resources and flexibility to address these challenges becomes increasingly difficult.</p> <p>- Having sufficient assets/contingency arrangements.</p> <p>- Lack of resources could lead to inadequate response .</p> <p>- Impact on the publics health and wellbeing, safety/housing needs etc.</p> <p>- Adverse impact on budget</p> <p>- Reputational impact</p> <p>- Death/injury</p> <p>- Potential for increase in the number of insurance claims</p> <p>- negative relationships with stakeholders</p>	<p>- Corporate Management of this is outlined in the carbon action plan which covers all areas of management activity across the Council and its partners to reduce carbon.</p> <p>- Implementation is monitored through a carbon management board. Day to day management of climate change responsibility rests with the Operational Directors and their Heads of Service.</p> <p>- Risk is reported and controlled through the Divisional Directors Operational Risk Registers (presented to Corporate Management Team each quarter) and these are underpinned through regular reviews as part of the revised Eco-Management Audit Scheme (EMAS) system.</p> <p>- Local Resilience Forum (LRF) county wide partnering arrangement.</p> <p>- Leicester City Council (LCC) is part of the Resilience Partnership of local authorities in LLR</p>	4	3	12	<p>- Public engagement and city wide flood defence programmes are being developed jointly with the Environment Agency. This provides a two -pronged approach to manage the risk of severe flooding arising from climate change.</p> <p>- LRF and Resilience Partnership arrangements continue to be reviewed. Robust schedule of plan reviews and training in place and agreed via the LRF</p>	4	2	8		<p><b>Miranda Cannon / Alison Greenhill</b></p>	31/3/2016 and ongoing

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<b>8. CIVIL CONTINGENCY RESPONSE/INCIDENT RESPONSE (Continued)</b>  <b>258</b>	<ul style="list-style-type: none"> <li>- Fail to meet statutory requirements</li> <li>- City Council fails to respond effectively to the requirements of Government proposals and/or legislation</li> </ul>	<ul style="list-style-type: none"> <li>City Council major incident plan reviewed and signed off.</li> <li>-New emergency control room now fully equipped and operational at City Hall and provides a facility for both local management of emergencies and use by the LRF as a SCG venue</li> </ul>				'-MAGIC' training arranged for strategic level command officers across the LRF and due to be delivered in May 2015.						

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<p><b>9. RESOURCE: CAPACITY, CAPABILITY, RETENTION &amp; DEVELOPMENT</b></p> <p>Lack of workforce planning and appropriate development of managers and employees leaves the Council exposed to service failure. The Council does not have the capacity/resilience in resources, should an event/incident occur, may significantly increase the demand on front line services. Changing market conditions gives rise to the council not being seen as first choice for employment as private sector may be perceived as offering better reward.</p>	<ul style="list-style-type: none"> <li>- The Council does not have the right skills, behaviours and competencies in terms of the workforce to deliver the city's vision and priorities.</li> <li>- The Council fails to maximise the potential of its key resource.</li> <li>- Staff become demotivated/are under pressure which has an impact on productivity and delivery across the Council.</li> <li>- Disruption to service delivery.</li> <li>- Impacts on continuity of services. Creates risks in delivery because information on processes/procedures etc is lost</li> <li>- Service demands may not be met.</li> <li>- Reputational damage.</li> <li>- Financial impacts.</li> <li>- Drain on resources</li> </ul>	<ul style="list-style-type: none"> <li>- Human Resources (HR) review has built in capacity for longer-term workforce planning and a more strategic approach. Strategic HR work programme agreed which captures this.</li> <li>- Talent match (internal jobs market) now being rolled out across the Council and running for a pilot period</li> <li>- HR Workforce Planning Team actively involved in supporting areas where there are existing pressures eg children's services</li> <li>- Organisational vision and values currently being finalised to support many aspects of organisational management and staff engagement</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>- Continue to develop the Council's workforce planning approach and fundamentally review how workforce development will support this in future.</li> <li>- Consider retention mechanisms and succession planning.</li> <li>- Roll out vision and values across the organisation and embed in ways of working</li> </ul>	3	3	9		<b>Miranda Cannon</b>	31/03/16 and ongoing





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<p><b>10. CONTRACT MANAGEMENT &amp; PROCUREMENT</b></p> <p>Contract management protocols/procedures are not robust and there is lack of understanding/awareness within the Council. Service areas may exercise partnership arrangements/ collaborative agreements where formalised/legal contracts are not in place and possibly these may not be legally binding.</p>	<ul style="list-style-type: none"> <li>- Reputational damage.</li> <li>- Financial impacts; valuable funding is used for rectification of issues.</li> <li>- Increase in staff resources to defend a challenge.</li> <li>- Potential for litigation and fines being incurred.</li> <li>- Contract service level agreements may not be adhered to.</li> <li>- The Council does not receive value for money for the services it procures.</li> <li>- The Council is challenged in the reduction of contracts when re-tendered.</li> <li>- Discouraged providers may not tender for the contract in the future, potentially reducing the portfolio of providers and even reducing the availability of high quality providers.</li> </ul>	<ul style="list-style-type: none"> <li>-Revised and improved Contract Procedure Rules now in place along with associated guidance.</li> <li>-Policy that all procurement over a deminimis threshold must be carried out by one of the specialist procurement teams.</li> <li>-Professional procurement staff recruited and now in post</li> <li>-Contract Risk Management training available from RMIS</li> <li>-Engagement with local supplier groups</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>-Development of new procurement template documentation</li> <li>-Implementation of new electronic tendering system</li> <li>-Professional training for procurement staff (MCIPS)</li> <li>-Training in procurement and contract management for staff across the Council</li> <li>-Enhanced engagement with local business to widen portfolio of potential suppliers</li> <li>-Development of communications plan to ensure all staff are informed of above as appropriate to their role.</li> </ul>	3	3	9		<b>Alison Greenhill</b>	13/03/2016



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<b>11. ASSET MANAGEMENT</b> Absence of an asset management strategy will affect the future conditions/status of buildings.	<ul style="list-style-type: none"> <li>- Reputational damage.</li> <li>- Increase in costs.</li> <li>- Loss of predicted revenue.</li> <li>- Deterioration of assets.</li> <li>- Potential harm to the public.</li> <li>- New business are not attracted to Leicester.</li> <li>- The council's assets may fall into disrepair losing income and increasing maintenance costs. In a worse case scenario assets may be totally lost and community engagement too.</li> </ul>	<ul style="list-style-type: none"> <li>-A single corporate asset management system is now in place.</li> <li>-Annual Planned Maintenance Programme is in place to cover the most urgent health and safety issues in the estate.</li> <li>-Central Maintenance Fund is available to address urgent repair items in the estate.</li> <li>-Phases one and two of the central accommodation strategy have been effectively implemented which has significantly reduced the backlog maintenance issues in the estate.</li> <li>-Transforming Neighbourhood Services review in place to reduce the level of backlog maintenance issues in the neighbourhood estate.</li> <li>-Building Schools for the Future (BSF) and Primary programmes are proceeding on course with a new Hard Facilities Management Offer for BSF Phase 3-6 using local contractors being concluded.</li> <li>-Condition surveys have now been completed for all neighbourhood and leisure assets</li> </ul>	5	4	20	<ul style="list-style-type: none"> <li>-Phase 3 Accommodation Strategy nearing completion. Plans for Phase 4 are underway.</li> <li>- Establishment of a corporate asset management group.</li> <li>- Implementation of Transforming neighbourhood services</li> <li>- Continued development of effective planned maintenance programme - performance measurement in place to provide assurance regarding compliance- concerto being established and populated to work as the single corporate asset management system</li> </ul>	5	3	15		Frank Jordan	31/12/2015

## Appendix 1 - LCC Strategic Risk Register

Risk Register Owner: Andy Keeling, COO

Date completed: 31 July 2015

RISK  <i>What is the problem; what is the cause; what could go wrong? What is it that will prevent you from achieving your objectives?</i>	CONSEQUENCE/EFFECT:  <i>What would occur as a result, how much of a problem would it be, to whom and why?</i>	EXISTING ACTIONS/CONTROLS  <i>What are you doing to manage this risk now?</i>	RISK SCORE WITH EXISTING MEASURES			FURTHER MANAGEMENT ACTIONS/CONTROLS	TARGET SCORE WITH FURTHER ACTIONS/CONTROLS REQUIRED			COST	RISK OWNER	TARGET DATE
			Impact	Probability	Risk		Impact	Probability	Risk			
<b>12. NATIONAL AGENDA/CHANGES IN LEGISLATION/ GOVERNMENT ETC</b> On-going changes in government, legislation etc. gives rise to new demands and responsibilities with insufficient time for implementation and insufficient budget.	<ul style="list-style-type: none"> <li>- Loss of income.</li> <li>- Services may not be delivered.</li> <li>- Reputational damage.</li> <li>- The budget may not be sufficient to deliver the expected service demand.</li> <li>- Statutory services. such as public health may be reduced and or the Council is unable to protect and safeguard the public, vulnerable individuals etc.</li> <li>- Implementation of unpopular fees for services required by the Public of the Council.</li> <li>- The health and wellbeing of the City may be impacted.</li> <li>-Causing service failure or significant cost over runs.</li> </ul>	Directors keep abreast of policy change and development in their portfolios. The implications of change described and discussed. Including political briefings if required. Budgeting takes account of national changes. Staff are trained in new requirements.	4	3	12	Examine options for service integration; improved leadership development; manage demand better; have honest conversations with the public about what can be expected from us; improve commissioning activity across the Council.	3	2	6		Andy Keeling	31/03/2016

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Risk Register Owner: Andy Keeling, COO

Date completed: 31 July 2015

RISK  <i>What is the problem; what is the cause; what could go wrong? What is it that will prevent you from achieving your objectives?</i>	CONSEQUENCE/EFFECT:  <i>What would occur as a result, how much of a problem would it be, to whom and why?</i>	EXISTING ACTIONS/CONTROLS  <i>What are you doing to manage this risk now?</i>	RISK SCORE WITH EXISTING MEASURES			FURTHER MANAGEMENT ACTIONS/CONTROLS	TARGET SCORE WITH FURTHER ACTIONS/CONTROLS REQUIRED			COST	RISK OWNER	TARGET DATE
			Impact	Probability	Risk		Impact	Probability	Risk			
<b>13. CHANNEL SHIFT</b> The Council may be unsuccessful in channel shifting customers to less resource intensive forms of contact than face to face or telephone contact. The infrastructure may not be in place to enable the shift and the culture change is not enabled among staff and customers to support it.	<ul style="list-style-type: none"> <li>- Service delivery not met.</li> <li>- Adverse affect on budget.</li> <li>- Reputational damage.</li> <li>- Impact on resource provision.</li> <li>- Process and improvements do not materialise.</li> <li>- Lack of access to data.</li> <li>- Customer access channels may not be improved.</li> <li>- Services will become unaffordable</li> </ul>	<ul style="list-style-type: none"> <li>-A draft Digital Channel Shift Strategy has been developed.</li> <li>-A Customer Access Strategy is in place.</li> <li>-The Transforming Neighbourhood Services programme is underway improving co-location and integration of services with customer services represented on the steering group.</li> <li>- New corporate website launched in March 2015 and is helping drive increased on-line transactions</li> <li>- Major redevelopment of Visit Leicester website being scoped. Project Mgr started on 1st June 2014.</li> <li>- New governance arrangements for channel shift agreed</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>-Merger of the Customer Service teams programme underway.</li> <li>-Continue to review existing arrangements to ensure that they are efficient and effective as some arrangements carry high administrative overhead.</li> <li>- All services to be asked to review their comms to ensure that online options are promoted ahead of traditional access channels.</li> <li>– The council will adopt a single, council branded, self-help kiosk across all its sites, to simplify the support overhead and to help promote the service.</li> <li>- Implement and embed revised channel shift governance arrangements</li> <li>- A communications plan to support channel shift among staff and customers to be developed.</li> </ul>	3	3	9		<b>Andy Keeling/ Alison Greenhill/ Frank Jordan/ Miranda Cannon</b>	31/03/2016



## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures			Further management actions/controls required	Target Score with further controls			Cost	Risk Owner	Review Date
			(See Scoring Table)				(See Scoring Table)					
			Impact	Probability	Risk		Impact	Probability	Risk			
<b>STRATEGIC AREA - Adult Social Care</b>												
<b>1. Adult Social Care &amp; Safeguarding</b> - Integration agenda. Risks associated with large programme of change in challenging financial context.	Failure against national commitments on integration. Services are not aligned; Financial risk; Conflict between priorities of organisations; Transformation programme targets are not met.	High visibility at partnership forums; Support to frontline staff to maintain operational relationship management; Communication strategy for transformation in context of integration includes partners.	4	4	16	Establish clear partnership arrangement to agree and deliver Integrated Care in Leicester; maximise Better Care Fund (BCF) opportunity.	3	3	9		Ruth Lake	BCF plan complete; implementation planning through 2014/15
<b>2. Adult Social Care &amp; Safeguarding</b> - Failure to deliver satisfactory Intermediate care capacity. Ineffective partnership working with Leicester City NHS results in failure to implement new Intensive Care unit.	Failure to deliver intermediate care priorities and make efficiency targets; capital/reputational/ political risks.	Strategy and redesign work to establish cross-economy commitment to intermediate care models	4	4	16	Engage with Health & Wellbeing Board as it establishes; establish programme board with Care Commissioning Group input	3	3	9		Ruth Lake	Work will be ongoing throughout 2014 to 2016
<b>3. Adult Social Care &amp; Safeguarding</b> - Care Bill Implications. risk of financial pressures, risk of operational failure to meet new duties. Significant lack of clarity re policy decisions and of financial allocations being adequate	Breach of legislation; financial liability re Information Commissioners Office; breach of confidence in the Council	Programme board arrangements to prepare for implementation of new requirements. East mids partnership to share learning; financial and operational project leads	4	4	16	New funding £125k 2014/15 to support capacity	4	3	12		Ruth Lake	31.03.2016 and ongoing

## Appendix 2 - Leicester City Council Operational Risk Register

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Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<p><b>4. Adult Social Care &amp; Safeguarding</b> - Operational Capacity.</p> <p>Risk of legal challenge / fines from being unable to meet the additional demands arising from Cheshire West judgement on DOLS. Risk re capacity to effectively scope the new DoLS cases; challenge from practice in care homes in applying DoLS via urgent applications in inappropriate circumstances</p>	<p>Breach of legislation; financial liability re ICO; breach of confidence in the Council</p>	<p>Manager briefings to ensure legal requirements understood; scoping of high risk cases to understand new DOLS cases; prioritisation of action on cases; monitoring of incoming pressures for DOLS team and use of independent BIA capacity; engagement with legal services re COP applications and pressures. Additional resources agreed for recruitment via budget setting</p>	4	4	16	<p>Tracking of anticipated legal guidance on application of case law in practice; consideration of additional resources to support scoping exercise as this has not been completed due to lack of resources / competing priorities. Meeting with legal services to assess position / agree actions to mitigate risk 24 March. Issue to be escalated to Leadership Team. Further work via NHSE MCA project and HOS to address care home practice which is exacerbating the volume and timescales risks</p>	4	3	12	<p>tbc in year. Additional resources included in budget setting</p>		



## Appendix 2 - Leicester City Council Operational Risk Register

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Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
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<b>5. Adult Social Care &amp; Safeguarding</b> - Meet Health & Safety (H&S) expectations in regulated provision. Fail to maintain safe water systems in all units; Failure to maintain essential health and safety in intermediate care provision.	Ill health or death to residents and/or staff or visitors from water borne infections or poor H&S practices.	Water hygiene monitoring practice in place	5	3	15	Ensure all registered managers go on required training and fully understand the requirements for temperature checking, flushing regimes, tap cleaning etc. and can closely monitor those carrying out these tasks.	5	2	10		Ruth Lake	31.03.2016
<b>6. Care Services &amp; Commissioning (ASC)</b> - Implementation of the 5 Year Leicester, Leicestershire and Rutland (LLR) Better Care Together Plan carries high financial and political risk	Financial impact/legal challenge	An LLR Programme Board has been established that includes health and social care chief officers	5	4	20	An LLR Programme Board has been established that includes health and social care chief officers	3	3	9	Operational and cost implications still to be determined	Tracie Rees	01.01.2019

## Appendix 2 - Leicester City Council Operational Risk Register

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Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures			Further management actions/controls required	Target Score with further controls			Cost	Risk Owner	Review Date
			(See Scoring Table)				(See Scoring Table)					
			Impact	Probability	Risk		Impact	Probability	Risk			
<b>7. Care Services &amp; Commissioning (ASC)</b> - Failure to carry out effective statutory consultation will result in financial and reputational damage to the council.	Council could face legal challenge through judicial review	Consultations being run as a dedicated project overseen by a senior manager with some temporary additional resource. Ensure time is built into each review, development of all strategies etc. to allow for consultation	5	4	20	Stakeholder engagement strategy in place and we always seek advice from legal services and corporate consultation team. Legal services sign off all consultation materials and agree the approach and methodology. Officers to seek guidance from the corporate consultation team when needed	4	3	12	A Judicial Review legal challenge could cost the authority several millions if the methodology used by the Council is not robust	Tracie Rees	31.05.2016 and ongoing
<b>8. Care Services &amp; Commissioning (ASC)</b> Quality of care in the Independent regulated services including; residential homes, domiciliary care and supported living providers falls below standards	Detriment (harm) to individuals, groups or the Council (financial or reputational)	High level Audit processes in places via Adult Social Care contracts and assurance team. This is in addition to Care Quality Commission inspections.	5	4	20	Quality Assurance Framework to be used to support identified failing providers.	5	3	15		Tracie Rees	31/03/2016 and ongoing
<b>9. Care Services &amp; Commissioning (ASC)</b> - Failure to maintain quality, safe services	Reduced quality, safeguarding, staff sickness	Reed opening up the market, developing induction days and tools, benchmarking training and using the Swedish Derogation rule for consistency.	4	4	16	Monitor and engage with Reed to ensure development measures are undertaken. Monitor quality of agency staff	2	3	6		Tracie Rees	31.03.2016 and ongoing

## Appendix 2 - Leicester City Council Operational Risk Register

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Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
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<b>10. Care Services &amp; Commissioning (ASC)</b> - Future of the Councils 8 Elderly Persons Homes - High risk politically, however, failure to implement carries high financial risks in terms of deteriorating buildings and reducing occupancy levels. Delay to implementation will impact on budgeted savings. Legal challenge arising from TUPE consultation impacts on project delivery	An Executive decision was made (15.10.2013) to close 4 of the homes and sell 4 in 2 phases to achieve budget savings and address falling occupancy. Phase 1 is now completed. Phase 2 in progress.	A Programme/Project Board which will report to the Corporate Programme Management Office (CPMO) has been established to implement the Executive decision over 3 years	4	4	16	Care management teams to support and inform residents and carers. Deliver to project timescale and provide Executive with clear advice to support speedy decision making. Ensure effective TUPE process and an employment lawyer and HR to be part of implementation team.	4	3	12	There are budget savings of £3.5m associated with the future of the homes	Tracie Rees	31.12.2015
<b>11. Care Services &amp; Commissioning (ASC)</b> Review of Residential Care. Financial risk - largest area of spend and danger of inappropriate models of care.	Continued escalation of spend; inappropriate placements	Project Board in place; extensive research, analysis and engagement	4	4	16	Robust governance through project board, Commissioning Board and Lead Member Briefing	3	3	9	Current spend £44m gross	Tracie Rees	31/03/2016 and ongoing
<b>12. Care Services &amp; Commissioning (ASC)</b> - Quality of care provision in the council's residential homes falls below required standards.	Detriment (harm) to individuals, groups or the Council (financial or reputational)	Management audits of practice and development of plans to promote improvements	5	3	15	Audit processes in place via Adult Social Care contracts and assurance team. This is in addition to Care Quality Commission inspections.	5	2	10		Tracie Rees	31.03.2016 and ongoing

## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
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<b>13. Care Services &amp; Commissioning (ASC) - Non implementation of the Care Act 2014</b> <span style="font-size: 2em; vertical-align: middle;">272</span>	High financial risk and operational non compliance	Phase 1 of the Act successfully implemented on 01/04/15. Phase 2 - Funding Reform now in detailed project planning for 01/04/2016 The implementation will report on a regulate basis to the ASC Leadership Team and Cllr Patel (Lead for ASC)	5	3	15	A Programme Board has been established that will report to the CPMO. Project work streams designed to deliver compliance	3	2	6	Full costs are still to be determined - financial assessment in progress. National, regional and local work taking place to forecast increased demand.	Tracie Rees	31/03/2016
<b>14. Care Services &amp; Commissioning (ASC) Non compliance with our duties under the Equalities Act.</b> Failure to adequately identify and address (where possible) equality impacts of proposed actions.	Council could face legal challenge through judicial review	Equality impact assessments (EIA) are built into service reviews, strategy developments and decision making which help to identify equality impacts and actions to be taken.	5	3	15	Ensure all staff are fully aware of when to use EIA's and build this into their routine work (when necessary). Training to be offered through Better Care Together.	5	2	10	A JR legal challenge could cost the authority several millions if the methodology used by the Council is not robust	Tracie Rees	31/03/2016 and ongoing
<b>STRATEGIC AREA - City Development and Neighbourhoods</b>												

## Appendix 2 - Leicester City Council Operational Risk Register

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<b>15. Housing</b> - Impact of Welfare Reform on Housing Rents Account (HRA) rental income collection. Universal Credit (UC) is to be fully implemented in 2017. <span style="font-size: 2em; font-weight: bold; color: black; position: absolute; left: -40px; top: 50px;">273</span>	Under UC, claimants will receive all their benefits, including housing costs element the, directly themselves, monthly in arrears. They will have to pay their FULL rent out of this. The biggest challenge to the HRA will be to collect the full rent from those working age claimants whose housing costs are no longer paid directly to the Landlord (LCC) as they are now. Higher numbers of tenants in rent arrears leading to loss of rental income will adversely affect the HRA income. Could lead to greater number of evictions. Further welfare cuts in 2015. Summer budget will reduce tenants income.	Promote setting up of Credit Union Bank Accounts (CUBA) with tenants., Focus Supporting Tenants and Residents (STAR) team support on those affected. maximise the number of tenants claiming Discretionary Housing Payment for bedroom tax affected cases. Identified tenants who are over-occupying in order to help with downsizing. Promotion/awareness to tenants of Discretionary Housing Payment. Income Management team strengthened. Amending Allocations policy to advise downsizing	4	4	16	Development of Northgates IT system (phase 2) to support paperless direct debits.  Proposal to introduce mandatory direct debit rent payment for new tenants will be considered by Executive in August '15.  2. Identification of those tenants at risk of the new welfare reforms. Executive report August '15	4	3	12		Ann Branson	30.11.2015 and ongoing

## Appendix 2 - Leicester City Council Operational Risk Register

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Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
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<b>16. Housing</b> Inability to meet regulatory requirements. Blue light emergency services having difficulty in accessing communal block security doors in an emergency situation.	Delay in attendance/treatment of emergency situations, e.g. medical, fire. Potential to cause death, major or minor injury.  Litigation/reputational risk	Fire service have fire keys for security doors. Ambulance and police services do not have keys. In an emergency situation will use intercom system to request a tenant within the block to give access through the security door. Where this isn't possible Police will break-in on behalf of ambulance	5	3	15	Programme of fitting key safes to house a fob/pac token along with signs providing instructions for gaining access has been implemented. Work on target.	5	2	10		Ann Branson	31/08/2015
<b>17. Housing</b> - Risk of Legal challenge, liability and reputational consequence if properties are not adequately maintained. Greater financial investment needed in the future.  Rent reduction of 1% per annum for next 4 years will threaten budget for maintenance.	Poor living conditions, H&S risks to tenants, properties falling into disrepair. Reputational risk	On-going capital investment (25 year strategy and planned maintenance programmes). On-going day to day responsive repairs service. Minimum standard for property re-letting. In house Quality Control team.  Continue to review more effective ways of maintaining the stock.	5	3	15	Reviewed July 2015. No further copntrols necessary.	5	3	15		Ann Branson	31.03.2016

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Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<p><b>18. Investment-</b> Delay and compensation event claims are received leading to extensive costs.</p> <p style="font-size: 2em; margin-left: 10px;">275</p>	Contingency held to address unforeseen issues may be overspent	All claims are monitored and are challenged using internal and external resources. Continued dialogue with the Finance Team to monitor the financial position.	5	4	20	Review meeting established with the contractor and information being sought to substantiate claims with the assistance of a programme analyst and specialist advisors To date information has not been forthcoming from the Leicester and Leicestershire Economic Partnership. To date claims have been settled where they are justified and claims with inadequate information or inaccuracy rebutted.	4	3	12	Contingency provision is over subscribed	Mark Lloyd	30.04.2016 and ongoing
<p><b>19. Investment.</b> Raising educational achievement -The discontinuation of PCP (reduction in capital investment) and the continuing need to accommodate pupil increases.</p>	A Statutory duty is not met	Delivery of Basic Need Programme to address pupil placements required by September 2015.	4	4	16	Continued assessment & development across the Primary School estate.	4	3	12	Staff time	Mark Lloyd	30/09/2015 then review 6 monthly

## Appendix 2 - Leicester City Council Operational Risk Register

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Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
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<b>20. Investment</b> - Schools Capital. Raising educational achievement.  <span style="font-size: 2em; vertical-align: middle;">276</span>	Reduction in capital investment in schools with ageing school stock and deteriorating condition Potential to not meet statutory building requirements. Reputational damage to the council.	Develop long term strategy across the Primary School estate	4	4	16	Develop long term strategy across the primary and retained secondary school estate is now underway, Condition surveys being undertaken in order to formulate a 3 year programme of works for Planned Capital Maintenance.	4	2	8	Staff time	Mark Lloyd	30/09/2015 then review 6 monthly
<b>21. Investment</b> - Maintaining Income (Capital and Revenue) on behalf of the Council	Economic downturn affecting budget	Voids and arrears monitored Monthly	4	4	16	Send rent demands, reviews and renewals on time - collect rent on time. Manage tenants in arrears.	3	4	12	Staff time	Mark Lloyd	30.04.2016 and ongoing
<b>22. Investment</b> - Loss of use of Asset	Closure of buildings dues to asbestos	1. Findings of asbestos action plan being implemented. 2. Asbestos monitoring returns to be reported to DivMT and Heads of Property monthly. To Corporate Management Team if cause for concern. 3. Action plan works now completed, signed off by Health & Safety and now being monitored.	5	3	15	1. Ensure 100% compliance with asbestos returns with accurate data by holding Building Responsible Officers to account. 2.Ensure all buildings have an asbestos register	3	2	6	Staff time	Mark Lloyd	30.04.2016 and ongoing



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277	Closure of buildings due to poor water hygiene standards	1. Implementation of control regime comprising ongoing regular monitoring, reports, risk assessment reviews and maintenance with allocated budgets. 2. Water hygiene monitoring returns to be reported to DivMT and Heads of Property monthly. To Corporate Management Team (CMT) if cause for concern. 3. Spend of allocated capital budget for water hygiene and production of ongoing prioritised schedule of works ongoing. 4. Water hygiene responsibilities in non-op estate have been confirmed and necessary action taken.				1. Seek 100% compliance with water hygiene returns with accurate data. 2. Further budget for 13/14 works approved in capital programme subject to Corporate Management Team decision. 3. More rigorous audit of Building Responsible Officer monitoring to be undertaken.						

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<p><b>23. Local Services and Enforcement - LACK OF ADEQUATE RESOURCE CAPACITY</b></p> <p>Increase in the demand led services, along with the reduction in head count could mean that there are insufficient resources to deliver the required service levels.</p> <p>During times of change, staff are not always aware of the changes being made, such as the recent relocation requirements, needs and plans etc, resulting in confusion etc.</p>	<p>- Teams already at a minimum and extra workloads are unsustainable.</p> <p>- As demand-led services increase, workload and public expectations increase.</p> <p>- Likelihood of key person dependency as teams reduce further (fewer people in key roles).</p> <p>- Potential risk of non-compliance or breaches/lack of a substantial control environment.</p> <p>- Service delivery requirements may not be met.</p> <p>- Staff wellbeing may be harmed.</p>	<p>- Existing prioritisation arrangements are in place.</p> <p>- Policies and procedures are in place.</p> <p>- Processes are in place.</p>	4	4	16	<p>- Review of succession planning is to be conducted.</p> <p>- Need to assess the service demand against the resource availability to understand impacts and generate action plans.</p> <p>- Develop further prioritisation arrangements.</p> <p>- Continually assess through performance appraisals and individuals one-to-ones.</p>	3	3	9		John Leach	31/03/2016

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Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<p><b>24. Local Services and Enforcement</b> REDUCTION IN INCOME GENERATION PROGRAMMES</p> <p>With reductions in public demand in building, parking, licencing, income generated by the Council may be significantly reduced and income generation/revenue targets may not be met.</p> <p>Also, 'one off' income programmes are set as recurring within the budgets/accounts; impacting further on future financial targets.</p>	<ul style="list-style-type: none"> <li>- Budgets are not adhered to.</li> <li>- Income streams continue to reduce (e.g. Building Regs) due to the economic climate.</li> <li>- Targets remain the same or increase, against income sources and staff reductions.</li> <li>- One off income is disclosed as recurring, increasing the savings gap.</li> </ul>	<ul style="list-style-type: none"> <li>- Budgets are in place and alternative savings option appraisals are performed and saving plans are implemented.</li> <li>- Policies and procedures are in place.</li> <li>- Adhoc business development arrangements are in place.</li> </ul>	3	5	15	<ul style="list-style-type: none"> <li>- Need to review income targets for recurring and 'one off' income with finance to resolve on-going issues.</li> <li>- Enhance the business development resources/opportunity.</li> <li>- Budget strategy review.</li> <li>- Service review/impacts.</li> <li>- Further marketing and promotional projects.</li> </ul>	3	4	12	N/A	John Leach	31/03/2016 Ongoing

## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<b>25. Local Services and Enforcement</b> RESOURCE & CAPACITY - INCREASED WORKFORCE AGE PROFILE Specialist skills and knowledge within the team may be lost due to future retirement programmes. Furthermore, national surveys have identified a lack of aspiration in individuals (younger generation, female workforce and some ethnicities) wishing to join the Council within these roles.	- Teams already at a minimum number and extra workloads may be unsustainable. - Likelihood of key person dependency as teams reduce further (fewer people in key roles). - Potential non-compliance with legislation/regulation. - Potential stress-related absence/claims. - Quality of service delivery may be affected.	- "Step up" - work experience utilise. - Graduate project officers. - Training & Mentoring - Knowledge sharing	3	5	15	- Succession planning review is required. - Continue to enhance and develop the apprenticeship scheme. - Commence positive promotion of the work/career in this area. - Seek funding for apprenticeship. - Ensure knowledge sharing takes place. - Training/ Mentoring/ Structuring.	3	4	12	N/A	John Leach	31/03/2016 Ongoing
<b>STRATEGIC AREA - Corporate Resources and Support</b>												

## Appendix 2 - Leicester City Council Operational Risk Register

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Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures			Further management actions/controls required	Target Score with further controls			Cost	Risk Owner	Review Date
			(See Scoring Table)				(See Scoring Table)					
			Impact	Probability	Risk		Impact	Probability	Risk			
<p><b>26. Legal</b> - Key areas of risk are: flexible working practices which expose data to new risks, inappropriate disclosure of personal data, insecure and excessive information sharing externally and internally, lack of universal participation in Information Governance training, lack of awareness of the compliance and enabling role of Information Governance and failure to comply with the Regulation of Investigatory Powers Act 2000. (Also see corresponding risks around Data Protection and Freedom of Information compliance.)</p>	<ul style="list-style-type: none"> <li>- Data may be lost or shared inappropriately.</li> <li>- Potential legal challenge.</li> <li>- Breaches in regulation/legislation, which may incur fines, reputational damage and negative media coverage.</li> <li>- Local breaches are not reported to the Information Governance Team until a compliant arises. There may be a number of unreported information governance breaches which are unreported and being managed at a local level.</li> <li>- Subject Access Requests: this area has failed in compliance in 2013, and could fail again in the future.</li> </ul>	<ul style="list-style-type: none"> <li>- Policies and procedures in place e.g. security, retention and disposal.</li> <li>- Devices are encrypted.</li> <li>- Staff are briefed on Information Governance compliance and asset management.</li> <li>- Improvement plan identifies necessary procedural updates etc.</li> <li>- Good liaison with Information Commissioners Office (ICO) and increased visibility and compliance.</li> <li>- Regular reports to Directors on the importance of Information Governance compliance.</li> <li>- Staff are required to complete Information Governance (IG) training on induction and all staff were asked to complete training in 2013.</li> <li>- Leicester City Council submissions to the NHS Information Governance Toolkit provide a health check on Information Governance policies and systems.</li> </ul>	4	5	20	<ul style="list-style-type: none"> <li>- Requirement for all to complete annual Information Governance awareness training should be enforced.</li> <li>- Introduce a self-service IG health check for Managers to check their team's compliance and identify their own improvement actions.</li> <li>- IG issues to be addressed more consistently in contracts outside IT Procurement (where this is systematic).</li> <li>- Need for services facing high staff turnover to prioritise Data Protection and security training to maintain capability levels.</li> </ul> <p>NB: in a changing context, controls need to evolve and be constantly refreshed to maintain the risk exposure at the current level and prevent it from increasing.</p>	4	3	12		Kamal Adatia	31/03/2016 Ongoing

## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures	Further management actions/controls required	Target Score with further controls	Cost	Risk Owner	Review Date
<i>What is the issue:  what is the root cause/  problem – what could go wrong</i>			(See Scoring Table)		(See Scoring Table)			
			Impact Probability Risk		Impact Probability Risk			
<p><b>26. Legal - Continued</b></p> <p style="font-size: 2em; text-align: center;">282</p>		<p>- Self service Information Governance Healthcheck tool for managers has been drafted. Next stage is testing. NB staff turnover and high rates of change are increasing the Council's exposure to risk here.</p>		<p>Therefore, no reduction in risk exposure is anticipated. - Self service IG Healthcheck tool for managers has been drafted. Next stage is testing. NB staff turnover and high rates of change are increasing the Council's exposure to risk here.</p>				

## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<b>27.Information and Customer Access Information Governance compliance</b> Key areas of risk are: flexible working practices which expose data to new risks, inappropriate disclosure of personal data, insecure and excessive information sharing externally and internally, lack of universal participation in Information Governance training, lack of awareness of the compliance and enabling role of Information Governance and failure to comply with the Regulation of Investigatory Powers Act 2000. (Also see corresponding risks around Data Protection and Freedom of Information compliance.)	- Data may be lost or shared inappropriately. - Potential legal challenge. - Breaches in regulation/legislation, which may incur fines, reputational damage and negative media coverage. - Local breaches are not reported to the Information Governance Team until a complaint arises. There may be a number of unreported information governance breaches which are unreported and being managed at a local level. - Subject Access Requests: this area has failed in compliance in 2013, and could fail again in the future.	- Policies and procedures in place e.g. security, retention and disposal. - Devices are encrypted. - Staff are briefed on Information Governance compliance and asset management. - Improvement plan identifies necessary procedural updates etc. - Good liaison with Information Commissioner's Office and increased visibility and compliance. - Regular reports to Directors on the importance of Information Governance compliance. - Staff are required to complete Information Governance training on induction and all staff were asked to complete training in 2013.	4	5	20	- Requirement for all to complete annual Information Governance awareness training should be enforced. - Introduce a self-service Information Governance health check for Managers to check their team's compliance and identify their own improvement actions. - Information Governance issues to be addressed more consistently in contracts outside IT Procurement (where this is systematic).	4	3	12		Alison Greenhill	31.03.2016

## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<b>27.Information and Customer Access Information Governance compliance - Continued</b>  <span style="font-size: 2em; vertical-align: middle;">284</span>		- Leicester City Council submissions to the NHS Information Governance (IG) Toolkit provide a health check on Information Governance policies and systems. - Self service IG Healthcheck tool for managers has been drafted. Next stage is testing. NB staff turnover and high rates of change are increasing the Council's exposure to risk here.				- Need for services facing high staff turnover to prioritise Data Protection and security training to maintain capability levels.  NB: in a changing context, controls need to evolve and be constantly refreshed to maintain the risk exposure at the current level and prevent it from increasing. Therefore, no reduction in risk exposure is anticipated.						



## Appendix 2 - Leicester City Council Operational Risk Register

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Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<p><b>28. Information and Customer Access</b>  <b>Staff:</b> Capacity, capability and recruitment  <b>Capacity:</b> There are insufficient resources to meet increase in demands, such as business application outage, application failure etc., due to an already lean structure. Teams are being worked increasingly hard including weekends and out of hours.  <b>Staff Retention:</b> With a buoyant market place for the team's skills, staff may seek career progression outside the Council. Formal career progression opportunities may not be available internally.  <b>Recruitment:</b> Department requires highly skilled people but applicants may be less likely to apply for jobs at the Council as it may not be seen as the employer of first choice.</p>	<p>Unable to attract high calibre, skilled individuals.                      - Lack of adequate succession planning in some areas, leading to increased key person dependency vulnerability.                      - Vital skills and expertise are lost e.g. Lync, data warehouse.                      - Vacancies create more workload pressures and impact on the wellbeing of the remaining staff.                      - Staff more likely to elsewhere as the market picks up, especially as Job Evaluation means people are already being asked to do more for less.                      - Unable to meet service demand and service Level Agreement and to deliver core services. Reputational damage.</p>	<p>- On-going review with HR to ascertain options. Options such as graduate recruitment being investigated and implemented where appropriate.                      - Training, motivation, internal career development to retain and develop staff.                      - Market increments for key posts (</p>	4	4	16	<p>Consider up skilling/cross skilling the Team to increase scope of roles etc.                      - Work with HR to address particular concerns.                      - succession planning, shaped by skills matrix.                      - Apprenticeships and graduate schemes for regular input of new talent/skills.                      - Capture and more proactively manage service demand.                      - Implement formal out of hours procedure.                      - review technology architecture to remove any unnecessary complexity and reduce dependency on hard to source skills</p>	3	4	12		Alison Greenhill	31.03.2016

## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures	Further management actions/controls required	Target Score with further controls	Cost	Risk Owner	Review Date
<i>What is the issue:</i>  <i>what is the root cause/</i>  <i>problem – what could go wrong</i>			(See Scoring Table)		(See Scoring Table)			
			Impact Probability Risk		Impact Probability Risk			
<p><b>28. Information and Customer Access - Continued</b></p> <p><b>Key person/team dependency:</b> Reliance on key people/teams, for e.g. Transformation Team, Finance (Agresso) to deliver the service may leave, or could be on long term absence.</p> <p><b>Structure/Role coverage:</b> There is no formal out of hours service in place to support services, which operate out of Council hours, such as evenings and weekends. Some needs met by goodwill.</p>				<ul style="list-style-type: none"> <li>- Review existing support contacts to ensure we understand what maintenance support is offered and that we're making best use of these arrangements.</li> <li>- Embed new senior management arrangements.</li> </ul>				

## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<b>29.Information and Customer Access Finance and budget - impact on ability to meet Council requirements</b> On-going pressure to reduce costs within the council which is impacting on the service capacity.	- Continued cuts lead to not enough people to deliver the service - Service demand may not be met - Targets and deadlines may be missed, e.g. delivery of new programmes and business solutions. - Loss of front line productivity across the Council as services are not available when needed.	- Engaging with the review of IT services to ensure there is a clear understanding of the services provided and the potential impacts of major service cuts. - Raise profile and demonstrate value of the team and the need for specialised resource.	4	4	16	- On-going existing actions.	4	4	16		Alison Greenhill	31.03.2016

## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures			Further management actions/controls required	Target Score with further controls			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<p><b>30. Information and Customer Access Information Security</b> The information and IT security environment is changing rapidly, altering the risk profile and requiring constant adjustment of controls e.g. Challenges of cloud computing, use of mobile devices for flexible working, bring your own device). It is challenging for central IT and information services to evolve infrastructure, policy, practice and guidance to keep up, and for the wider employee base to adapt their working practices to keep the organisation's information secure. In addition, requirements for national Code of Connection compliance also change over time, placing new security demands on the organisation. Failure to stay on top of security risks presents the risk of information security breaches.</p>	<p>- Information security breaches in which personal and/or sensitive Information is compromised. - potential for Data Protection monetary penalties, negative press coverage, reputational impact. - Impact on individuals (employees, service users, citizens) of their Information being compromised, including distress or damage such as identity theft and reputational impact. - Reduced trust in the Council, impacting on its ability to deliver key services - Lost productive time due to IT downtime</p>	<p>- IT security provisions - encryption, firewalls, virus protection, Secure Socket Layer connections where needed, access control. - Security standards, policies and procedures, maintained, proactively communicated and published for universal access. - Dedicated security roles undergoing professional development. - Assurance routes via 1. Work to obtain and maintain Public Service Network accreditation, 2. Internal audit, 3. Information Governance Toolkit. - Information and IT security are integral to IT procurement exercises, to ensure that software and hardware offer good security. - Technical Information Security Group to raise security issues, address concerns, track implementation of internal audit recs. - New approach to report on uptake of Data Protection training to support managers in compliance - targeting Children's Services first.</p>	4	4	16	<p>- Keep controls up to date to respond to evolving threats. - Increase manager awareness of the negative impact of staff change etc. on security awareness and capabilities. - Adjust security provisions to meet the next year's Public Service Network requirements.  NB: in a changing context, controls need to evolve to maintain the risk exposure at the current level and prevent it from increasing. Therefore, only a limited risk exposure is anticipated.</p>	4	3	12		Alison Greenhill	31.03.2016

## Appendix 2 - Leicester City Council Operational Risk Register

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Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<b>31. Information and Customer Access Capacity and Service Reporting</b> Across the estate, the utilisation of application and network related hardware may not be fully understood.	- Reputational damage - Service delivery may not be met - Effect on available resources i.e. budget and staff if unplanned upgrades required - Negative effect on productivity - Affects ability to plan	- none noted currently (Tools are available but not being used)	3	5	15	- Maximise use of available tools - Develop framework/guidelines for operating procedures	2	4	8		Alison Greenhill	31.03.2016

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			Impact	Probability	Risk		Impact	Probability	Risk			
<p><b>32. Information and Customer Access Demand and change management</b></p> <p>There is no clear demand pipeline especially around project related activity, which means it is difficult to plan staffing, prioritise and manage workloads etc. There is no Target Operating Model, so that service level expectations/outputs and deliverables are not always clear and not delivered upon under a uniform agreement across the business. In some instances, the least relevant priority is dealt with rather than the most significant. This is exacerbated as there is currently no consistent way to capture and manage Business Application support and demand. ICT cannot provide the additional flexibility, complexity and time/resources required by rising customer expectations.</p>	<ul style="list-style-type: none"> <li>- Improvements are not made to processes and procedures.</li> <li>- Inefficient and/or ineffective operations are in place.</li> <li>- Internal reputation impacts.</li> <li>- Demand may not be met.</li> <li>- Service delivery affected.</li> <li>- Incidents are not appropriately identified and rectified.</li> <li>- Increased reliance on IT staff rather than departmental self-sufficiency.</li> <li>- Increased demand on ICT resources.</li> <li>- Supplier response times and deadlines to rectify fixes/changes are lengthy and not always a priority.</li> </ul>	<ul style="list-style-type: none"> <li>- Tactical improvement actions and plans have been identified and are in the process of being implemented.</li> <li>- Gateway process in place</li> <li>- Organisational restructure has been suggested and is being considered.</li> <li>- Business Continuity Management arrangements under review.</li> </ul>	3	5	15	<ul style="list-style-type: none"> <li>- Implement holistic Disaster Recovery Plan.</li> <li>- Confirm roles and responsibilities.</li> <li>- Ask services to involve the customer services team in the planning/phasing/releasing of information etc.</li> <li>- Intended focus on more long term and forward planning.</li> <li>- Consider establishing a demand team (as part of the Methods review)</li> </ul>	3	5	15		Alison Greenhill	31.03.2016

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			Impact	Probability	Risk		Impact	Probability	Risk			
<b>32. Information and Customer Access Demand and change management - Continued</b>  291	- Contract arrangements do not include performance targets, turnaround times SLA information etc., the Council is unable to hold them to account. - Data could be lost/unable to be restored - Delays in projects, tasks and assignments. - Adverse effect on budget.					- Unlikely to be able to influence this risk in the near future as fundamental organisational change is required, so management actions are to maintain status quo and prevent the risk worsening.						

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			(See Scoring Table)				(See Scoring Table)					
			Impact	Probability	Risk		Impact	Probability	Risk			
<p><b>33. Information and Customer Access Impact on record keeping from use of shared drives and email</b></p> <p>Information on line of business systems including the Council's EDRMS can be more robustly managed than that on email and shared drives.</p> <p>Email has become the predominant means of business communication BUT this means that records of Council activities and decisions are stored in Outlook rather than systems where they can be sufficiently protected, findable and available as Council records.</p> <p>Shared drive management is also problematic . Many teams do not have a mature shared drive structure in place, and structures are sprawling. Some officers do not have access to shared spaces, only to individual Home drives.</p>	<p>-Excessive IT overhead from backing up and keeping available huge volumes of data, a proportion of which is redundant.</p> <p>- Business impact of not seeing the wood for the trees, where documents and files are accumulated to excess without consistent filing practices, naming conventions and disposal routines, and where defunct materials are still cluttering up drives.</p> <p>- Potential inability to access corporate records in personal storage locations without the presence of specific members of staff.</p> <p>- Potential loss of corporate records when employees leave the organisation and have used personal not corporate filing.</p>	<p>- Policies in place (e.g. Information Management Policy, Records Retention Schedule).</p> <p>- ICT induction briefly addresses email management and filing systems. Being reviewed now so there are stronger messages about managing content.</p> <p>- Information Management Team advising teams on an ad hoc basis re good records practice.</p> <p>- Guidance written on a shared drive refresh process - being tested with Children's Centres. Will enable a scaling up of assistance to services.</p> <p>- Draft guidance in place for driving down email volumes. In testing.</p>	3	5	15	<p>- Enterprise Content Management project to enable teams to review their saved content, to organise it and to cut it back to the necessary.</p> <p>- Relaunch of Information and Records Management policies.</p> <p>- Rollout of information management training for managers.</p> <p>- Improved induction training for information management.</p> <p>- Integration of IM skills into wider courses where appropriate.</p> <p>- Create a self service information and records healthcheck helping services to prioritise addressing weak areas (Jan-Mar 2015).</p>	3	4	12		Alison Greenhill	31.03.2016



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<i>What is the issue:</i>  <i>what is the root cause/</i>  <i>problem – what could go wrong</i>			(See Scoring Table)		(See Scoring Table)			
			Impact	Probability	Risk	Impact	Probability	Risk
<b>33. Information and Customer Access Impact on record keeping from use of shared drives and email - Continued</b> Even where well designed filing structures are in place, electronic disposal of records at the end of their lifetime is usually not taking place, leading to accumulation of materials.	- The accumulation of past materials impedes effective working on current issues. - Potential for the Council to be unable to locate the evidence it may need for its decisions and actions. - Increased overhead of responding to Freedom of Information requests.				- The success of the above controls is conditional on effective communications and strong buy-in cascaded across the organisation from senior management down. - Progress is also currently impeded by limited staff resources in Information Management. Restructure underway to increase skilled capacity.			

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Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
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<p><b>34. Delivery, Communications and Political Governance - UNPLANNED ELECTION EVENT</b> The service may struggle to manage a number of unplanned, additional elections, as well as a number of different type of elections e.g. House of Lords, Referendums etc.</p>	<ul style="list-style-type: none"> <li>- Elections are not performed appropriately/challenges are received.</li> <li>- Reputational damage.</li> <li>- Adverse effect on finances.</li> <li>- Media coverage.</li> <li>- Public complaints.</li> <li>- Increase in resource requirements.</li> <li>- Could lead to increased expectations on the existing trained core team; who hold relevant and detailed knowledge.</li> <li>- The potential repetition of the impacts and pressures that arose during the 2011 elections.</li> </ul>	<ul style="list-style-type: none"> <li>Returning officer and nominated deputies are in place.</li> <li>- Insurance is in place.</li> <li>- Many elections can be planned and have set dates.</li> </ul>	4	4	16	<ul style="list-style-type: none"> <li>'- Develop skills and expertise across the wider electoral services team.</li> <li>- Ensure that there is a robust planning support structure in place.</li> <li>Develop a potential 'business continuity plan' to build resilience and stability.</li> <li>- Use external or peer support where feasible e.g. from other local authorities.</li> <li>- Consider training/up-skilling a pool of contingency staff.</li> <li>- Review further as a management team.</li> </ul> <p><b><i>(Actions required to maintain risk score).</i></b></p>	4	4	16		Miranda Cannon	31/03/2016 and ongoing

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Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<p><b>35. Delivery, Communications and Political Governance - LEGAL CHALLENGE</b></p> <p>Increased legal challenges may heighten the need to ensure that processes are effective, efficient, communicated in a uniform manner and that managers and staff follow explicit guidance. Equalities Impact Assessments (EIAs) are likely to become an increasingly targeted area for Legal Challenge.</p>	<p>- Communications are not appropriate (present the right information, performed in a uniform manner, not consistently worded, communicated or the tone are appropriate), leading to legal challenge.</p> <p>- Equalities Impact Assessments cannot address all potential areas of legal challenge on Public Sector Equality Duty grounds.</p> <p>- Lack of legal expertise/appropriate resources.</p> <p>- Potential for legal challenge/judicial review by providers, staff, service users, etc.</p> <p>- Reputational damage/media exposure.</p> <p>- Unplanned adverse effect on budget/finance</p> <p>- Resource intensive to defend legal challenges/judicial reviews.</p>	<p>- Internal audits and assessments (EIAs) are performed to help ensure the Council meets the Public Sector Equality Duty.</p> <p>- On-going reviews of guidance and legislation are conducted.</p> <p>- Processes and procedures in place.</p> <p>- Staff are aware of duties and responsibilities.</p> <p>- Expert support e.g. HR, equalities, consultation and research, CPMO in place with supporting guidance.</p> <p>- Lessons learned/changes arising from any challenge outcomes continue to be communicated and use of external panel to review EIAs for spending reviews / budget</p> <p>- EIA templates recently reviewed and revised</p>	4	4	16	<p>- Continue to build organisational consulting, research and communication strategies.</p> <p>- Review processes and gap analysis to explore the exposure.</p> <p>- Review external practice eg from other Local Authorities, which have been deemed as best practice and implement locally as appropriate.</p> <p>- Ensure the correct resources, with the relevant skills and experience are allocated to roles.</p> <p>- Ensure HR support is available.</p> <p>- Mandatory equalities e-learning package almost complete.</p> <p>- EIA e-learning module almost complete.</p>	4	3	12		Miranda Cannon	31/03/2016

## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)	Further management actions/controls required	Target Score with further controls  (See Scoring Table)	Cost	Risk Owner	Review Date
			Impact				Probability	Risk
<b>35. Delivery, Communications and Political Governance - LEGAL CHALLENGE - Continued</b>  <span style="font-size: 2em; font-weight: bold; display: block; margin-left: -10px;">296</span>	<ul style="list-style-type: none"> <li>- Information may be inappropriately shared.</li> <li>- Unrealistic public/political expectations.</li> <li>- Procurement process may be challenged.</li> <li>- Legal challenges focus on process rather than content.</li> </ul>	<ul style="list-style-type: none"> <li>- Equality checklist for different stages of capital projects developed so that equalities considerations at each stage are recorded and signed off</li> <li>- council EIA template being used for Health &amp; Well Being Board reports and also for Better Care Together reports, standardising our approach.</li> </ul>		<ul style="list-style-type: none"> <li>Mandatory equalities e-learning package being scoped and developed</li> <li>- EIA e-learning module being developed</li> <li>- Consider these actions as one element of a wider package of support for evidence-based policy making and service development, linking in with divisional actions to promote the sharing of intelligence, strengthen practice around option appraisal, consultation and evaluation, and provide practical help with cost-benefit analysis (e.g. researching the scope of a problem, the reasons for intervention, and good practice solutions).</li> </ul>				
<b>STRATEGIC AREA - Education and Children's Services</b>								

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Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<b>36. Learning Quality and Performance</b> Leicester City Council reputation / relationships with schools are hindered by the delay in resolving snags and defects items with schools.	Low school engagement in sharing and / or celebrating impact of Building Schools For Future (BSF). Complaints from schools are likely to increase. High project staff turn over impact on schools confidence in LCC resolving snags and defects.	BSF School's in phase 3 to 6 identified as high risks are indicated on internal CPMO report with mitigating actions.	5	5	25	Resource management between property and education to be agreed. Children's Capital Governance to be reviewed to ensure resolution to snags and defects is reported and managed through the system. Clarity to schools provided on escalation route for snags and defects concerns.	5	5	25	staff time	Jane Winterbone	31/03/2016 and ongoing

## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<b>37. Learning Quality and Performance</b> - Leicester could be subject to a targeted Ofsted inspection with multiple inspections across schools followed by Local Authority (LA) inspection.	LA can provide evidence to support positive outcome but resource demands would be significant. Major issue about credibility of service which could increase the number of schools changing to academy status	School improvement reserve budget	4	4	16	Positive response to recommendations identified in peer review completion of a detailed Self Evaluation Form (SEF) leading to a revised school improvement Framework Close work between LA Officers, Department of Education & Ofsted representation to manage RI/SM schools Action plans in place for new teams in the raising achievement service linked to SEF	3	4	12		Jane Winterbone	31/03/2016
<b>38. Learning Quality and Performance (LQP) - Children's Capital Investment</b> Delayed capital projects disrupts educational improvements in schools	The schools overall time and capacity to focus on educational improvements is reduced and/or comprised.	LQP services to be targeted where necessary to provide additional support. Relationship Management via HoS to capture risks and Issues for Schools are reported with resolution via Corporate Portfolio Management Office (CPMO).	4	4	16	CPMO provides regular update on the impact of any delay to the school and if required, LCC services between education and property are brought together to arrange support.	3	2	6	Staff time	Jane Winterbone	31/03/2016 and ongoing

## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<b>39. Learning Quality and Performance</b> School closure required due to significant health and safety snags and defects works incomplete in capital projects. i.e. Heating, ventilation, water and fire system failures	Statutory education days in schools for Children and Young People not met	Building Review Groups (BRG) are established by BSF property to identify and resolve high risk snags and defect items.	4	4	16	Resource management plan of how schools will be supported in BSF post handover to be developed between property and education.	4	4	16	Staff time	Jane Winterbone	31/03/2016 and ongoing
<b>40. Learning Quality and Performance</b> - Loss of Building Schools For Future (BSF) knowledge and Intelligence through high staff turnover in project teams	Resolution to issues delayed. Reactive handover with no record of change, agreement or clarity for schools	School have been asked to request BRG reports from BSF project team so that they can take ownership in prioritising issues / actions to be completed. Final list of issues and snags has been escalated for resolution.	4	4	16	Resource management plan of how schools will be supported in BSF post handover to be developed between property and education.	4	5	20	staff time	Jane Winterbone	31/03/2016 and ongoing

## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures			Further management actions/controls required	Target Score with further controls			Cost	Risk Owner	Review Date
			(See Scoring Table)				(See Scoring Table)					
			Impact	Probability	Risk		Impact	Probability	Risk			
<b>41. Learning Quality and Performance</b> - Schools in Ofsted categories or below floor standard converted to academies by order of the secretary of state.	Schools no longer Local Authorities (LA) schools; impact on overall schools budget and reputation of authority. Difficult to maintain an overview of Children /young people that the LA continue to be responsible for.	School improvement strategy and LA support plans. School2School partnership are in place. Performance dialogue meeting between School Improvement Advisor and school leadership teams for every school in the City. Support and challenge is provided in inverse proportion to need.	3	5	15	Targeted support packages in place for schools in scope for conversion. Half termly progress checks through team around the school meetings Whole school reviews for those schools that are Requires Improvement or in Special Measures - Regular reports submitted to Divisional Management Team re current position	3	4	12		Jane Winterbone	31/03/2016
<b>42. Strategic Commissioning and Business Development</b> - Safeguarding/ teaching and learning workforce programmes are ineffective and Local Authority has insufficiently trained staff to deliver and manage the range.	Stress management failings, lacks capacity and competency. Potential adverse impact on inspection outcomes.	Work Life Balance policies, and supporting wellbeing website <a href="http://www.childrensworkforce/">www.childrensworkforce/</a> supporting wellbeing Learning Training & Development Plan refreshed – new Department priority and focus on qualification and safeguarding training.	4	4	16	Management to implement health and safety and wellbeing policies and seek advice and support to mitigate risk of undue stress in the workforce New corporate team to actively engage in implementing workforce strategy and limited strategy and plans.	4	3	12		Frances Craven	01.03.2016
<b>STRATEGIC AREA - Public Health</b>												



## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures			Further management actions/controls required	Target Score with further controls			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<b>43. Public Health - Data Access and Sharing -</b> 1. Unresolved issues in national guidance on this matter. 2. Pseudonymised Hospital Episode Statistics data for 10 years has not yet been released to us. 3. No current access to birth and deaths (temporarily withdrawn) and risk will be there depending on how long Office of National Statistics takes to approve permissions. 4. Regarding data from General Practitioners (Systmone) the requirements for a data agreement with all data owners. This process is complicated and detailed.	Offer a limited services in terms of core offer and other analyses required.	Audit Information Governance within Division to support move to Information Governance Toolkit Level 3 Division of Public Health is at Information Governance Toolkit Level 2. Awaiting national decisions ether within the Department of Health, NHS England, Health and Social Care Information Centre and or the Information Governance Officer. Application made for births and deaths data. Current access through GEMCSU has not yet been activated for testing.	4	4	16	More timely data being released nationally on line (aggregated - does not support analysis at lower level). Maintain Information Governance Toolkit Level 2 and work to Level 3. Awaiting national decisions either within the Department of Health, NHS England, Health and Social Care Information Commissioner and/or the Information Governance Officer (secondary care data). Follow up application to Office of National Statistics. Arrangements in place for the sharing of NHS data for certain public helath commissioned services via risk stratification data extract information agreements being drawn up for specific projects (for primary care data). Continue to chase	4	3	12		Ruth Tennant	31/03/2016

## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
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<b>44. Public Health- Capability and Capacity-</b> Recruitment of staff with special knowledge and expertise  <span style="font-size: 2em; transform: rotate(-90deg); position: absolute; left: -50px; top: 50px;">302</span>	Potential future succession planning issues. Less effective commissioning of specialist programmes Contracts are procured without the correct expertise/knowledge resulting in corrective action of legal costs. Incurring of additional costs through a need for agency and temporary staff to provide cover for work areas	Adherence to Local Government Association/Public Health England guidance relating to recruitment of staff Job description written in a relevant way to attract target applicants. Pay scales broadly similar to National Health Service/market force. Job evaluation complete	4	4	16	Engage with Human Resources colleagues to understand and put in place steps to shape our recruitment offering to entice high calibre, relevant etc. candidates in future recruitment and enable successful succession planning Inc. protection of National Health Service pension arrangements Regarding the Consultant post job offer, in the interim a market increment will be applied for to ensure posts can be advertised closer to former NHS levels. In the longer term a higher substantive banding for the role will be sought. Seek grading scheme beyond market supplements	4	3	12		Ruth Tennant	31.03.2016

## Appendix 2 - Leicester City Council Operational Risk Register

Risk Register Owner: Andy Keeling, COO

Risks as at: 31 July 2015

Risk What is the issue:  <i>what is the root cause/  problem – what could go wrong</i>	Consequence /effect: <i>what would occur as a result, how much of a problem would it be ?, to whom and why</i>	Existing actions/controls	Risk Score with existing measures  (See Scoring Table)			Further management actions/controls required	Target Score with further controls  (See Scoring Table)			Cost	Risk Owner	Review Date
			Impact	Probability	Risk		Impact	Probability	Risk			
<p><b>45. Public Health</b>  <b>Insufficient funding transferred to the LA on 1 October 2015 to meet the full cost of the Health Visiting and Family Nurse Partnership Service (FNP).</b>                      Agreement has been reached with NHS England regarding the level of resource to be transferred. However, there are still some ambiguities e.g.. FNP licence fee. Furthermore, there is also a lack of performance data from the provider and an issue regarding the commissioning of registered versus resident population.</p>	Increased costs to the local authority Reputational risk through the LA being forced to reduce service levels to meet unfunded costs Registered versus resident population: possible safeguarding issue due to families that may be missed	- Health Visiting Transfer Group with LA has considered the issue and worked with NHS England to clarify scope and funding. On the advice of this group the City Council (along with Leicestershire and Rutland County Councils) has not signed-off the estimates provided by Public Health England. Detailed reasons have been submitted to NHS England. Performance framework negotiated with provider re Health Visiting contract. Lead to be recruited and Action plan to be developed. Commissioning for Quality and Innovation (CQUIN) monies attached to delivery (£104K from NHS England, £104K from LCC). Ongoing meetings with NHS England and provider Discussion between NHS England and FNP National Unit to clarify ambiguities regarding FNP licence fee	4	4	16	Review of Health Visiting, Family Nurse Partnership and School Nursing (Healthy Child Programme 0-19 years) currently being undertaken for reprocurring services within budget. Awaiting response through NHS England Area Team or directly from NHS England nationally at this stage. Task group being set up across LLR to discuss a progressive action plan on moving from a registered to resident population	4	3	12		Ruth Tennant	30.09.2015



## Appendix 3 – Risk Assessment Scoring Guide and Matrix 2014

	IMPACT	SCORE	BENCHMARK EFFECTS
CRITERIA     305	CRITICAL/ CATASTROPHIC	5	<ul style="list-style-type: none"> <li>Multiple deaths of employees or those in the Council's care</li> <li>Inability to function effectively, Council-wide</li> <li>Will lead to resignation of Chief Executive and/or Leader of the Council</li> <li>Corporate Manslaughter charges</li> <li>Service delivery has to be taken over by Central Government</li> <li>Front page news story in National Press (e.g. Baby P)</li> <li>Financial loss over £10m</li> </ul>
	MAJOR	4	<ul style="list-style-type: none"> <li>Suspicious death in Council's care</li> <li>Major disruption to Council's critical services for more than 48hrs (e.g. major ICT failure)</li> <li>Noticeable impact in achieving strategic objectives</li> <li>Will lead to resignation of Strategic Director and/ or Cabinet Member</li> <li>Adverse coverage in National Press/Front page news locally</li> <li>Financial loss £5m - £10m</li> </ul>
	MODERATE	3	<ul style="list-style-type: none"> <li>Serious Injury to employees or those in the Council's care</li> <li>Disruption to one critical Council Service for more than 48hrs</li> <li>Will lead to resignation of Divisional Director/ Project Director</li> <li>Adverse coverage in local press</li> <li>Financial loss £1m - £5m</li> </ul>
	MINOR	2	<ul style="list-style-type: none"> <li>Minor Injury to employees or those in the Council's care</li> <li>Manageable disruption to internal services</li> <li>Disciplinary action against employee</li> <li>Financial loss £100k to £1m</li> </ul>
	INSIGNIFICANT/ NEGLIGIBLE	1	<ul style="list-style-type: none"> <li>Day-to-day operational problems</li> <li>Financial loss less than £100k</li> </ul>

LIKELIHOOD	SCORE	EXPECTED FREQUENCY
ALMOST CERTAIN	5	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently.
PROBABLE/LIKELY	4	Event is <b>MORE THAN LIKELY</b> to occur. Will probably happen/recur, but it is not a persisting issue.
POSSIBLE	3	<b>LITTLE LIKELIHOOD</b> of event occurring. It might happen or recur occasionally.
UNLIKELY	2	Event <b>NOT EXPECTED</b> . Do not expect it to happen/recur, but it is possible it may do so.
VERY UNLIKELY/RARE	1	<b>EXCEPTIONAL</b> event. This will probably never happen/recur.

Appendix 3 – Risk Assessment Scoring Guide and Matrix 2014

LEVEL OF RISK	OVERALL RATING	HOW THE RISK SHOULD BE TACKLED/ MANAGED
High Risk	15-25	IMMEDIATE MANAGEMENT ACTION
Medium Risk	9-12	Plan for CHANGE
Low Risk	1-8	Continue to MANAGE

LIKELIHOOD (A)	Almost Certain 5	5	10	15	20	25
	Probable/Likely 4	4	8	12	16	20
	Possible 3	3	6	9	12	15
	Unlikely 2	2	4	6	8	10
	Very unlikely/ Rare 1	1	2	3	4	5
		<i>Insignificant/ Negligible</i> 1	<i>Minor</i> 2	<i>Moderate</i> 3	<i>Major</i> 4	<i>Critical/ Catastrophic</i> 5
<b>IMPACT (B)</b>						

## Appendix 4 - Insurance Claims Data

### LEICESTER CITY COUNCIL - Insurance Claims Received 1 April 2015 - 31 August 2015

#### Claims received and being dealt with

Incidents	Total Claims	Repudiated	In Progress	Paid	Amount Paid
24	309 (257)	65 (63)	214 (106)	30 (25)	50662 (28809)

#### Breakdown by Area and Type of Claim

Division	Responsible Director	Claim Type					Total Number	£ Value
		Employers Liability	Public Liability	Prof/Officials Indemnity	Personal Injury	Motor		
Local Services & Enforcement	John Leach	2	23		7	20	52 (58)	35142
Plan, Trsport & Economic Dev.	Andrew L Smith		56		37	26	119 (128)	5271
Children, Young People and Families	Clair Pyper			1			1 (8)	1539
Housing	Ann Branson	7	58		34	58	157 (105)	7822
Adult Soc Care & Safeguarding	Ruth Lake		1			1	2 (2)	
Del, Comms & Pol Governance	Miranda Cannon		1				1 (1)	838
Information & Cust Access	Alison Greenhill						0 (1)	
Property	Mark Lloyd	1	3		1	1	6 (3)	
Comm and Business Dev	Vacant							
Learning Services (incl Schools)	Jane Winterbone	1	3		4		8 (11)	50
Finance	Alison Greenhill	2			2		4 (0)	
Legal Services	Kamal Adatia						0 (0)	
Culture & Neighbourhood Svcs	Liz Blythe		3		1		4 (8)	
City Public Health & Health Imp	Rod Moore						0 (0)	
Care Svcs & Commissioning	Tracie Rees					1	1 (2)	
	Total	13	148	1	86	107	355 (327)	50662

Last 12 months rolling repudiation rate - 77%

Last 12 months year on year numbers - down 8%

