

Leicester  
City Council

SECOND DESPATCH

## **AUDIT AND RISK COMMITTEE**

**24 July 2019**

Further to the agenda for the above meeting which has already been published, please find attached the following report and appendix:

### **AGENDA ITEM 6**

#### **STATUTORY STATEMENT OF ACCOUNTS 2018/19**

Report of the Director of Finance

#### **APPENDIX**

Audited accounts for the year ended 31<sup>st</sup> March 2019, attached at appendix A

Jason Tyler  
Democratic Support Officer  
Tel: 0116 4546359





Leicester  
City Council

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

**AUDIT & RISK COMMITTEE**

**24<sup>th</sup> July 2019**

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## **STATUTORY STATEMENT OF ACCOUNTS 2018/19**

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

#### **1. INTRODUCTION**

- 1.1. The Accounts and Audit (England) Regulations 2015 require that the Council present its audited Statement of Accounts for 2018/19 by the 31<sup>st</sup> July 2019, 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. The External Auditor is to present the Committee with the ‘Report to those charged with governance’ (known as the ISA 260 report) which details the conclusions of the audit work and any recommendations.

#### **2. RECOMMENDATIONS**

- 2.1. The Audit & Risk Committee is recommended to:
  - 2.1.1. Note the auditor’s 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 31<sup>st</sup> March 2019, attached at appendix A.
  - 2.1.3. Approve the letter of representation submitted by the Director of Finance, attached at appendix B.

#### **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.

3.2. 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.

3.3. 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 2018 was £15.0m, in line with the Council's financial strategy.

- Comprehensive Income and Expenditure Statement (CIES)

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. A number of statutory adjustments 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.

3.4 The draft Statutory Statement of Accounts was considered by the Audit & Risk Committee on 25th June 2019.

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

4.1. During the external audit period, the need for certain amendments to the draft financial statements have come to light. These have been mainly presentational matters or alterations to prior year figures to ensure they can be

compared on a like for like basis. Amendments have also been made to the valuation of surplus assets and to the pension entries.

- 4.2. None of these amendments have resulted in a change in the overall level of balances available to the Council to finance its ongoing operations. Any additional amendments proposed after this report was written will be reported 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 the external auditor 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.
- 6.2. At the time of writing this report, the External Audit was still ongoing and a verbal update will be provided if necessary at the meeting.

## **7. FINANCIAL IMPLICATIONS**

- 7.1. The report is exclusively concerned with financial issues.

## **8. LEGAL IMPLICATIONS**

- 8.1. There are no direct legal implications arising from the recommendations contained in this report.  
Emma Horton, Head of Law (Commercial, Property & Planning)

## **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	
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## **10. BACKGROUND PAPERS**

Revenue and capital outturn reports presented the Overview Select Committee on 21st June 2019.

The Draft Statutory Statement of Accounts 2018/19 presented at the Audit & Risk Committee on 25<sup>th</sup> June 2019.

## **11. CONSULTATIONS**

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

## **12. AUTHOR**

Amy Oliver  
Chief Accountant – Corporate Accountancy  
X 54 5667

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



A nighttime photograph of Leicester Cathedral, a large Gothic-style church with a prominent spire. The building is illuminated by warm lights, and the spire is lit with green lights. The sky is dark blue. In the foreground, there are bare trees and a cemetery with tombstones. A semi-transparent blue banner is overlaid across the middle of the image, containing the text "ANNUAL ACCOUNTS", "Leicester City Council", and "2018/19".

# ANNUAL ACCOUNTS

## Leicester City Council

### 2018/19



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# Introductory Statements

# Narrative Statement

This report sets out to provide the context for the Council's financial statements and to demonstrate how the Council has achieved its desired objectives for 2018/19.

## 1. Introduction

Leicester City Council is a unitary authority in the East Midlands, consisting of 54 councillors, representing 22 wards in the city, overseen by a directly elected mayor.

The Council's responsibilities are wide-ranging and include services it is legally required to provide (e.g adult social care and waste collection) as well as discretionary services such as parks, open spaces and leisure centres.



Leicester City Council employs more than 12,000 staff, who are responsible for delivering services to a diverse range of customers. Examples of the areas in which they work are below:

- 732 employees working in Neighbourhood and Environmental Services
- 700 employees working in Adult Social Care
- 700 employees working in Children's Social Care
- 1,000 employees working in Housing
- 267 employees working in Public Health & Sports
- Over 6,500 employees working within our schools.

The council has reduced its gender pay gap to 0.46% based on a mean hourly rate. This is significantly lower than the public sector average of 17.99%.

The vision of the Council is that we will work with creativity and drive for the benefit of the people that live and work in our city. To achieve this, we have committed to five values:

- Confidence
- Clarity
- Respectfulness
- Fairness
- Accountability

The Mayor's vision for the Council is to enhance people's confidence and pride in our city, because when people feel proud about where they live they become part of it. The Mayor's key pledges in 2018/19 are:

- Connecting Leicester
- Quality public transport
- Transforming the Waterside
- Increasing school places
- Attracting investment, jobs and skills

These key pledges set the medium to the long – term strategies of the Council.

Some of the key outcomes from the Mayor's pledges in 2018/19 have been:

- Continuing significant infrastructure works to improve local transport routes through the City.
- The Council continues to manage its budget without crisis.
- The first new homes have been built at Ashton Green and a development partner has been secured to deliver the next 350 homes. An additional £10million from Homes England has been secured.
- An additional 1306 school places
- Continued improvement/commitment in Children's Service for children in need of help and protection, looked after children and care leavers since the 2017 opinion.

# Narrative Statement

## 2. Financial Performance

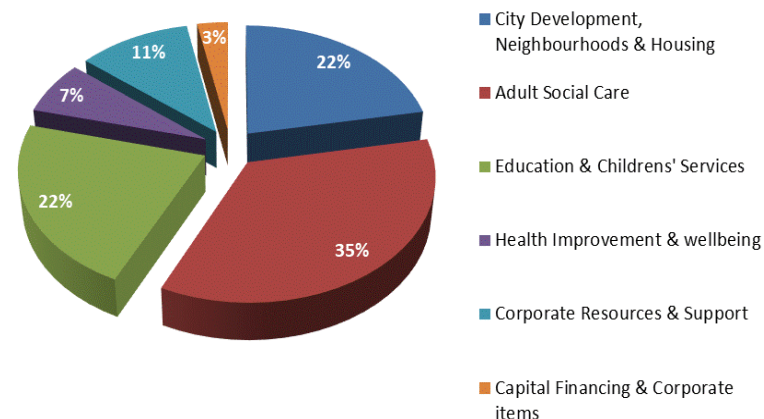
Since 2010/11 there have been significant funding reductions, and this is forecast to continue. The Council has addressed the issue through a programme of spending reviews, which are seeking savings from a range of service areas. This approach is complemented by a 'managed reserves strategy', whereby reserves have been consciously increased to buy time to implement future reductions in a planned way.

Net expenditure on provision of services was £312m in 2018/19 and £349m in 2017/18. The chart to the right sets out the spend by General Fund service area.

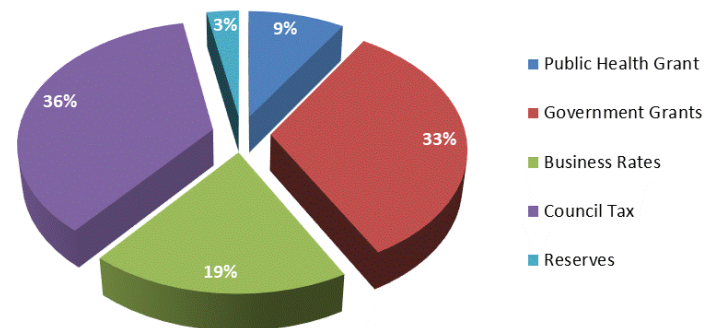
The services above are funded through various resources as demonstrated below.

The Expenditure and Funding Analysis at note 2 in the accounts shows the relationship between the outturn position above and what is reported in the Council's Comprehensive Income & Expenditure Statement.

**2018/19 Spend by Category**  
(General Fund Net Spend)



**2018/19 Sources of Funding**  
(General Fund)

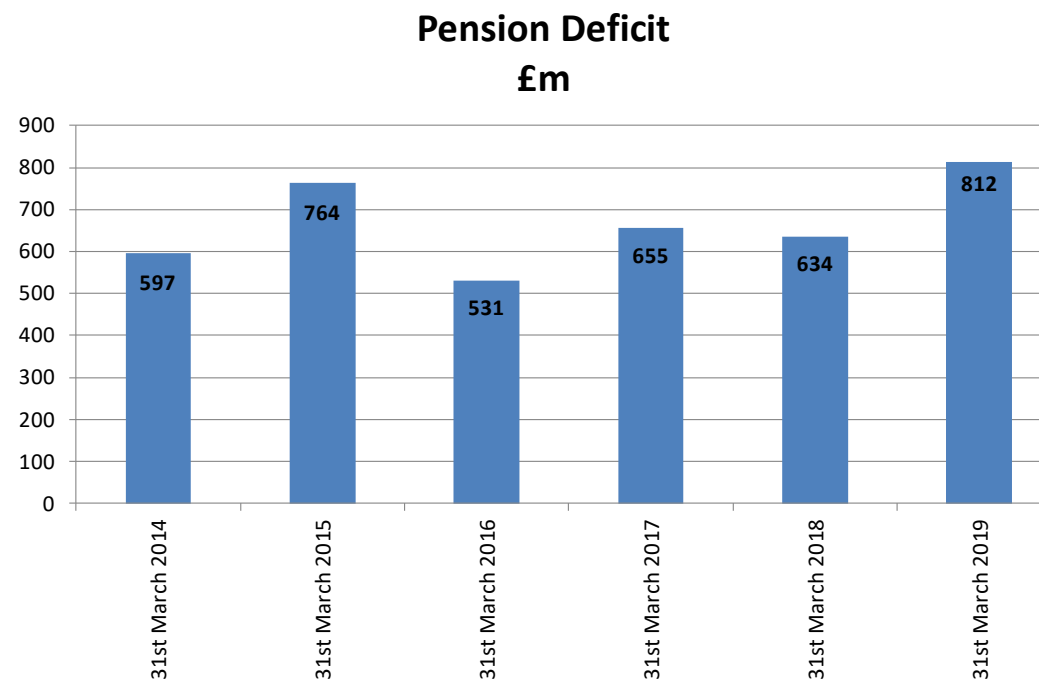


# Narrative Statement

## Pension Liabilities

The Council is a member of the Leicestershire local authority pension scheme. In common with most such schemes, the Council's share of the pension fund shows a significant deficit. This represents the difference between expected investment returns and the cost of providing benefits to scheme members which have been earned to date.

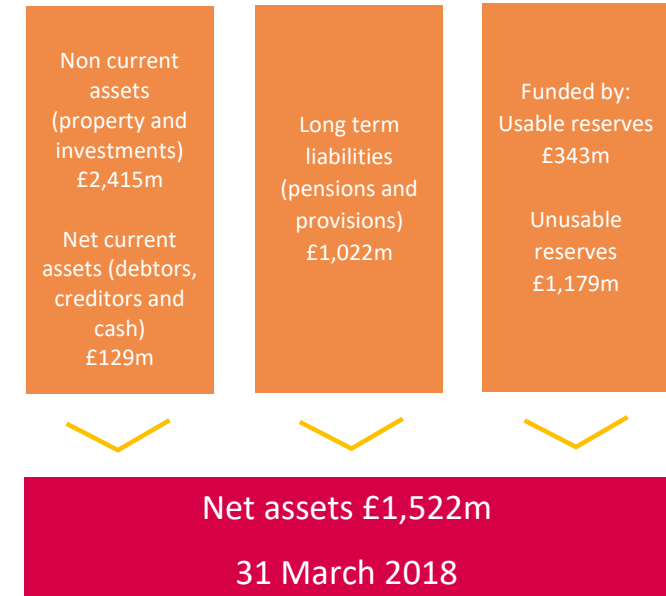
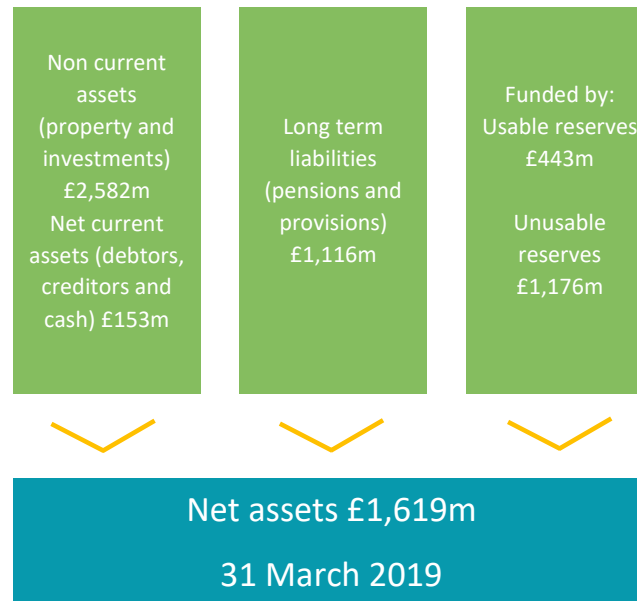
Variations between the years will occur, principally due to changes in assumptions made by the scheme actuaries about the growth of future liabilities and rates of returns on the fund's investments. The graph to the right illustrates the volatility that can occur on a year-by-year basis because of these changes, and hence, the limited context in which annual movements should be viewed.



# Narrative Statement

## Net Assets

The Council maintains a strong balance sheet despite financial challenges, with net assets of £1,619m at 31st March 2019 (£1,522m at 31st March 2018).



## Cash Flow Management

Cash management differs from budget management in that cash balances do not represent sums which could be used to support the budget.

Cash & Cash equivalents at 31st March 2019 were £42m, £2m lower than the previous year. A substantial portion of the Council's cash balances can only be used to repay debt, but this is seldom possible as Government rule changes made it prohibitively expensive to repay PWLB debt. However the Council prematurely repaid £51m of market loans during 2018/19.



# Narrative Statement

## Capital

The Council has an ambitious capital programme aimed at regenerating the City, including:

- Neighbourhood works
- Council house improvements
- Additional school places

Capital expenditure of £107m was incurred in 2018/19 compared to £101m in 2017/18. Details of the spending can be seen in the table.

The key projects within 2018/19 that are expected to continue during 2019/20 and beyond are Leicester North West transport scheme, redevelopment of Waterside, and creation of additional school places.

Capital Expenditure 2018-19		
Category	£m	Spending includes;
Planning, Development & Transport	27.9	Waterside Strategic Regeneration Area, Ashton Green, Connecting Leicester, Townscape Heritage Initiative
Housing Revenue Account	22.4	Council house improvements; including environment and communal
Schools	22.7	Primary and secondary expansions and school's maintenance
Tourism, Culture & Inward Investment	6.1	Leicester Market redevelopment
Estates & Building Services	1.9	Haymarket House and Horsefair Street
Neighbourhood & Environmental Services	0.8	New library management system and St Mary's Allotment improvements.
Housing General Fund	2.5	Disabled facilities grant, repayable home repair loans
Property Unit Trusts	8.3	Investment of cash balances to receive better returns
Other	3.2	ICT Investment and Adult Social Care capital schemes
<b>Sub total</b>	<b>95.8</b>	
Leicester & Leicestershire Economic Partnership	11.3	Spend of Local Growth Fund and other grants on projects in the city and county
<b>TOTAL</b>	<b>107.1</b>	

**Vehicle Replacement Scheme - New Electric Vehicles**



**Ashton Green**



# Narrative Statement

## **3. Governance**

Details regarding the Council's governance arrangements can be found in the Annual Governance Statement (page 153) along with the significant risks facing the authority.

## **4. Looking Ahead**

The Council has set a balanced budget for 2019/20 and is continuing to make savings through its Spending Review Programme. This has been assisted following the approval of a business rates pilot bid submitted by the City and Leicestershire Councils. However, there is significant uncertainty over the funding levels beyond as we await the outcomes of the Government's Spending and Fair Funding Reviews. The budget for 2019/20 assumes further cuts in 2020/21 and 2021/22 but the level is currently unclear. Further detail on the Council's long-term strategy can be found in the budget report; <http://www.cabinet.leicester.gov.uk:8071/documents/s100211/General%20Fund%20Budget%20Report%202019-20.pdf>

In common with other authorities nationally, we continue to face growth in social care costs. While this acknowledged as a national pressure, there is no national consensus on the means of meeting these costs in the future. Government intentions for social care funding beyond 2019/20 are not known. A Green Paper was

planned in 2018, although it has been delayed several times and the final publication date is unclear. It will be some time before any reforms have an impact on our costs.

Like all sectors in the UK the Council is currently managing the risk of a no-deal EU exit and the challenges this may place on the Council. Until there is a clear plan on the UK's withdrawal from the European Union the Council is unaware of the impact it might have on the Services it provides but is monitoring any changes closely.

Further detail on the risks facing the Council can be found in the Annual Governance Statement.

## **5. Conclusion**

The Council will continue to operate within a reducing revenue budget envelope for the immediate future. With continuing demographic and needs led pressures, managing within its means whilst providing good quality services will remain the primary challenge to the Council.

The Council will need to continue to work to ensure that it uses its cash and fixed asset resources in the most efficient and effective way possible. This will be important in maximising available resources whilst operating with prudent financial disciplines.

Further details on the Council's organisational structure, corporate plans and strategic issues can be found in the Annual Governance Statement.

# Narrative Statement

## 6. Structure of the Statement of Accounts and Core Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2019. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. This is based on International Financial Reporting Standards adopted for use in the public sector context.

The Core Statements are:

- The **Comprehensive Income and Expenditure Statement (CIES)** – this shows the net cost of providing services. This statement is prepared on the accounting basis. The Expenditure and Funding Analysis compares the CIES with the level of income and expenditure which are taken into account when setting the annual budget and council tax, since certain amounts are disregarded under statute.
- The **Movement in Reserves Statement** is a summary of the changes in the Council's reserves over the course of the year. Reserves are divided into usable reserves which can be used to fund future expenditure and unusable reserves which are maintained to meet statutory responsibilities.

- The **Balance Sheet** shows the Council's assets and liabilities at the year end. Net assets are matched by reserves which may be usable or unusable.
- The **Cash Flow Statement** shows the changes in cash and cash equivalents during the year and explains the reasons.

The Supplementary Financial Statements are:

- The **Annual Governance Statement** which provides an overview of the Council's key governance arrangements. Along with updating readers on the conclusions of the annual review, including any changes and improvements that are being made.
- The **Housing Revenue Account** is a statutory ringfenced account relating to the provision of rented social housing.
- The **Collection Fund** which records all income and expenditure in relation to council tax and business rates and the redistribution to precepting authorities.

The notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

## **Group Accounts Preparation:**

The Council has not identified any subsidiaries, associated companies or joint ventures in which it has material interest and therefore is not required to prepare group accounts.

# Statement of Responsibilities for the Statement of Accounts

## 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 the

.....2019.

Cllr .....Date .....

## Statement of Responsibilities for the Statement of Accounts (continued)

### The Director of Finance's Responsibilities

The Director of Finance 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 Director of Finance 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 2019.

**Signed:**

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

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# Independent Auditor's Report to the Members of Leicester City Council







# Core Financial Statements



# Comprehensive Income and Expenditure Statement

The **Comprehensive Income and Expenditure Statement** shows the Council's actual financial performance for the year on the accounting basis, measured in terms of the resources consumed and generated over the financial period under the relevant accounting standards. This statement shows a surplus in 2018/19 of £98m.

Total comprehensive income and expenditure includes various transactions which illustrate aspects of the Council's financial position but do not impact on the 'bottom line' amounts chargeable to taxpayers, in particular gains on the revaluation of pension liabilities and gains on revaluation of property assets.

Restated 2017/18			2018/19			
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp
£000	£000	£000	Note	£000	£000	£000
209,897	(69,897)	140,000	City Development & Neighbourhoods	191,588	(84,194)	107,394
82,103	(85,005)	(2,902)	Housing Revenue Account (HRA)	87,248	(82,573)	4,675
147,666	(55,163)	92,503	Adult Social Care	152,819	(64,104)	88,715
26,701	(32,704)	(6,003)	Health Improvement & Wellbeing	27,387	(33,089)	(5,702)
414,559	(314,291)	100,268	Education & Children's Services	394,925	(311,314)	83,611
41,983	(7,700)	34,283	Corporate Resources & Support	41,478	(10,526)	30,952
121,249	(121,777)	(528)	Housing Benefits	108,548	(112,075)	(3,527)
(7,471)	(446)	(7,917)	Corporate Items	6,223	(313)	5,910
31	(517)	(486)	Capital Financing	-	(517)	(517)
<b>1,036,718</b>	<b>(687,500)</b>	<b>349,218</b>	<b>Cost of Services</b>	<b>1,010,216</b>	<b>(698,705)</b>	<b>311,511</b>

## Comprehensive Income and Expenditure Statement (continued)

Restated 2017/18			2018/19			
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp
£000	£000	£000	Note	£000	£000	£000
		51,622	Other Operating Expenditure	12		34,828
		36,441	Financing and Investment Income and Expenditure	13		53,164
		(297,481)	Taxation and Non-Specific Grant Income	14		(346,832)
		<b>139,800</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>15</b>		<b>52,671</b>
		(132,132)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	27b		(280,040)
		(58,179)	Remeasurement of the Net Defined Benefit Liability	43		129,710
		<b>(190,311)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(150,330)</b>
		<b>(50,511)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(97,659)</b>

# Movement in Reserves Statement

The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (those that can be applied to fund expenditure or reduce local taxation) and unusable reserves which contain items that illustrate the difference between the Council’s financial position under accounting standards (the “accounting basis”) and the amount charged to the taxpayer for the year (the “funding basis”).

2018/19		General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Restated Balance at 31st March 2018 brought forward</b>		<b>(15,000)</b>	<b>(189,962)</b>	<b>(204,962)</b>	<b>(30,745)</b>	<b>-</b>	<b>(84,742)</b>	<b>(22,259)</b>	<b>(342,708)</b>	<b>(1,178,863)</b>	<b>(1,521,571)</b>
Total Comprehensive Expenditure and Income		24,379	-	24,379	28,292	-	-	-	<b>52,671</b>	(150,330)	<b>(97,659)</b>
Adjustments between accounting basis & Funding basis under regulation	10	(56,422)	-	(56,422)	(28,055)	-	(21,081)	(47,406)	<b>(152,964)</b>	152,964	-
Transfers to/(from) Earmarked Reserves *	11	32,043	(32,043)	-	-	-	-	-	-	-	-
<b>Balance at 31st March 2019 carried forward</b>		<b>(15,000)</b>	<b>(222,005)</b>	<b>(237,005)</b>	<b>(30,508)</b>	<b>-</b>	<b>(105,823)</b>	<b>(69,665)</b>	<b>(443,001)</b>	<b>(1,176,229)</b>	<b>(1,619,230)</b>

\*For further detail, please refer to Note 11 - Transfer to and from Earmarked Reserves, Note 27 - Unusable Reserves and Housing Revenue Account (HRA)

## Movement in Reserves (continued)

Restated 2017/18		General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Restated Balance at 31st March 2017 brought forward</b>		<b>(15,000)</b>	<b>(190,581)</b>	<b>(205,581)</b>	<b>(23,348)</b>	<b>(1,200)</b>	<b>(54,950)</b>	<b>(31,609)</b>	<b>(316,688)</b>	<b>(1,154,372)</b>	<b>(1,471,060)</b>
Total Comprehensive Expenditure and Income		128,529	-	128,529	11,271	-	-	-	<b>139,800</b>	(190,311)	<b>(50,511)</b>
Adjustments between accounting basis & Funding basis under regulation	10	(127,910)	-	(127,910)	(18,668)	1,200	(29,792)	9,350	<b>(165,820)</b>	165,820	-
Transfers to/(from) Earmarked Reserves *	11	(619)	619	-	-	-	-	-	-	-	-
<b>Restated Balance at 31st March 2018 carried forward</b>		<b>(15,000)</b>	<b>(189,962)</b>	<b>(204,962)</b>	<b>(30,745)</b>	<b>-</b>	<b>(84,742)</b>	<b>(22,259)</b>	<b>(342,708)</b>	<b>(1,178,863)</b>	<b>(1,521,571)</b>

\*For further detail, please refer to Note 11 - Transfer to and from Earmarked Reserves, Note 27 - Unusable Reserves and Housing Revenue Account (HRA)

## Balance Sheet

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

The top of the Balance Sheet shows the Council's 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 25), the Council's borrowing and the deficit on the Council's pension fund.

The bottom of the Balance Sheet shows how the Council's net assets are financed by reserves, which are divided into usable and unusable reserves.

Restated 31st March 2017 £000	Restated 31st March 2018 £000		Note	31st March 2019 £000
2,253,458	2,258,983	Property, Plant & Equipment	16	2,465,963
109,053	111,409	Heritage Assets	17	92,227
2,627	3,374	Intangible Assets	18	1,600
4,990	32,500	Long Term Investments	19	15,000
9,855	8,965	Long Term Debtors	21	7,741
<b>2,379,983</b>	<b>2,415,231</b>	<b>Long Term Assets</b>		<b>2,582,531</b>
168,026	192,380	Short Term Investments	19	200,021
14,582	4,284	Assets Held For Sale (<1 year)	23	3,863
2,423	2,758	Inventories	20	3,032
50,242	51,501	Short Term Debtors	21	49,409
18,336	44,068	Cash and Cash Equivalents	22	41,673
<b>253,609</b>	<b>294,991</b>	<b>Current Assets</b>		<b>297,998</b>



## Balance Sheet (continued)

Restated 31st March 2017 £000	Restated 31st March 2018 £000		Note	31st March 2019 £000
(10,292)	(19,995)	Short Term Borrowing	19	(11,091)
(113,686)	(141,220)	Short Term Creditors	24	(128,016)
(4,467)	(5,097)	Provisions (<1 year)	25	(6,052)
<b>(128,445)</b>	<b>(166,312)</b>	<b>Current Liabilities</b>		<b>(145,159)</b>
(7,792)	(7,225)	Provisions (>1 year)	25	(6,602)
(243,063)	(234,495)	Long Term Borrowing	19	(180,119)
(770,227)	(743,818)	Other Long Term Liabilities	19	(915,673)
(13,005)	(36,801)	Capital Grants Receipts in Advance	36	(13,746)
<b>(1,034,087)</b>	<b>(1,022,339)</b>	<b>Long Term Liabilities</b>		<b>(1,116,140)</b>
<b>1,471,060</b>	<b>1,521,571</b>	<b>Net Assets</b>		<b>1,619,230</b>
<u>Represented by:</u>				
316,688	342,708	Usable Reserves	26	443,001
1,154,372	1,178,863	Unusable Reserves	27	1,176,229
<b>1,471,060</b>	<b>1,521,571</b>	<b>Total Reserves</b>		<b>1,619,230</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.

<b>Restated 2017/18</b>			<b>2018/19</b>
<b>£000</b>		<b>Note</b>	<b>£000</b>
139,800	Net (surplus) or deficit on the provision of services		52,671
(267,424)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	28	(189,153)
95,695	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	28	144,206
<b>(31,929)</b>	<b>Net cash flows from Operating Activities</b>		<b>7,724</b>
4,117	Net cash flows from Investing Activities	29	(69,024)
2,080	Net cash flows from Financing Activities	30	63,695
<b>(25,732)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>2,395</b>
18,336	Cash in hand / (overdraft) and cash equivalents at the beginning of the reporting period		44,068
<b>44,068</b>	<b>Cash in hand / (overdraft) and cash equivalents at the end of the reporting period</b>	<b>22</b>	<b>41,673</b>

# Explanatory Notes To The Core Financial Statements

# Note 1 Accounting Policies

## Changes in Accounting Policies

In 2018/19 the main changes relate to the introduction of the two new accounting standards;

- IFRS9 - Financial Instruments
- IFRS15 - Revenue from Contracts with Customers

The new standards have been incorporated into the accounting policies .

## Accounting Policies for 2018/19

### 1. General Principles

The Statement of Accounts summarises the City Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Council is required to prepare an annual statement by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority accounting in the United Kingdom 2018/19, 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. Figures within the Statement of Accounts may be adjusted by up to £2,000 to

take account of rounding differences arising due to reporting figures in thousands (£000s)

### 2. Recognition of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the good or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- 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
- 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.

Where revenue and expenditure have been recognised but cash has not been received or

paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 3. 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.

### 4. 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. Depreciation is calculated on opening Net Book Values

## Note 1 Accounting Policies (continued)

### 4. Charges to Revenue for Non-Current Assets (continued)

- Revaluation & impairment losses on assets used by the service where there were no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- 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. This is known as "Minimum Revenue Provision" (MRP). The Council is also able to make additional voluntary MRP known as "Voluntary Set Aside" (VSA).

Depreciation, revaluations, impairment losses and amortisations are therefore replaced by MRP and VSA in the Movement in Reserves Statement, by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two.

The Council's full policy on the calculation of Minimum Revenue Provision is set out in the annual budget approved by Council. The Council's MRP policy brings the charge into line with asset lives.

In years prior to 2018/19, additional voluntary set aside was made to bring the total MRP to an amount equal to that required by earlier government guidance.

### 5. Council Tax & Non Domestic Rates

The Council as a billing authority acts as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principles, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

#### Accounting for Council Tax and NDR

The council tax and NDR income included the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Councils General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the

General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of the year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

### 6. 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 renders the service. An accrual is made for the 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.

## Note 1 Accounting Policies (continued)

### 6. Employee Benefits (continued)

#### 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 CIES when the Council is committed to the termination, or makes 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 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 CIES 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.

- The assets of the Leicestershire County Council Pension fund attributable to Leicester City Council are included in the Balance Sheet at their fair 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 CIES 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 CIES 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.

## Note 1 Accounting Policies (continued)

### 6. Employee Benefits (continued)

#### Post-employment Benefits (continued)

- 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 a 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.

### 7. 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.

## 8. Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:



## Note 1 Accounting Policies (continued)

### 8. Financial Instruments (continued)

#### Financial Assets (continued)

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

### 9. 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.

Amounts recognised as due to the Council are not credited to the CIES until conditions

attached to the grant or contributions have been satisfied. 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.

Monies advanced as grants and contribution for which conditions have not been satisfied are carried in the Balance Sheet as creditors.

### 10. 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.

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 is a lessor and 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 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).

#### *Council as Lessee*

Where the Council is a lessee and 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 asset's 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.



## Note 1 Accounting Policies (continued)

### 10. Leases (continued)

- Charge for acquisition and debited against the lease liability created when the non-current asset is recognised on the Balance Sheet.

### 11. Property Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### *Recognition:*

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, subject to a de minimis limit of £10k so that small items of expenditure may be 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.

#### *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 current value. Gains are credited to the Revaluation Reserve and included in the Other Comprehensive Income and Expenditure line of the CIES.

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

- Council dwellings – current value using basis of existing use value for social housing.
- Vehicles, plant and equipment - mainly at historic cost net of depreciation, with a few assets being subject to current value measurement.
- Infrastructure assets, Community assets and Assets under Construction – depreciated historic cost or nominal value in the main, with few being subject to current value measurement.
- All other assets including surplus assets - current value, determined as the amount that would be paid for the asset in existing use (based on market value at highest and best use).

Where there is no market based evidence of current value because of the specialised nature of the asset, depreciated replacement cost is used

as an estimate of current value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years and reviewed annually. Annual valuations of council dwellings are carried out by a specialist external valuer.

#### *Impairment:*

The values of each category of asset and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified this is accounted for by charging the loss to the relevant service revenue account where it is clearly attributable to the consumption of economic benefit. Otherwise it is written off against previous revaluation gains attributable to the asset in the Revaluation Reserve, with any excess charges to the relevant service revenue 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 immediately revalued and reclassified as an Asset Held for Sale. The asset is then carried at the lower of that value and current value less costs to sell.

## Note 1 Accounting Policies (continued)

### 11. Property Plant and Equipment (continued)

For assets that no longer meet the criteria of Assets Held For Sale 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). 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 1st 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.

Usable capital receipts are credited to the Usable Capital Receipts Reserve and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement).

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.

#### *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. current less an adjustment for social housing) by the residual life (25-75 years) 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 over 5-7 years.
- 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.

Depreciation is calculated on opening net book values and is based on the remaining useful life on the assets.

#### 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.

## Note 1 Accounting Policies (continued)

### 11. Property Plant and Equipment (continued)

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.

#### Heritage Assets

- Heritage assets are classified and measured on the following basis: Heritage Buildings – Current Value
- Museum/Gallery Exhibits (including Mayoral Regalia and Civic Silver) - Insurance Value (based on revaluation every three years)
- Statues and Monuments - Insurance Value

The carrying amounts in the Balance Sheet of all the assets (i.e. other than museum exhibits and assets held at nominal current value) are reviewed as part of the on-going revaluation programme undertaken by the Council. 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 paragraph 17 – Property, Plant and Equipment on impairment.

Asset purchases will be recognised at cost and acquisitions (for example donations) 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 may dispose of heritage assets which have a doubtful provenance or are unsuitable for display. Proceeds of such items 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 16 – Property, Plant and Equipment.

Heritage Assets are not depreciated.

### 12. 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. 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 asset on its Balance Sheet as part of Property, Plant and Equipment.

The initial recognition of the assets, at current value, is balanced by the recognition of the liability for amounts due to the scheme contractor to pay for the capital investment.

The amounts payable to the PFI contractor each year comprise:

- 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.

### 13. 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 transfer of economic benefits and a reliable estimate can be made to the amount of the obligation.

## Note 1 Accounting Policies (continued)

### 13. Provisions, Contingent Liabilities and Assets (continued)

Provisions are charged as an expense to the appropriate service in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date, taking into account relevant risks and uncertainties.

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.

### 14. Reserves

The Council sets aside specific amounts as usable reserves for future policy provisions or to cover contingencies. Reserves are created by appropriating amounts of the General Fund Balance.

Certain unusable reserves are kept to manage the accounting process for non-current assets, financial instruments, local taxation, retirement

and employee benefits and do not represent usable resources for the Council. These reserves are explained in further detail in Note 27 to the accounts.

### 15. 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, it is transferred from the General Fund to the Capital Adjustment Account so there is no impact on the level of Council Tax.

### 16. Schools

Where the Council determines that the overall balance of control of schools lies within the Council those schools' assets, liabilities, reserves and cash flows are recognised in the Council financial statements. Therefore, schools' transactions, cash flows and balances are recognised in the Financial Statements of the Council as if they were the transactions, cash flows and balances of the Council. Academies and other schools such as voluntary aided schools, where control does not lie with the council, are excluded from the Council's financial statements.

### 17. 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.

## Note 2 Expenditure & Funding Analysis

2018/19	Net Expenditure Charged to the HRA & General Fund Balance*	Adjustments Between Accounting & Funding Basis	Net Expenditure on the Comprehensive Income & Expenditure Statement
	£000	£000	£000
City Development & Neighbourhoods	38,641	68,753	107,394
Housing Revenue Account (HRA)	(10,180)	14,855	4,675
Adult Social Care	84,806	3,909	88,715
Health Improvement & Wellbeing	(7,772)	2,070	(5,702)
Education & Children's Services	44,510	39,101	83,611
Corporate Resources & Support	28,104	2,848	30,952
Housing Benefits	(3,527)	-	(3,527)
Corporate Items	91,912	(86,002)	5,910
Capital Financing	(517)	-	(517)
<b>Cost of Services</b>	<b>265,977</b>	<b>45,534</b>	<b>311,511</b>
Other Operating Expenditure	34,828	-	34,828
Financing and Investment Income and Expenditure	14,782	38,382	53,164
Taxation and Non-Specific Grant Income	(347,393)	561	(346,832)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(31,806)</b>	<b>84,477</b>	<b>52,671</b>
<b>Movement in Balances</b>	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>
Opening Balance	(204,962)	(30,745)	(235,707)
Surplus or Deficit in the Year	(32,043)	237	(31,806)
<b>Closing Balance</b>	<b>(237,005)</b>	<b>(30,508)</b>	<b>(267,513)</b>

\*This includes Earmarked Reserves and General Fund balance.

## Note 2 Expenditure & Funding Analysis (continued)

Restated 2017/18	Net Expenditure Charged to the HRA & General Fund Balance*	Adjustments Between Accounting & Funding Basis	Net Expenditure on the Comprehensive Income & Expenditure Statement
	£000	£000	£000
City Development & Neighbourhoods	41,344	98,656	140,000
Housing Revenue Account (HRA)	(19,784)	16,882	(2,902)
Adult Social Care	88,398	4,105	92,503
Health Improvement & Wellbeing	(6,645)	642	(6,003)
Education & Children's Services	62,581	37,687	100,268
Corporate Resources & Support	31,308	2,975	34,283
Housing Benefits	(528)	-	(528)
Corporate Items	26,944	(34,861)	(7,917)
Capital Financing	(486)	-	(486)
<b>Cost of Services</b>	<b>223,132</b>	<b>126,086</b>	<b>349,218</b>
Other Operating Expenditure	51,622	-	51,622
Financing and Investment Income and Expenditure	19,097	17,344	36,441
Taxation and Non-Specific Grant Income	(300,629)	3,148	(297,481)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(6,778)</b>	<b>146,578</b>	<b>139,800</b>
<b>Movement in Balances</b>	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>
Opening Balance	(205,581)	(23,348)	(228,929)
Surplus or Deficit in the Year	619	(7,397)	(6,778)
<b>Closing Balance</b>	<b>(204,962)</b>	<b>(30,745)</b>	<b>(235,707)</b>

\*This includes Earmarked Reserves and General Fund balance.

## Note 3 Accounting Standards Issued But Not Yet Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The following standards have been issued but have not been adopted under the Code of Practice for 2018/19;

**IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

**IAS 40 Investment Property** Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.

**IFRIC 22 Foreign Currency Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

**IFRIC 23 Uncertainty over Income Tax Treatments** provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the accounts.

**IFRS 9 Financial instruments** prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.



## Note 4 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1 of this Statement of Accounts, 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 Council's management has used its judgement and determined that its financial strategy is robust and that this uncertainty is not yet sufficient to affect the assumptions underpinning the strategy and that the Council will continue as a going concern.

### Recognition of School Assets

Since 2014-15 the Council has adopted a policy of recognising only community school land and buildings as non-current assets in the balance sheet. Voluntary aided and foundation school assets are not recognised as Council assets as ownership and/or control of them lie with the bodies that manage them. Assets of community schools that transfer to academies are written out of the balance sheet in the year in which transfer of school management takes place.



## Note 5 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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by approximately £2m for every year that useful lives had to be reduced.</p>
Fair Value Measurements	Most financial and property assets are now held at Fair Value (see Accounting Policies & Notes 16 & 19 for more information). When there is no quoted market value for an asset, the Council applies other valuation methods in accordance with the Code of Practice and the underlying IFRS 13 standard, but these may incorporate elements of judgement around risks and the basis of assumptions.	It is not possible to quantify the level of variance that may arise if assumptions used differ from actual asset values. The Council is confident, however, that the risk of any differences impacting on the level of usable reserves or the overall financial strategy is low.

**Note 5** Assumptions made about the future and other major sources of estimation uncertainty continued

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 on 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 a 11% increase to the employers liability amounting to approximately £231m. A 0.5% increase in the Pension Increase Rate would mean an 9% increase to the employers' liability amounting to £193m. A 0.5% increase in the projected rate of salary increased would lead to an increased liability of 2% or £34m.
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.

**Note 5** Assumptions made about the future and other major sources of estimation uncertainty continued

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates Appeals	The Council 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 and any other known information. Different averages have been calculated for the different types of appeal and property types. As at 31st March 2019, 759 appeals were outstanding relating to 516 properties.	The provision made by the Council stands at £6.9m at 31st March 2019. This calculation is based on a range of sources including professional advice. 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. It is the Council's judgement that the impact of any error would not have a material impact on these financial statements.

## Note 6 Prior Period Adjustment

The Council has been required to make a prior period adjustment in relation to its treatment of grants. For the restatement the Council has changed the treatment to be in line with the requirements of the CIPFA Code. The adjustment recognised grant income previously held as a receipt in advance or creditor in the balance sheet. The grant money is now held in our earmarked reserve to be used for the purpose it was granted.

The fully restated balance sheet is shown on page 22 the adjustments made are shown in the following tables;

### Effect on line items in the Balance Sheet 31st March 2017

	31st March 2017	31st March 2017	
	As Originally Stated	As Restated	Amount of Restatement
	£000	£000	£000
<b>Long Term Assets</b>	<b>2,379,983</b>	<b>2,379,983</b>	<b>-</b>
<b>Current Assets</b>	<b>253,609</b>	<b>253,609</b>	<b>-</b>
Short Term Creditors	(133,445)	(113,688)	19,757
<b>Current Liabilities</b>	<b>(148,204)</b>	<b>(128,447)</b>	<b>19,757</b>
<b>Long Term Liabilities</b>	<b>(1,034,087)</b>	<b>(1,034,087)</b>	<b>-</b>
<b>Net Assets</b>	<b>1,451,301</b>	<b>1,471,058</b>	<b>19,757</b>
<u>Represented by:</u>			
Usable Reserves	296,930	316,687	19,757
<b>Total Reserves</b>	<b>1,451,301</b>	<b>1,471,058</b>	<b>19,757</b>

## Note 6 Prior Period Adjustment (continued)

### Effect on line items in the Balance Sheet 31st March 2018

	31st March 2018	31st March 2018	
	As Originally Stated	As Restated	Amount of Restatement
	£000	£000	£000
<b>Long Term Assets</b>	<b>2,415,231</b>	<b>2,415,231</b>	<b>-</b>
Short Term Debtors	50,653	51,501	848
<b>Current Assets</b>	<b>294,143</b>	<b>294,991</b>	<b>848</b>
Short Term Creditors	(163,838)	(141,220)	22,618
<b>Current Liabilities</b>	<b>(188,930)</b>	<b>(166,312)</b>	<b>22,618</b>
<b>Long Term Liabilities</b>	<b>(1,022,339)</b>	<b>(1,022,339)</b>	<b>-</b>
<b>Net Assets</b>	<b>1,498,105</b>	<b>1,521,571</b>	<b>23,466</b>
<u>Represented by:</u>			
Usable Reserves	319,242	342,708	23,466
<b>Total Reserves</b>	<b>1,498,105</b>	<b>1,521,571</b>	<b>23,466</b>

## Note 6 Prior Period Adjustment (continued)

The fully restated Comprehensive Income Expenditure Statement is shown on page 18, the adjustments made in 2017/18 are shown in the table below;

### Effect on Comprehensive Income and Expenditure Statement 2017/18

	2017/18 Net Exp	2017/18 Net Exp	
	As Originally Stated	As Restated	Amount of Restatement
	£000	£000	£000
City Development & Neighbourhoods	140,678	140,000	678
Housing Revenue Account (HRA)	(2,902)	(2,902)	-
Adult Social Care	93,429	92,503	926
Health Improvement & Wellbeing	(6,029)	(6,003)	(26)
Education & Children's Services	101,524	100,268	1,256
Corporate Resources & Support	34,303	34,283	20
Housing Benefits	(528)	(528)	-
Corporate Items	(7,917)	(7,917)	-
Capital Financing	(486)	(486)	-
<b>Cost of Services</b>	<b>352,072</b>	<b>349,218</b>	<b>2,854</b>
	2017/18 Net Exp	2017/18 Net Exp	
	As Originally Stated	As Restated	Amount of Restatement
	£000	£000	£000
Other Operating Expenditure	51,622	51,622	-
Financing and Investment Income and Expenditure	36,441	36,441	-
Taxation and Non-Specific Grant Income	(296,628)	(297,481)	853
<b>(Surplus) or Deficit on Provision of Services</b>	<b>143,507</b>	<b>139,800</b>	<b>3,707</b>
Other Comprehensive Income & Expenditure	(190,311)	(190,311)	-
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(46,804)</b>	<b>(50,511)</b>	<b>3,707</b>

## Note 6 Prior Period Adjustment (continued)

The fully restated Movement Reserves Statement is shown on page 20. The prior period adjustment only effected the Usable Reserve balances in 2017/18 and are shown in the table below;

### Movement in Reserves Statement - Usable Reserves 2017/18

	2017/18	2017/18	
	As Originally Stated	As Restated	Amount of Restatement
	£000	£000	£000
<b>Balance at the end of the previous reporting period 31st March 2017</b>	<b>296,930</b>	<b>316,687</b>	<b>19,757</b>
Surplus or (Deficit) on the Provision of Services	(143,507)	(139,800)	3,707
Adjustments between accounting basis and funding basis under regulations	165,820	165,820	-
<b>Increase or (Decrease) in the year</b>	<b>22,313</b>	<b>26,020</b>	<b>3,707</b>
<b>Balance at the end of the current reporting period 31st March 2018</b>	<b>319,243</b>	<b>342,707</b>	<b>23,464</b>

## Note 6 Prior Period Adjustment (continued)

The fully restated Cashflow is shown on page 24. The prior period had no effect on the bottom line cash position in 2017/18 as shown in the table below;

### Effect on Cashflow Statement 2017/18

	2017/18 As Originally Stated	2017/18 As Restated	Amount of Restatement
	£000	£000	£000
Net (surplus) or deficit on the provision of services	143,507	139,798	(3,709)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(271,131)	(267,422)	3,709
Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	95,695	95,695	-
<b>Net cash flows from Operating Activities</b>	<b>(31,929)</b>	<b>(31,929)</b>	<b>-</b>
Net cash flows from Investing Activities	4,117	4,117	-
Net cash flows from Financing Activities	2,080	2,080	-
<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(25,732)</b>	<b>(25,732)</b>	<b>-</b>
Cash (in hand), overdraft and cash equivalents at the beginning of the reporting period	18,336	18,336	-
<b>Cash (in hand), overdraft and cash equivalents at the end of the reporting period</b>	<b>44,068</b>	<b>44,068</b>	<b>-</b>



## Note 7 Material Items of Income and Expense

There are no material items of income and expenditure.

## 51 Note 8 Events After the Balance Sheet Date

There were no significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements.

## Note 9 Note to the Expenditure and Funding Analysis

The following tables provide reconciliations between the main adjustments to Net Expenditure Chargeable to the General Fund and Housing Revenue Account balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. For the General Fund this also includes Earmarked Reserves.

2018/19	Adjustments Between Accounting & Funding Basis					Net Expenditure Charged to the HRA & General Fund Balance
	Net Expenditure on the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes	Adjustments for Defined Benefit Pensions	Other Adjustments	Total	
	£000	£000	£000	£000	£000	£000
City Development & Neighbourhoods	107,394	(63,548)	(5,176)	(29)	(68,753)	38,641
Housing Revenue Account (HRA)	4,675	(12,451)	(2,377)	(27)	(14,855)	(10,180)
Adult Social Care	88,715	(1,708)	(2,178)	(23)	(3,909)	84,806
Health Improvement & Wellbeing	(5,702)	(1,507)	(560)	(3)	(2,070)	(7,772)
Education & Children's Services	83,611	(30,489)	(7,843)	(769)	(39,101)	44,510
Corporate Resources & Support	30,952	30	(2,853)	(25)	(2,848)	28,104
Housing Benefits	(3,527)	-	-	-	-	(3,527)
Corporate Items	5,910	95,427	(9,425)	-	86,002	91,912
Capital Financing	(517)	-	-	-	-	(517)
<b>Cost of Services</b>	<b>311,511</b>	<b>(14,246)</b>	<b>(30,412)</b>	<b>(876)</b>	<b>(45,534)</b>	<b>265,977</b>
Other Operating Expenditure	34,828	-	-	-	-	34,828
Financing and Investment Income and Expenditure	53,164	-	(17,473)	(20,909)	(38,382)	14,782
Taxation and Non-Specific Grant Income	(346,832)	-	-	(561)	(561)	(347,393)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>52,671</b>	<b>(14,246)</b>	<b>(47,885)</b>	<b>(22,346)</b>	<b>(84,477)</b>	<b>(31,806)</b>

## Note 9 Note to the Expenditure and Funding Analysis (continued)

Restated 2017/18	Adjustments Between Accounting & Funding Basis					Net Expenditure Charged to the HRA & General Fund Balance
	Net Expenditure on the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes	Adjustments for Defined Benefit Pensions	Other Adjustments	Total	
	£000	£000	£000	£000	£000	£000
City Development & Neighbourhoods	140,000	(93,630)	(4,794)	(232)	(98,656)	41,344
Housing Revenue Account (HRA)	(2,902)	(14,155)	(2,706)	(21)	(16,882)	(19,784)
Adult Social Care	92,503	(1,500)	(2,484)	(121)	(4,105)	88,398
Health Improvement & Wellbeing	(6,003)	-	(603)	(39)	(642)	(6,645)
Education & Children's Services	100,268	(29,592)	(9,167)	1,072	(37,687)	62,581
Corporate Resources & Support	34,283	346	(3,234)	(87)	(2,975)	31,308
Housing Benefits	(528)	-	-	-	-	(528)
Corporate Items	(7,917)	31,375	3,486	-	34,861	26,944
Capital Financing	(486)	-	-	-	-	(486)
<b>Cost of Services</b>	<b>349,218</b>	<b>(107,156)</b>	<b>(19,502)</b>	<b>572</b>	<b>(126,086)</b>	<b>223,132</b>
Other Operating Expenditure	51,622	-	-	-	-	51,622
Financing and Investment Income and Expenditure	36,441	-	(17,258)	(86)	(17,344)	19,097
Taxation and Non-Specific Grant Income	(297,481)	-	-	(3,148)	(3,148)	(300,629)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>139,800</b>	<b>(107,156)</b>	<b>(36,760)</b>	<b>(2,662)</b>	<b>(146,578)</b>	<b>(6,778)</b>

## Note 9 Note to the Expenditure and Funding Analysis (continued)

### Adjustments for Capital Purposes

This column adds depreciation, impairment and revaluation gains and losses into the services line, and for:

- **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and Investment Income and Expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and Non-specific Grant Income and Expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions are satisfied in the year.

### Net Change for Pensions Adjustments

This column is for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charges to the CIES.

### Other Adjustments

These columns reflect other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable receivable to be recognised under statute.

- For Financing and Investment Income and Expenditure figures reflect the adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under taxation and non-specific grant income and expenditure figures reflect the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected

to be received at the start of the year and the income.

- The reversal of officers remuneration chargeable on an accruals basis is different to that chargeable under statutory requirements

# Note 10 Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustment	2018/19					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:						
Charges for depreciation, impairment and amortisation of non-current assets	(71,033)	(31,195)	-	-	-	102,228
Revaluation losses on Property Plant and Equipment	2,115	(34)	-	-	-	(2,081)
Capital grants and contributions applied	69,767	17	-	-	-	(69,784)
Capital expenditure funded from revenue	10,311	-	-	-	-	(10,311)
Revenue expenditure funded from capital under statute	(33,955)	-	-	-	-	33,955
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	(37,206)	(20,788)	-	-	-	57,994
Income recognised in respect of donated assets	168	-	-	-	-	(168)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:</b>						
Statutory provision for the financing of capital investment	10,355	326	-	-	-	(10,681)
Voluntary provision for the financing of capital expenditure	(5,434)	-	-	-	-	5,434
Capital expenditure charged against the General Fund and HRA balances	-	9,156	-	-	-	(9,156)
<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	8,092	18,946	(27,038)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	3,518	-	-	(3,518)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(250)	-	250	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,189)	-	2,189	-	-	-

## Note 10 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment Continued	2018/19					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement 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	(197)	-	-	-	-	197
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	255	-	-	-	-	(255)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Transfer of HRA depreciation costs to Major Repairs Reserve	-	11,121	-	(11,121)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	11,121	-	(11,121)
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	115,706	-	-	-	(115,706)	-
Application of grants to capital financing credited to the Capital Adjustment Account	(68,300)	-	-	-	68,300	-
<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	(9,443)	(11,466)	-	-	-	20,909
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(81,332)	(10,019)	-	-	-	91,351
Employer's pensions contributions and direct payments to pensioners payable in the year	37,558	5,908	-	-	-	(43,466)
<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	(561)	-	-	-	-	561
<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 accordance with statutory requirements	(849)	(27)	-	-	-	876
<b>Total Adjustments</b>	<b>(56,422)</b>	<b>(28,055)</b>	<b>(21,081)</b>	<b>-</b>	<b>(47,406)</b>	<b>(152,964)</b>

## Note 10 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment	Restated 2017/18					Movemt in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:						
Charges for depreciation, impairment and amortisation of non-current assets	(77,975)	(27,087)	-	-	-	105,062
Revaluation losses on Property Plant and Equipment	(26,751)	(968)	-	-	-	27,719
Capital grants and contributions applied	72,403	23	-	-	-	(72,426)
Capital expenditure funded from revenue	2,133	-	-	-	-	(2,133)
Revenue expenditure funded from capital under statute	(25,193)	-	-	-	-	25,193
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	(62,364)	(18,781)	-	-	-	81,145
Income recognised in respect of donated assets	1,026	-	-	-	-	(1,026)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:</b>						
Statutory provision for the financing of capital investment	11,590	187	-	-	-	(11,777)
Voluntary provision for the financing of capital expenditure	6,956	138	-	-	-	(7,094)
Capital expenditure charged against the General Fund and HRA balances	-	5,468	-	-	-	(5,468)
<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	16,365	16,392	(32,757)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,012	-	-	(1,012)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	250	-	-	(250)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,703)	-	1,703	-	-	-

## Note 10 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment Continued	Restated 2017/18					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movemt in Unusable Reserves £000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(140)	-	-	-	-	140
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	-	10,473	-	(10,473)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	11,673	-	(11,673)
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	57,230	-	-	-	(57,230)	-
Application of grants to capital financing credited to the Capital Adjustment Account	(66,580)	-	-	-	66,580	-
<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	-	(86)	-	-	-	86
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(70,725)	(9,631)	-	-	-	80,356
Employer's pensions contributions and direct payments to pensioners payable in the year	38,371	5,225	-	-	-	(43,596)
<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	(3,148)	-	-	-	-	3,148
<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 accordance with statutory requirements	593	(21)	-	-	-	(572)
<b>Total Adjustments</b>	<b>(127,910)</b>	<b>(18,668)</b>	<b>(29,792)</b>	<b>1,200</b>	<b>9,350</b>	<b>165,820</b>



## Note 11 - Movement in Earmarked Reserves

Earmarked reserves are amounts set side to provide financing for future expenditure plans. The table below provides a list of reserves held by the Council. Additional information on the earmarked reserves can be found in the Council's outturn report.

The breakdown of earmarked reserves has been restated to reflect the headings reported to management.

2018/19	Restated Balance at 31st March 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31st March 2019
	£000	£000	£000	£000
<b>Ring-fenced Reserves</b>				
DSG not delegated to schools	12,710	2,397	(6,897)	8,210
School Balances	16,719	22,199	(21,691)	17,227
School Capital Fund	2,383	575	-	2,958
NHS Joint Working Projects	1,769	4,494	(4,494)	1,769
Public Health Transformation	1,668	-	-	1,668
Education & Skills Funding Agency Learning Programme	-	1,353	-	1,353
Arts Council National Portfolio Organisation Funding	-	666	-	666
Schools Buy Back	1,073	3,166	(1,583)	2,656
Secondary PRU - Year End Balance	91	-	(5)	86
Primary PRU - Year End Balance	14	69	-	83
<b>Total Ring-fenced Reserves</b>	<b>36,427</b>	<b>34,919</b>	<b>(34,670)</b>	<b>36,676</b>
<b>Corporate Reserves</b>				
Capital Programme Reserve	41,395	22,793	(13,860)	50,328
Managed Reserves Strategy	25,252	18,628	(10,297)	33,583
Demographic Pressures Reserve (19/20-20/21)	9,745	13,502	(875)	22,372
BSF Financing	11,533	1,737	(1,103)	12,167
Severance Fund	7,265	930	(1,867)	6,328
Service Transformation Fund	6,087	-	(1,175)	4,912
Insurance Fund	9,099	4,542	(2,051)	11,590
Welfare Reform Reserve	3,791	500	(908)	3,383
Energy Fund	4,042	745	(442)	4,345
<b>Total Corporate Reserves</b>	<b>118,209</b>	<b>63,377</b>	<b>(32,578)</b>	<b>149,008</b>
<b>Earmarked Reserves Departmental</b>				
Financial Services Reserve	3,940	518	(750)	3,708
ICT Development Fund	3,887	167	(559)	3,495
Delivery, Communications & Political Governance	5,211	593	(150)	5,654
Housing	1,410	738	(568)	1,580
City Development (Excl Housing)	3,369	2,419	(2,172)	3,616
Children's Services	14,560	1,425	(687)	15,298
Health & Wellbeing Division	1,692	1,063	(960)	1,795
Other Departmental Reserves	1,257	39	(121)	1,175
<b>Total Other Reserves</b>	<b>35,326</b>	<b>6,962</b>	<b>(5,967)</b>	<b>36,321</b>
<b>Total Earmarked Reserves</b>	<b>189,962</b>	<b>105,258</b>	<b>(73,215)</b>	<b>222,005</b>

## Note 11 - Movement in Earmarked Reserves (continued)

2017/18	Restated Balance at 31st March 2017	Transfers In 2017/18	Transfers Out 2017/18	Restated Balance at 31st March 2018
	£000	£000	£000	£000
<b>Ring-fenced Reserves</b>				
DSG not delegated to schools	15,010	408	(2,708)	12,710
School Balances	15,306	5,769	(4,356)	16,719
School Capital Fund	2,993	7	(617)	2,383
NHS Joint Working Projects	1,769	4,573	(4,573)	1,769
Public Health Transformation	1,668	-	-	1,668
Education & Skills Funding Agency Learning Programmes	-	-	-	-
Arts Council National Portfolio Organisation Funding	-	-	-	-
Schools Buy Back	771	302	-	1,073
Secondary PRU - Year End Balance	213	-	(122)	91
Primary PRU - Year End Balance	(6)	20	-	14
<b>Total Ring-fenced Reserves</b>	<b>37,724</b>	<b>11,079</b>	<b>(12,376)</b>	<b>36,427</b>
<b>Corporate Reserves</b>				
Capital Programme Reserve	37,498	12,161	(8,264)	41,395
Managed Reserves Strategy	30,034	12,928	(17,710)	25,252
Demographic Pressures Reserve (19/20-20/21)	1,902	7,985	(142)	9,745
BSF Financing	18,595	2,262	(9,324)	11,533
Severance Fund	11,032	-	(3,767)	7,265
Service Transformation Fund	7,302	-	(1,215)	6,087
Insurance Fund	6,664	27,428	(24,993)	9,099
Welfare Reform Reserve	4,077	424	(710)	3,791
Other Corporate Reserves	3,539	1,738	(1,235)	4,042
<b>Total Corporate Reserves</b>	<b>120,643</b>	<b>64,926</b>	<b>(67,360)</b>	<b>118,209</b>
<b>Earmarked Reserves Departmental</b>				
Financial Services Reserve	3,695	1,173	(928)	3,940
ICT Development Fund	4,383	234	(730)	3,887
Delivery, Communications & Political Governance	4,857	1,372	(1,018)	5,211
Housing	1,178	236	(4)	1,410
City Development (Excl Housing)	2,658	1,176	(465)	3,369
Children's Services Pressures	13,408	1,152	-	14,560
Health & Wellbeing Division	984	1,017	(309)	1,692
Other Departmental Reserves	1,051	206	-	1,257
<b>Total Other Reserves</b>	<b>32,214</b>	<b>6,566</b>	<b>(3,454)</b>	<b>35,326</b>
<b>Total Earmarked Reserves</b>	<b>190,581</b>	<b>82,571</b>	<b>(83,190)</b>	<b>189,962</b>

## Note 12 Other Operating Expenditure

	2017/18	2018/19
	£000	£000
Payments to the government Housing Capital Receipts Pool	1,703	2,189
Total (gains)/losses on the disposal of non-current assets	48,792	31,167
Other operating income and expenditure	1,127	1,472
<b>Total</b>	<b>51,622</b>	<b>34,828</b>

## Note 13 Financing and Investment Income & Expenditure

	2017/18	2018/19
	£000	£000
Interest payable and similar charges	20,954	37,954
Pensions interest cost and expected return on pensions assets	17,258	17,473
Interest receivable and similar income	(1,623)	(2,263)
(Surplus)/deficit on trading operations *	(148)	-
<b>Total</b>	<b>36,441</b>	<b>53,164</b>

\*In previous years the Council has treated the following services as trading operations - City Highways, Passenger Transport & City Catering. Following a review in 2018/19, these activities have now been included in cost of services.

## Note 14 Taxation and Non-Specific Grant Income & Expenditure

	Restated 2017/18	2018/19
	£000	£000
Council Tax income	(101,382)	(109,628)
Non-domestic rates	(92,754)	(96,506)
Non-ringfenced government grants	(63,654)	(55,112)
Capital grants and contributions	(38,665)	(85,418)
Donated Assets	(1,026)	(168)
<b>Total</b>	<b>(297,481)</b>	<b>(346,832)</b>

## Note 15 Expenditure and Income Analysed by Nature

The Council's expenditure and income reported in the Comprehensive Income & Expenditure Statement is analysed by nature in the table below.

	Restated 2017/18	2018/19
	£000	£000
<b>Expenditure</b>		
Employee Benefit Expenses	427,059	421,304
Other Services expenses	520,349	489,311
Depreciation, amortisation, impairment	105,062	102,228
Interest Payments	38,212	55,427
Precepts & Levies	81	82
Payments to Housing Capital Receipts pool	1,703	2,189
Gain on the Disposal of Assets	48,792	31,167
<b>Total Expenditure</b>	<b>1,141,258</b>	<b>1,101,708</b>
<b>Income</b>		
Fees , charges and other service income	(168,170)	(171,857)
Interest & Investment Income	(1,623)	(2,263)
Income from Council Tax, non domestic rates	(194,136)	(206,134)
Government grants & contributions	(637,529)	(668,783)
<b>Total Income</b>	<b>(1,001,458)</b>	<b>(1,049,037)</b>
<b>Surplus or Deficit on Provision of Services</b>	<b>139,800</b>	<b>52,671</b>

Employee benefit expenses, other service expenses ,fees, charges and other service income, gov-  
ernment grants & contributions lines for 2017/18 have been adjusted to correctly classify income  
and expenditure by nature.

## Note 16 Property, Plant and Equipment - Movement on Balances in 2018/19

The first table in this note illustrates the change in the value of the Council's property, plant and equipment assets during 2018/19. The following tables provide additional detail on the basis for valuations of these assets and future capital expenditure already committed.

Movements on Balances in 2018/19	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1st April 2018	910,318	1,044,095	88,509	274,109	3,764	78,401	1,638	<b>2,400,834</b>	124,136
Additions	21,347	11,175	1,961	20,078	1,180	4,952	1,215	<b>61,908</b>	415
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	59,089	194,781	1,518	139	524	(3,775)	-	<b>252,276</b>	32,091
Revaluation Increases/(Decreases) not recognised in the Revaluation Reserve	(19,495)	(13,060)	(306)	(18,724)	(1,231)	(3,596)	-	<b>(56,412)</b>	(415)
De-recognition – disposals	(20,788)	(37,040)	-	-	(190)	(644)	-	<b>(58,662)</b>	(18,510)
Assets reclassified (to)/from Held for Sale			-	-	-			-	
Asset reclassified (other)		(704)				495	-	<b>(209)</b>	
<b>As at 31st March 2019</b>	<b>950,471</b>	<b>1,199,247</b>	<b>91,682</b>	<b>275,602</b>	<b>4,047</b>	<b>75,833</b>	<b>2,853</b>	<b>2,599,735</b>	<b>137,717</b>

## Note 16 Property, Plant and Equipment - Movement on Balances in 2018/19 (continued)

Movements on Balances in 2018/19	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation &amp;</b>									
At 1st April 2018	-	(26,587)	(52,899)	(62,335)	(7)	(23)	-	(141,851)	(13,941)
Depreciation Charge	(9,911)	(21,296)	(6,180)	(6,839)		(8)	-	(44,234)	(3,896)
Depreciation written out to the Revaluation Reserve	9,911	32,936	4,769	51	7	5	-	47,679	3,360
Depreciation written out to the Surplus/Deficit on the provision of services	-	3,312	9	57	-	-	-	3,378	
De-recognition – disposals	-	1,258	-		-	(2)	-	1,256	807
Assets reclassified to/(from) Held for Sale	-		-	-	-	-	-	-	
<b>As at 31st March 2019</b>	-	(10,377)	(54,301)	(69,066)	-	(28)	-	(133,772)	(13,670)
<b>Net Book Value as at 31st March 2019</b>	<b>950,471</b>	<b>1,188,870</b>	<b>37,381</b>	<b>206,536</b>	<b>4,047</b>	<b>75,805</b>	<b>2,853</b>	<b>2,465,963</b>	<b>124,047</b>
As at 1st April 2018	910,318	1,017,508	35,610	211,774	3,757	78,378	1,638	2,258,983	110,195



## Note 16 Property, Plant and Equipment - Movement on Balances in 2017/18

2017/18 Comparative Movements	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1st April 2017	849,760	1,091,202	88,587	270,670	2,857	90,236	188	<b>2,393,500</b>	119,445
Additions	17,373	23,234	857	15,363	1,070	14,181	1,450	<b>73,528</b>	2,001
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	77,501	19,588	4,341	(23)	890	(1,038)	-	<b>101,259</b>	4,690
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(16,730)	(40,491)	(5,276)	(11,901)	(989)	(21,765)	-	<b>(97,152)</b>	(2,000)
De-recognition – disposals	(18,781)	(49,860)	-	-	(64)	(4,185)	-	<b>(72,890)</b>	-
Assets reclassified (to)/from Held for Sale	-	1,617	-	-	-	972	-	<b>2,589</b>	-
Asset reclassified (other)	1,195	(1,195)	-	-	-	0	-	<b>0</b>	-
<b>As at 31st March 2018</b>	<b>910,318</b>	<b>1,044,095</b>	<b>88,509</b>	<b>274,109</b>	<b>3,764</b>	<b>78,401</b>	<b>1,638</b>	<b>2,400,834</b>	<b>124,136</b>

## Note 16 Property, Plant and Equipment - Movement on Balances in 2017/18 (continued)

2017/18 Comparative Movements	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1st April 2017	-	(29,925)	(54,508)	(55,582)	(6)	(21)	-	(140,042)	(11,124)
Depreciation Charge	(9,259)	(21,121)	(6,462)	(6,784)	-	(5)	-	(43,631)	(4,704)
Depreciation written out to the Revaluation Reserve	9,259	17,302	3,001	10	(1)	3	-	29,574	1,887
Depreciation written out to the Surplus/Deficit on the provision of services	117	3,793	5,070	21	-	-	-	9,001	-
De-recognition – disposals	(117)	3,364	-	-	-	-	-	3,247	-
Assets reclassified to/(from) Held for Sale	-	-	-	-	-	-	-	-	-
<b>As at 31st March 2018</b>	-	(26,587)	(52,899)	(62,335)	(7)	(23)	-	(141,851)	(13,941)
<b>Net Book Value as at 31st March 2018</b>	<b>910,318</b>	<b>1,017,508</b>	<b>35,610</b>	<b>211,774</b>	<b>3,757</b>	<b>78,378</b>	<b>1,638</b>	<b>2,258,983</b>	<b>110,195</b>
As at 1st April 2017	849,760	1,061,277	34,079	215,088	2,851	90,215	188	2,253,458	108,321

## Note 16 Property, Plant and Equipment - Capital Commitments

At 31<sup>st</sup> March 2019, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20. Similar commitments at 31<sup>st</sup> March 2018 were £21.2m. The major commitments are:

Contract for Capital Investment	Period	£000
Secondary School Temporary Modular Buildings	2019-20	1,931
Leicester North West Transport Improvement Programme	2019-20	1,544
London Road Highway Improvement Scheme	2019-20	1,462
Marriott New Build	2019-20	1,231
St John Baptist	2019-20	643
Leicester Market Redevelopment	2019-20	331
SEND Phase 1	2019-20	325
Childrens Homes Maintenance Programme	2019-20	146
Stokes Wood School Maintenance Contract	2019-20	112
Fullhurst Expansion	2019-20	107
<b>Total</b>		<b>7,832</b>

## Note 16 Property, Plant and Equipment - Revaluations

2018/19 Valuation Dates	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	241	70,852	274,301	40	13,201	2,853	361,488
Valued at fair or nominal value as at:								
Pre 1st April 2012	-	1,932	-	-	-	-	-	1,932
1st April 2012	-	958	-	-	-	-	-	958
1st April 2013	-	1,716	-	-	-	-	-	1,716
1st April 2014	-	29,008	-	719	412	-	-	30,139
1st April 2015	-	27,467	-	-	-	-	-	27,467
1st April 2016	-	2,804	-	-	-	1,086	-	3,890
1st April 2017	-	37,124	2,145	-	1	99	-	39,369
Valued @ 31st March 2019	950,471	1,097,997	18,685	582	3,594	61,447	-	2,132,776
<b>Total</b>	<b>950,471</b>	<b>1,199,247</b>	<b>91,682</b>	<b>275,602</b>	<b>4,047</b>	<b>75,833</b>	<b>2,853</b>	<b>2,599,735</b>

The Council carries out a rolling programme of valuations that ensures that all property and land (subject to a de minimis of £10k for asset values) required to be measured at current value is revalued at least every five years. The few exceptions to this rule appear in the table above. All property and land assets that are valued at Market Value are subject to annual review.

Properties are now valued as at the 31<sup>st</sup> March of the financial year using forecast indices, if appropriate, to ensure that the valuation is still correct at the financial year end.

Annual valuations of council dwellings are carried out by a specialist external valuer and are based on guidance issued by the Ministry of Housing, Communities and Local Government. All other valuations are carried out internally by an accredited valuer and chartered member of the Royal Institution of Chartered Surveyors (RICS), in accordance with the methodologies and bases for estimation set out in the professional standards of RICS.

Valuations of the majority of vehicles, plant,

equipment and furniture, and of infrastructure, are based on historical cost.

## Note 17 Heritage Assets

The Council holds a number of Heritage Assets, defined as assets having historical, artistic, scientific, technological, geophysical or environmental qualities, and that are held and maintained principally for their contribution to knowledge and culture.

The following tables show the movement in the value of Heritage assets during 2018/19 and the previous year.

### *Heritage Buildings*

These include the Magazine, Abbey House and the Great Hall at Leicester Castle. The land and buildings relating to these assets are included within the revaluation cycle employed by the Council. However, none of these assets are charged depreciation as per the Council's stated accounting policy on Heritage Assets (see Note 1). Some buildings that are part of Leicester's heritage are included within Property, Plant & Equipment (Note 16).

### *Museum Exhibits*

Leicester City Council operates five complimentary museums in the City. The museum sites are accredited museums, meaning they meet standards approved by the Arts Council on behalf of the Department for Culture, Media and Sport for collections care, visitor experience and organisational health.

There are currently around two million museum

and gallery exhibits which are managed in accordance with the policies and procedures approved by the Council in line with nationally and internationally agreed standards.

Museum exhibits are included in the Balance Sheet at insurance value rather than current or fair value, reflecting the fact that sales and exchanges are uncommon. However, during the year the basis of the insurance value was changed to exclude costs associated with auction purchases. Additions to the exhibits collection are initially included at historical cost and are then included as part of the annual insurance revaluation.

Some of the City Council's museum exhibits collection are displayed at the King Richard III Visitor Centre.

### *Statues and Monuments*

The Council has responsibility for a number of statues and monuments across the City. A number of the more significant assets are included at insurance values. The remainder are included at a nominal value as per our stated accounting policy on Heritage Assets.

## Note 17 Heritage Assets (continued)

### Reconciliation of the Carrying Value of Heritage Assets Held by the Council

Movement on Balances 2018/19	Buildings	Museum Exhibits	Statues & Monument	Total Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1st April 2018	2,560	102,973	5,876	111,409
Additions	-	733	-	733
Disposals	-	-	-	-
Revaluations	323	(20,238)	-	(19,915)
<b>As at 31st March 2019</b>	<b>2,883</b>	<b>83,468</b>	<b>5,876</b>	<b>92,227</b>

2017/18 Comparative Movements	Buildings	Museum Exhibits	Statues & Monument	Total Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1st April 2017	2,633	100,544	5,876	109,053
Additions	-	1,026	-	1,026
Disposals	-	-	-	-
Revaluations	(73)	1,403	-	1,330
<b>As at 31st March 2018</b>	<b>2,560</b>	<b>102,973</b>	<b>5,876</b>	<b>111,409</b>

## Note 18 Intangible Assets

The Council accounts for its computer software as intangible assets, 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.

	2017/18	2018/19
	£000	£000
<b>Balance at 1st April</b>		
Gross Carrying Amounts	3,666	4,531
Accumulated Amortisation	(1,039)	(1,157)
<b>Net carrying amount at 1st April</b>	<b>2,627</b>	<b>3,374</b>
Additions (Purchases)	1,487	1,060
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(622)	(2,153)
Write-out of impairment amortisation	424	-
Reclassified from other asset classifications	-	-
Amortisation applied in Year	(542)	(681)
Gross Carrying Amount at 31st March	4,531	3,438
Accumulated Amortisation	(1,157)	(1,838)
<b>Net Carrying Amount at 31st March</b>	<b>3,374</b>	<b>1,600</b>

## Note 19a Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Category	Amount	Amount	Comment / Reference
	31st March 2018	31st March 2019	
	£000	£000	
Long Term Investments			
Amount in Balance Sheet	32,500	15,000	
Amounts covered in Note 19:	32,500	15,000	This note - section B Table 2
Short Term Investments			
Amount in Balance Sheet	192,380	200,021	
Amounts covered in Note 19:	192,380	200,021	This note - section B Table 2
Short Term Borrowing			
Amount in Balance Sheet	19,995	11,091	
Amounts covered in Note 19:	19,995	11,091	This note - section B Table 1
Long Term Borrowing			
Amount in Balance Sheet	234,495	180,119	
Amounts covered in Note 19:	234,495	180,119	This note - section B Table 1
Other Long Term Liabilities			
Amount in Balance Sheet	743,818	915,673	
Amounts covered in Note 19:	109,525	103,885	This note - section B Table 1
Amounts not covered in Note 19:			
Liability related to defined benefit pension schemes	634,031	811,626	Note 43 - Defined Benefit Pensions
Amounts related to Bonds	263	162	Not separately disclosed



## Note 19b Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

**Table 1**

Financial Liabilities	Long Term		Short Term	
	31st March 2018	31st March 2019	31st March 2018	31st March 2019
	£000	£000	£000	£000
Loans at amortised cost:				
- Principal sum borrowed	230,791	179,491	17,781	9,605
- Accrued interest	-	-	2,214	1,486
- EIR adjustments	3,704	628	-	-
<b>Total Borrowing</b>	<b>234,495</b>	<b>180,119</b>	<b>19,995</b>	<b>11,091</b>
Liabilities at amortised cost:				
- Finance leases	7,184	6,659	-	-
- PFI arrangements	77,456	73,316	4,056	4,151
- Transferred debt liability	24,347	23,394	1,037	975
<b>Total Other Long-term Liabilities</b>	<b>108,987</b>	<b>103,369</b>	<b>5,093</b>	<b>5,126</b>
Liabilities at amortised cost:				
- Trade payables	-	-	77,989	61,144
- PFI arrangements	538	516	-	-
<b>Included in Creditors</b>	<b>538</b>	<b>516</b>	<b>77,989</b>	<b>61,144</b>
<b>Total Financial Liabilities</b>	<b>344,020</b>	<b>284,004</b>	<b>103,077</b>	<b>77,361</b>

## Note 19b Financial Instruments - Balances (continued)

Categories of Financial Assets have been re-named in 2018/19, to be shown under new headings following the implementation of IFRS9. Loans and Receivables are now shown as Amortised Cost. Available-for-sale investments are now shown as Other.

Bonds amounting to £7.59m were classified as an Available-for-sale investment at 31st March 2018. However, due to Financial Assets being classified according to their business model now, they have been re-classified to Amortised cost. During 2018/19 the bonds were repaid.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	Balance at 31st March 2018 under IAS39	IFRS9 Reclassification	Balance at 31st March 2018 under IFRS9
	£000	£000	£000
<b>Financial Assets</b>			
<b>Investments</b>			
Loans & Receivables / Amortised cost	-	7,591	7,591
Available for sale	7,591	(7,591)	-
<b>Total investments</b>	<b>7,591</b>	<b>-</b>	<b>7,591</b>

Table 2

Financial Assets	Long Term		Short Term	
	31st March 2018	31st March 2019	31st March 2018	31st March 2019
	£000	£000	£000	£000
Amortised cost:				
- Principal at amortised cost	32,500	15,000	190,091	191,000
- Accrued interest	-	-	588	729
Other:				
Fair Value	-	-	1,701	8,292
<b>Total Investments</b>	<b>32,500</b>	<b>15,000</b>	<b>192,380</b>	<b>200,021</b>
Amortised cost:				
- Cash (including bank accounts)	-	-	14,068	12,973
Other:				
- Cash equivalents at fair value	-	-	30,000	28,700
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>44,068</b>	<b>41,673</b>
Amortised Cost:				
- Trade receivables	3,482	3,509	31,938	7,921
- Loans made for service purposes	5,483	4,232	1,340	1,096
<b>Included in Debtors</b>	<b>8,965</b>	<b>7,741</b>	<b>33,278</b>	<b>9,017</b>
<b>Total Financial Assets</b>	<b>41,465</b>	<b>22,741</b>	<b>269,726</b>	<b>250,711</b>

## Note 19c Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

	Amortised Cost	Amortised Cost	Other	2018/19 Total	2017/18 Total
	£000	£000	£000	£000	£000
Interest expense	16,391	-	-	16,391	20,954
Premia on loan repayment*	21,563	-	-	21,563	
<b>Interest payable and similar charges</b>	<b>37,954</b>	<b>-</b>	<b>-</b>	<b>37,954</b>	<b>20,954</b>
Interest income	-	(1,892)	(212)	(2,104)	(1,623)
Dividends	-	-	(159)	(159)	
<b>Interest and investment income</b>	<b>-</b>	<b>(1,892)</b>	<b>(371)</b>	<b>(2,263)</b>	<b>(1,623)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>37,954</b>	<b>(1,892)</b>	<b>(371)</b>	<b>35,691</b>	<b>19,331</b>

\*Loans with a nominal value of £51m were repaid in 2018/19 at a premium of £21,563k. This premium has been adjusted through the financial instruments adjustment account at Note 10.

## Note 19d Financial Instruments - Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds, the fair value is taken from the market price.

Some of the authority's financial assets are measured at fair value on a recurring basis and are described below:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the money was borrowed when interest rates were higher than they are now.

The table shows the amounts held at 31<sup>st</sup> March 2019 and the fair value reported in the 2018/19 accounts.

		31st March 2018		31st March 2019	
	Fair Value Level	Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	134,491	192,077	134,491	191,562
Long-term LOBO loans	2	73,963	115,915	20,628	32,479
Other long-term loans	2	26,884	35,241	25,000	35,182
Bonds issued	1	8,677	9,951	-	-
Lease payables and PFI liabilities	2	89,233	153,557	84,642	140,154
Transferred debt liabilities	2	25,384	37,505	24,369	36,744
<b>Total</b>		<b>358,632</b>	<b>544,246</b>	<b>289,130</b>	<b>436,121</b>
Liabilities for which fair value is not disclosed *		88,464		72,235	
<b>Total Financial Liabilities</b>		<b>447,096</b>	<b>544,246</b>	<b>361,365</b>	<b>436,121</b>
<i>Recorded on balance sheet as:</i>					
Short-term creditors		83,082		66,786	
Short-term borrowing		19,995		11,091	
Long-term creditors		24,347		23,394	
Long-term borrowing		234,495		180,119	
Other long-term liabilities		85,177		79,975	
<b>Total Financial Liabilities</b>		<b>447,096</b>		<b>361,365</b>	

\*The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

## Note 19d Financial Instruments - Fair Values (continued)

		31st March 2018		31st March 2019	
	Fair Value Level	Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial assets held at fair value:</i>					
Money market funds	1	31,701	31,701	28,700	28,700
Corporate, covered and government bonds	2	7,590	7,590	-	-
Property Unit Trusts	1	-	-	8,292	8,292
<i>Financial assets held at amortised cost:</i>					
Long-term loans to local authorities	2	-	-	15,000	15,087
Long-term loans to companies	3	6,823	6,823	3,240	3,240
Finance Lease	3	761	761	992	992
Long-term Debtor	3	-	-	-	-
<b>Total</b>		<b>46,875</b>	<b>46,875</b>	<b>56,224</b>	<b>56,311</b>
Assets for which fair value is not disclosed *		264,316	-	217,227	-
<b>Total Financial Assets</b>		<b>311,191</b>	<b>46,875</b>	<b>273,451</b>	<b>56,311</b>
<i>Recorded on balance sheet as:</i>					
Long-term debtors		8,965		7,741	
Long-term investments		32,500		15,000	
Short-term debtors		33,278		9,016	
Short-term investments		192,380		200,021	
Cash and cash equivalents		44,068		41,673	
<b>Total Financial Assets</b>		<b>311,191</b>		<b>273,451</b>	

\* The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount.

## Note 20 Inventories

The value of inventories as at 31<sup>st</sup> March :

	Balance at 31st March 2018 £000	Balance at 31st March 2019 £000
Consumable Stores	409	369
Maintenance Materials	2,080	2,475
Work in Progress	269	188
<b>Total</b>	<b>2,758</b>	<b>3,032</b>

## Note 21 Debtors

### Long-Term Debtors

The value of long-term debtors as at 31<sup>st</sup> March :

	Balance at 31st March 2018	Balance at 31st March 2019
	£000	£000
PFI Lease	1,944	2,390
Other Long Term Debtors	7,021	5,351
<b>Total</b>	<b>8,965</b>	<b>7,741</b>

### Short-Term Debtors

The value of short-term debtors as at 31<sup>st</sup> March:

	Restated Balance at 31st March 2018	Balance at 31st March 2019
	£000	£000
Central Government bodies	9,659	7,910
Other Local Authorities	1,865	2,026
NHS bodies	2,577	3,398
Public Corporations and Trading Funds	3	4
Other Entities and Individuals	19,492	18,263
Payments in Advance	8,337	8,192
Local Taxation (Council Tax & Business Rates)	9,568	9,616
<b>Total</b>	<b>51,501</b>	<b>49,409</b>

## Note 22 Cash and Cash Equivalents

The value of cash and cash equivalents as at 31<sup>st</sup> March: \_\_\_\_\_

	Balance at 31st March 2018	Balance at 31st March 2019
	£000	£000
Cash held by the Council	57	36
Bank	14,011	12,937
Short-term deposits with local authorities - Investment	30,000	28,700
<b>Total Cash and Cash Equivalents</b>	<b>44,068</b>	<b>41,673</b>



## Note 23 Assets Held for Sale

The value of assets held for sale as at 31<sup>st</sup> March:

	2017/18	2018/19
	£000	£000
Balance at 1st April	14,582	4,284
Property, Plant and Equipment newly classified as held for sale	0	308
Property, Plant and Equipment declassified as held for sale	(2,589)	(99)
Assets Sold	(7,467)	(630)
Other Movements	(242)	0
<b>Balance at 31st March</b>	<b>4,284</b>	<b>3,863</b>

## Note 24 Creditors

The value of creditors as at 31<sup>st</sup> March:

	Restated Balance at 31st March 2018	Balance at 31st March 2019
	£000	£000
Central Government bodies	20,686	21,349
Other Local Authorities	8,430	9,564
NHS bodies	1,280	2,039
Public Corporations and Trading Funds	-	17
Other Entities and Individuals	87,276	76,067
Receipts in Advance	23,548	18,980
<b>Total</b>	<b>141,220</b>	<b>128,016</b>

## Note 25 Provisions

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

### 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 £4m is held as a provision, being the amount that the Council estimates will be required to meet claims already received. A further sum of £12m is held as an earmarked reserve (as per Note 11), to meet the costs of liabilities incurred for which claims have not been received. Periodically, the fund value is reviewed by actuaries.

### Housing Benefit Subsidy Claims

The Council pays and administers Housing Benefit within Leicester and receives subsidy from the Government to reimburse it for amounts paid out. The amount of subsidy received is based on a claim completed annually.

Claims are subject to audit and often give rise to the discovery of overpayments to some benefits recipients. This can lead to the value of the claim being reduced, based on an extrapolation. A provision is maintained based on the total value of the subsidy claims outstanding. The provision currently totals £1m.

	Insurance	Housing Benefits	Equal Pay	s117 Mental Health Act	Housing	Business Rate Appeals	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1st April 2017</b>	<b>5,385</b>	<b>3,010</b>	<b>124</b>	<b>39</b>	<b>1,200</b>	<b>2,501</b>	<b>12,259</b>
Net Movement (additions less amounts used)	(466)	(415)	-	-	(473)	1,417	63
<b>Balance at 1st April 2018</b>	<b>4,919</b>	<b>2,595</b>	<b>124</b>	<b>39</b>	<b>727</b>	<b>3,918</b>	<b>12,322</b>
2018/19 Provisions/(Reductions)	3,030	-	(124)	-	(30)	4,293	7,169
Amounts used in 2018/19	(4,007)	(1,545)	-	-	-	(1,285)	(6,837)
<b>Balance at 31st March 2019</b>	<b>3,942</b>	<b>1,050</b>	<b>-</b>	<b>39</b>	<b>697</b>	<b>6,926</b>	<b>12,654</b>

### 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, for which there is a possibility that the Council will be required to make refunds.

### Housing Provisions

The sum is held in respect of HRA liabilities within the Housing service including losses on stock and liabilities to other third parties.

### Business Rate appeals

A number of appeals against rateable value assessments have not been determined by the Valuation Office Agency. If successful, there will be a retrospective reduction in income. Therefore, a provision has been charged to the collection fund calculated at a total of £14m (Council share of £7m).

## Note 26 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.

	Restated Opening Balance	Movement	Closing Balance	Supporting Note
	£000	£000	£000	
General Fund	(15,000)	-	(15,000)	MIRS and Narrative Statement
Earmarked Reserves	(189,962)	(32,043)	(222,005)	Note 11 and Narrative Statement
<b>Total General Fund Reserves</b>	<b>(204,962)</b>	<b>(32,043)</b>	<b>(237,005)</b>	
Housing Revenue Account	(30,745)	237	(30,508)	HRA Statements and Notes
Major Repairs Reserve	-	-	-	Note 10 and HRA Note 13
Capital Receipts Reserve	(84,742)	(21,081)	(105,823)	Note 10
Capital Grants Unapplied Reserve	(22,259)	(47,406)	(69,665)	Note 10
<b>Total Usable Reserves</b>	<b>(342,708)</b>	<b>(100,293)</b>	<b>(443,001)</b>	

## Note 27a Unusable Reserves

Unusable reserves contain items that illustrate the difference between the Council's financial position under accounting standards (the "accounting basis") and the amount charged to the taxpayer for the year (the "funding basis").

	31st March 2018	31st March 2019
	£000	£000
Revaluation Reserve	(680,452)	(934,847)
Capital Adjustment Account	(1,138,975)	(1,081,829)
Financial Instruments Adjustment Account	-	20,909
Deferred Capital Receipts Reserve	(1,239)	(1,297)
Pensions Reserve	634,031	811,626
Collection Fund Adjustment Account	1,682	2,243
Accumulated Absences Account	6,090	6,966
<b>Total Unusable Reserves</b>	<b>(1,178,863)</b>	<b>(1,176,229)</b>

## Note 27b Unusable Reserves (continued)

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment, heritage assets, assets held for sale 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.

	2017/18	2018/19
	£000	£000
<b>Balance at 1st April</b>	<b>(574,637)</b>	<b>(680,452)</b>
Upward revaluation of assets	(163,591)	(322,861)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	31,459	42,821
<b>(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(132,132)</b>	<b>(280,040)</b>
Difference between fair value depreciation and historical cost depreciation	9,777	13,055
Accumulated gains on assets sold or scrapped	16,540	12,590
<b>Balance at 31st March</b>	<b>(680,452)</b>	<b>(934,847)</b>

## Note 27c Unusable Reserves (continued)

### 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, heritage assets, assets held for sale and intangible assets 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.

	2017/18	2018/19
	£000	£000
<b>Balance at 1st April</b>	<b>(1,238,918)</b>	<b>(1,138,975)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation & impairment	104,520	101,547
Revaluation losses on Property, Plant and Equipment	27,719	(2,081)
Amortisation of intangible assets	542	681
Revenue expenditure funded from capital under statute	25,193	33,955
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	81,145	57,994
	<b>(999,799)</b>	<b>(946,879)</b>
Adjusting amounts written out of the Revaluation Reserve	(26,317)	(25,645)
Net written out amount of the cost of non-current assets consumed in the year	<b>(1,026,116)</b>	<b>(972,524)</b>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,262)	(3,518)
Use of the Major Repairs Reserve to finance new capital expenditure	(11,673)	(11,121)
Capital Grants, Contributions & Donated Assets credited to the Income and Expenditure Statement that have been applied to capital financing	(73,452)	(69,952)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(18,871)	(5,247)
Capital expenditure charged against the General Fund and HRA balances	(7,601)	(19,467)
<b>Balance at 31st March</b>	<b>(1,138,975)</b>	<b>(1,081,829)</b>

## Note 27d Unusable Reserves (continued)

### 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 are 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.

	2017/18	2018/19
	£000	£000
<b>Balance at 1st April</b>	<b>(86)</b>	<b>-</b>
Proportion of premia incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-	21,563
Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	86	(654)
<b>Balance at 31st March</b>	<b>-</b>	<b>20,909</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	86	20,909



## Note 27e Unusable Reserves (continued)

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve (DCCR) 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.

	2017/18	2018/19
	£000	£000
<b>Balance at 1st April</b>	<b>(1,377)</b>	<b>(1,239)</b>
Transfer of deferred sale proceeds to the DCCR	(2)	(255)
Transfer to the Capital Receipts Reserve upon receipt of cash	140	197
<b>Balance at 31st March</b>	<b>(1,239)</b>	<b>(1,297)</b>

## Note 27f Unusable Reserves (continued)

### 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, and 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 pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the 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.

	2017/18	2018/19
	£000	£000
<b>Balance at 1st April</b>	<b>655,450</b>	<b>634,031</b>
Remeasurement of the Net Defined Benefit Liability	(58,179)	129,710
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	80,356	91,351
Employer's pensions contributions and direct payments to pensioners payable in the year	(43,596)	(43,466)
<b>Balance at 31st March</b>	<b>634,031</b>	<b>811,626</b>

## Note 27g&h Unusable Reserves (continued)

### 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.

	2017/18	2018/19
	£000	£000
<b>Balance at 1st April</b>	<b>(1,466)</b>	<b>1,682</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	3,148	561
<b>Balance at 31st March</b>	<b>1,682</b>	<b>2,243</b>

	2017/18	2018/19
	£000	£000
<b>Balance at 1st April</b>	<b>6,662</b>	<b>6,090</b>
Settlement or cancellation of accrual made at the end of the preceding year	(6,662)	(6,090)
Amounts accrued at the end of the current year	6,090	6,966
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	(572)	876
<b>Balance at 31st March</b>	<b>6,090</b>	<b>6,966</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 (i.e. annual leave entitlement carried forward at 31<sup>st</sup> March each year). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

## Note 28 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2017/18	2018/19
	£000	£000
Interest received	(1,561)	(2,263)
Interest paid	20,682	37,954
<b>Net interest</b>	<b>19,121</b>	<b>35,691</b>

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

	Restated 2017/18	2018/19
	£000	£000
Depreciation	(43,631)	(44,234)
Downward revaluations, impairment losses and reversal of prior year impairments	(88,561)	(56,412)
Amortisation	(542)	(681)
Increase / (decrease) in creditors	(25,758)	19,074
(Increase) / decrease in debtors	4,666	(2,034)
(Increase) / decrease in inventories	335	273
Movement in pension liability	(36,760)	(47,885)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(77,110)	(56,811)
Other non-cash items charged to the net surplus or deficit on the provision of services	(63)	(443)
	<b>(267,424)</b>	<b>(189,153)</b>

## Note 28 Cash Flow Statement - Operating Activities (continued)

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

	2017/18	2018/19
	£000	£000
Capital Grants credited to surplus or deficit on the provision of services	62,920	117,168
Proceeds from the sale of property plant and equipment, investment property and intangible assets	32,775	27,038
	<b>95,695</b>	<b>144,206</b>

## Note 29 Cash Flow Statement Investment Activities

	2017/18	2018/19
	£000	£000
Purchase of property, plant and equipment and intangible assets	76,041	63,286
Purchase of short-term and long-term investments	1,020,403	1,543,905
Other payments for investing activities	(2,200)	(1,282)
Proceeds from sale of property, plant and equipment and intangible assets	(32,775)	(27,038)
Proceeds from short-term and long-term investments	(968,600)	(1,553,782)
Other receipts from investing activities	(88,752)	(94,113)
<b>Net Cash Flows from Investing Activities</b>	<b>4,117</b>	<b>(69,024)</b>

## Note 30 Cash Flow Statement Financing Activities

	2017/18	2018/19
	£000	£000
Cash receipts of short and long-term borrowing	(46,960)	(32,497)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	5,007	415
Repayments of short and long-term borrowing	44,790	95,777
Other payments for financing activities	(757)	-
<b>Net Cash Flows from Financing Activities</b>	<b>2,080</b>	<b>63,695</b>

## Note 31 - Pooled Budgets

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

### *Supply of Integrated Community Equipment Loan Services (ICELS)*

This is an arrangement for the supply of community equipment with Leicestershire County Council, Rutland County Council and the three Clinical Commissioning Group's (CCG's) in the areas covered by the councils. Leicester City Council acts as the host partner.

The City Council contributed £0.68m (Adult Social Care contribution of £0.64m and Education contribution of £0.04m) to the pool during 2018/19 (£0.68m in 2017/18 of which Adult Social Care contributed £0.63m and Education contributed £0.05m) and this expenditure is also included in the Adult Social Care line and the Education of the Comprehensive Income and Expenditure Statement.

	2017/18	2018/19
	£000	£000
<b>Funding provided to the pooled budget:</b>		
Leicester City Council	679	681
Leicestershire County Council	1,200	1,090
Rutland County Council	78	84
Leicester City CCG	912	1,119
East Leicestershire and Rutland CCG	876	986
West Leicestershire CCG	980	1,103
<b>Total Funding provided to the pooled budget</b>	<b>4,725</b>	<b>5,063</b>
<b>Total Expenditure met from the pooled budget</b>	<b>4,725</b>	<b>5,063</b>



## Note 32 Members' Allowances

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

	2017/18	2018/19
	£	£
Basic Allowance Payments	566,091	579,161
Special Responsibility Payments	371,087	386,795
General Expense Payments	83,066	83,277
<b>Total</b>	<b>1,020,244</b>	<b>1,049,233</b>

## Note 33 Officers' Remuneration

This note comprises two parts. The first discloses the remuneration of the Council's most senior officers. The second part discloses the total number of 'higher paid' Council officers whose remuneration exceeded £50k during 2018/19, shown in bands and excluding those senior officers in the first part.

### Part 1 - Senior Employees' Remuneration

The table shows the amounts paid to the holders of senior posts in 2018/19 with comparative data from 2017/18 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	Pension Contributions	Total
		£	£	£
Chief Operating Officer (Head of Paid Service)	2018/19	136,337	30,566	<b>166,903</b>
	2017/18	130,048	28,132	<b>158,180</b>
Director Delivery, Communications & Political Governance	2018/19	93,952	20,921	<b>114,873</b>
	2017/18	92,110	20,909	<b>113,019</b>
Director of Finance	2018/19	93,952	20,348	<b>114,300</b>
	2017/18	92,110	19,321	<b>111,431</b>
City Barrister & Head of Standards (Note 1)	2018/19	76,176	18,054	<b>94,230</b>
	2017/18	74,683	16,953	<b>91,636</b>
Strategic Director - Children's Services (Note 2)	2018/19	-	-	-
	2017/18	110,177	25,010	<b>135,187</b>
Strategic Director-Social Care and Education (Note 3)	2018/19	127,486	30,214	<b>157,701</b>
	2017/18	117,042	26,568	<b>143,610</b>
Strategic Director - City Development & Neighbourhoods	2018/19	127,486	30,214	<b>157,700</b>
	2017/18	116,529	26,452	<b>142,981</b>
Director of Public Health (Note 4)	2018/19	53,431	12,663	<b>66,094</b>
	2017/18	78,575	17,837	<b>96,412</b>
Director of Public Health (Note 5)	2018/19	16,846	2,458	<b>19,304</b>
	2017/18	-	-	-
Director of Capital Projects (Note 6)	2018/19	23,488	5,567	<b>29,055</b>
	2017/18	-	-	-

Notes:

- 1) City Barrister works on a part time basis.
- 2) The Strategic Director of Children Services left the role in February 2018.
- 3) In June 2018 the posts of Strategic Director of Adult Social Care role and Strategic Director of Children's Services were merged, creating the role of Strategic Director of Social Care and Education. The table shows remuneration paid to the postholder in this role, and in his former role as Strategic Director of Adult Social Care.
- 4) The Director of Public Health worked on a part time basis and left the role 30th November 2018. The position was left vacant until January 2019.
- 5) The Director of Public Health took up the role 24th January 2019.
- 6) The Director of Capital Projects is a new role created in January 2019.

## Note 33 Officers' Remuneration (continued)

### Part 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. In line with the relevant regulations, the table excludes the senior officers listed in the table above.

These figures include teaching, senior leadership and support staff within local authority schools. Employees in schools which become academies are only included if their remuneration during the period of the financial year prior to academy conversion (i.e. when the school was under the local authority) exceeded the £50k threshold. Further details of academies higher paid employees are published by academies themselves or can be requested directly from academies under the Freedom of Information Act 2000.

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 employer's pension contributions.

The table includes 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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
<b>50,000-54,999</b>	46	47	67	66	113	113
<b>55,000-59,999</b>	32	30	42	39	74	69
<b>60,000-64,999</b>	21	10	24	24	45	34
<b>65,000-69,999</b>	9	23	20	18	29	41
<b>70,000-74,999</b>	5	2	15	18	20	20
<b>75,000-79,999</b>	-	4	7	5	7	9
<b>80,000-84,999</b>	2	-	4	3	6	3
<b>85,000-89,999</b>	6	2	2	2	8	4
<b>90,000-94,999</b>	4	9	1	2	5	11
<b>95,000-99,999</b>	-	-	3	2	3	2
<b>100,000-104,999</b>	-	-	-	1	-	1
<b>105,000-109,999</b>	-	-	1	1	1	1
<b>110,000-114,999</b>	-	-	-	-	-	-
<b>115,000-119,999</b>	-	-	-	1	-	1
<b>120,000-124,999</b>	-	-	1	-	1	-
<b>125,000-129,999</b>	-	-	-	-	-	-
<b>130,000-134,999</b>	-	-	-	-	-	-
<b>Total</b>	<b>125</b>	<b>127</b>	<b>187</b>	<b>182</b>	<b>312</b>	<b>309</b>

## Note 34 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:

	2017/18	2018/19
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	147	113
Fees payable for the certification of grant claims and returns for the year	59	53
Fees payable in respect of other services provided during the year	11	11
<b>Total</b>	<b>217</b>	<b>177</b>

## Note 35 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, 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 and Early Years (England) Regulations 2017. The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools' Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2018/19 are as follows:

2018/19	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
<b>Final DSG for 2018/19 before Academy recoupment</b>			<b>315,810</b>
Academy figure recouped for 2018/19	-	-	(80,868)
<b>Total DSG after Academy recoupment for 2018/19</b>			<b>234,942</b>
Brought forward from 2017/18	-	-	12,709
<b>Agreed initial budgeted distribution in 2018/19</b>	<b>64,451</b>	<b>183,200</b>	<b>247,651</b>
In year adjustments	(514)	-	(514)
<b>Final budgeted distribution for 2018/19</b>	<b>63,937</b>	<b>183,200</b>	<b>247,137</b>
Actual central expenditure for the year	(55,727)	-	(55,727)
Actual ISB deployed to schools	-	(183,200)	(183,200)
<b>Carry forward to 2019/20</b>	<b>8,210</b>	<b>-</b>	<b>8,210</b>

Restated 2017/18	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
<b>Final DSG for 2017/18 before Academy recoupment</b>			<b>301,992</b>
Academy figure recouped for 2017/18	-	-	(57,246)
<b>Total DSG after Academy recoupment for 2017/18</b>			<b>244,746</b>
Brought forward from 2016/17	-	-	15,010
<b>Agreed initial budgeted distribution in 2017/18</b>	<b>63,503</b>	<b>196,253</b>	<b>259,756</b>
In year adjustments	(177)	-	(177)
<b>Final budgeted distribution for 2017/18</b>	<b>63,326</b>	<b>196,253</b>	<b>259,579</b>
Actual central expenditure for the year	(50,617)	-	(50,617)
Actual ISB deployed to schools	-	(196,253)	(196,253)
<b>Carry forward to 2018/19</b>	<b>12,709</b>	<b>-</b>	<b>12,709</b>

## Note 36 Grant Income

### Capital grants recognised in the year

The Council received the following revenue and capital grants in 2018/19.

These grants 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.

	2017/18	2018/19
	£000	£000
<b>Credited to Services (All REFCUS related)</b>		
DFE Basic Need Grant	6,147	14,899
Local Growth Fund	11,158	4,749
Local Growth Fund Transferred From Other Local Authorities	3,950	6,050
DFT Cleaner Bus Technology Grant	-	2,203
Disabled Facilities Grant	1,410	1,390
Devolved Formula Capital Grant	1,281	1,120
Collaborate Business Grants	223	611
Public Health Grants	-	531
Heritage Lottery Fund	160	-
Others	56	198
<b>Total Credited to Services</b>	<b>24,385</b>	<b>31,751</b>
	<b>Restated</b>	<b>2018/19</b>
	<b>2017/18</b>	
	£000	£000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
DFE Basic Need Grant	15,839	43,712
Local Growth Fund	11,897	10,746
DFT Transforming Cities Fund	-	7,840
S106 Contributions	-	5,934
Other DFT Grants	1,280	3,747
DFE Capital Maintenance Grant	3,471	3,204
DFT Integrated Transport Grant	2,556	2,556
DFT Maintenance Grant	2,323	2,102
Disabled Facilities Grant	853	1,123
DFE Devolved Capital Formula Grant	-	1,002
DFT Cleaner Bus Technology Fund	-	983
DFE SEND Funding	-	525
National Heritage Lottery Fund	-	490
DFE Healthy Pupil Capital Fund	-	307
British Cycling Grant	450	-
Public Health England Grants	268	-
IBM Contributions	(343)	-
Other	71	1,146
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>38,665</b>	<b>85,417</b>

## Note 36 Grant Income (continued)

### 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:

	2017/18	2018/19
	£000	£000
<b>Capital Grants Receipts in Advance</b>		
DfE Basic Need Grant	27,251	5,690
Devolved Formula Capital Grant	3,879	5,183
S106 Contributions	4,374	1,894
DfT Transport Grants	460	460
DfT Breathe Grants	184	184
DfT Severe Weather Capital Maintenance Allocation		
Others	14	-
<b>Total Capital Grants Receipts in Advance</b>	<b>36,162</b>	<b>13,411</b>
Capital Receipts not Recognised (deposits)	639	335
<b>Total Received in Advance</b>	<b>36,801</b>	<b>13,746</b>

## Note 36 Grant Income (continued)

### Revenue grants recognised in the year

	Restated 2017/18	2018/19
	£000	£000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
Revenue Support Grant	48,144	38,358
Section 31 Grants	5,933	8,012
Local Services Support Grant	1,581	984
New Homes Bonus Scheme	7,335	6,229
Other	662	1,530
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>63,655</b>	<b>55,113</b>
<b>Credited to Services</b>		
<b>Children's and Education Services</b>		
Pupil Premium	14,778	13,409
Dedicated Schools Grant (see note 39)	244,746	234,942
Other Education	30,965	25,455
<b>Adults and Housing</b>		
Other Adult Social Care	1,355	2,938
Improved Better Care Fund	8,954	12,343
<b>Public Health</b>		
Public Health Grant	27,536	26,811
Other Public Health	93	146
<b>City Development, Neighbourhoods &amp; Housing</b>		
Waste PFI	2,074	2,074
Other City Development and Neighbourhoods	6,219	14,198
<b>Corporate and Resources</b>		
Housing Benefit Subsidies	120,563	110,997
Housing Benefit & Council Tax Benefit Admin Grant	1,568	1,429
Local Council Tax Support Grant	526	497
Elections	698	187
Waste PFI	517	517
Other Corporate and Resources	1,744	2,129
<b>Total Credited to Services</b>	<b>462,336</b>	<b>448,072</b>
<b>Total Recognised in Year</b>	<b>525,991</b>	<b>503,185</b>



## Note 36 Grant Income (continued)

### 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:

	Restated 2017/18	2018/19
	£000	£000
<b>Children's and Education Services</b>		
Other Education	4,881	78
<b>Adult Social Care</b>		
Other Adult Social Care	1,134	-
<b>City Development, Neighbourhoods &amp; Housing</b>		
City Development and Neighbourhoods	589	133
<b>Public Health</b>		
Other Public Health	139	114
<b>Total Receipts in Advance</b>	<b>6,743</b>	<b>325</b>

## Note 37 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 Part 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. However, no material relationships of this nature existed during the 2018/19 financial year.

### 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 36 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 32. Remuneration of senior officers is detailed in Note 33.

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.

During 2018/19 the council paid £3k in grants were paid to a business whose senior management included a Councillor or close family members.

12 Members of the Council and one senior officer sit (either in a personal capacity or as representatives of the Council) on the governing bodies of 12 different organisations. The Council made a total of £1.9m in payments to nine of these organisations, primarily in the form of grants, works or services. All payments are made with proper consideration of declaration of interest. The relevant members did not take part in any discussion or decision relating to the payments. In addition a total of £1.3m was received from eight of the organisations, primarily

relating to services provided by the Council.

Details of members' interests are recorded in the Register of Members' Interest open to public inspection at the Town Hall during office hours.

## Note 38 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.

This note also illustrates the Council's Capital Financing Requirement (CFR). The CFR represents the total underlying borrowing required to finance the Council's assets. There are two key points to note about this borrowing:

- Most borrowing used to finance capital expenditure was incurred prior to 2010, when the standard model in local government entailed borrowing funded by central government over the life of the loan. Since 2010, government has provided grant funding upfront to support all government funded capital expenditure. Borrowing is now only undertaken to support schemes that deliver revenue savings sufficient to repay the debt
- New borrowing does not necessarily represent external loans taken out, but is generally financed by the Council's free cash flows. This minimises the cost of external borrowing to the Council

Where capital expenditure is not financed by grant or revenue, the expenditure results in an increase in the Capital Financing Requirement (CFR). Increases in the CFR result in higher levels of Minimum Revenue Provision (MRP) charged to the revenue budget in future years. The Council's policy for the calculation of MRP is set out in its annual budget setting report presented to Council.

	2017/18	2018/19
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>576,915</b>	<b>566,446</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	73,528	61,910
Intangible Assets	1,487	1,060
Heritage Assets	1,026	733
Revenue Expenditure Funded from Capital Under Statute	25,193	33,955
Capital Loans Expenditure	1,107	1,451
Property Unit Trusts	-	8,292
De Minimis Capital Spend	49	46
Sub-total	<b>102,390</b>	<b>107,447</b>
<b>Sources of Finance</b>		
Capital Receipts	(1,262)	(3,518)
Government Grants & Other Contributions	(73,452)	(69,952)
Sums set aside from revenue:		
Direct Revenue Contributions	(19,274)	(30,588)
(MRP/Loans Fund Principal)	(18,871)	(5,247)
Sub-total	<b>(112,859)</b>	<b>(109,305)</b>
<b>Closing Capital Financing Requirement</b>	<b>566,446</b>	<b>564,588</b>
Increase/(Decrease) in underlying need to borrowing	(10,331)	(1,720)
HRA CFR adjustment	(138)	(138)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(10,469)</b>	<b>(1,858)</b>

## Note 39 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 2018	31st March 2019
	£000	£000
Other Land and Buildings	5,819	5,659
Vehicles, Plant and Equipment	282	151
<b>Total</b>	<b>6,101</b>	<b>5,810</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 2018	31st March 2019
	£000	£000
Finance lease liabilities	7,098	7,184
Finance costs payable in future years	14,796	14,367
<b>Total minimum lease payments</b>	<b>21,894</b>	<b>21,551</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2018	31st March 2019	31st March 2018	31st March 2019
	£000	£000	£000	£000
Within one year	343	419	(86)	(4)
Within 2 to 5 years	1,890	1,960	234	332
Later than 5 years	19,661	19,172	6,950	6,856
<b>Total</b>	<b>21,894</b>	<b>21,551</b>	<b>7,098</b>	<b>7,184</b>

## Note 39 Leases (continued)

### 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:

	31st March 2019 £000
Not later than one year	585
Later than one year and not later than 5 years	1,632
Later than 5 years	1,830
<b>Total</b>	<b>4,047</b>

### Council as Lessor

#### Finance Leases

The council has leased out a number of properties on finance leases, two of which are on peppercorn annual payments. The following tables show the lease debtors and lease payments for the remainder:

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

	31st March 2019 £000
<b>Finance Lease Debtor</b>	
Current	17
Non-current	800
Unearned finance income	1,641
<b>Gross Investment in the lease</b>	<b>2,458</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.

	31st March 2019 £000
<b>Minimum Lease Payments</b>	
Within one year	76
Within 2 to 5 years	305
Later than 5 years	2,077
<b>Total</b>	<b>2,458</b>

## Note 39 Leases (continued)

### 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:

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.

	31st March 2018	31st March 2019
	£000	£000
Not later than one year	5,087	5,196
Later than one year and not later than 5 years	14,090	14,423
Later than 5 years	83,853	81,619
<b>Total</b>	<b>103,030</b>	<b>101,238</b>

## Note 40 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.

2018/19 was the sixteenth year of the operation of the contract, costing £14.5m (£14.3m in 2017/18).

### *Property Plant and Equipment*

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

	Other Land & Buildings £000	Vehicles, & Equipment £000	Total £000
Balance at 1st April 2018	12,848	640	13,488
Additions	-	-	-
Depreciation	(1,285)	(70)	(1,355)
<b>Balance at 31st March 2019</b>	<b>11,563</b>	<b>570</b>	<b>12,133</b>

## Note 40 Private Finance Initiatives and Service Concession Arrangements (continued)

### 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 2019 (excluding future inflation) are as follows:

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 are shown in the table.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Within 1 year	6,549	1,987	627	9,163
Within 2 to 5 years	33,201	10,109	3,059	46,369
Within 6 to 10 years	20,814	6,078	867	27,759
<b>Total</b>	<b>60,564</b>	<b>18,174</b>	<b>4,553</b>	<b>83,291</b>

	2017/18	2018/19
	£000	£000
Balance outstanding at 1st April	7,144	5,200
Payments during the year	(1,944)	(1,961)
Additions	-	-
<b>Balance at 31st March</b>	<b>5,200</b>	<b>3,239</b>



## Note 40 Private Finance Initiatives and Service Concession Arrangements (continued)

### *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 BSF Company 1 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). At the end of the contract, as

things stand, all assets will revert to Council control. Under the Government's current policies the trend of more schools becoming academies is likely to continue. If any PFI schools convert, the Council will continue to make payments under this contract from a combination of PFI credits and contributions from schools. At conversion the assets would transfer to the

academy, subject to the on-going provisions of the PFI contract. The rebuild for phase 1 was completed in 2009 and 2018/19 was therefore the tenth year of the operation of the contract costing £6.6m.

#### *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:

	Other Land & Buildings
	£000
Balance at 1st April 2018	43,982
Revaluations	10,828
Depreciation	(1,092)
Disposal (transfer to academy)	(17,703)
<b>Balance at 31st March 2019</b>	<b>36,015</b>

## Note 40 Private Finance Initiatives and Service Concession Arrangements (continued)

### 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 2019 are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Lifecycle Capital Replacement Costs	Total
	£000	£000	£000	£000	£000
Within 1 year	2,345	697	2,512	1,122	6,676
Within 2 to 5 years	9,697	4,581	9,218	3,721	27,217
Within 6 to 10 years	13,729	8,263	8,749	5,624	36,365
Within 11 to 15 years	15,821	13,769	4,395	4,033	38,018
Within 16 to 20 years	571	666	15	-	1,252
<b>Total</b>	<b>42,163</b>	<b>27,976</b>	<b>24,889</b>	<b>14,500</b>	<b>109,528</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 shown:

	2017/18	2018/19
	£000	£000
Balance outstanding at 1st April	29,368	28,511
Payments during the year	(857)	(535)
<b>Balance at 31st March</b>	<b>28,511</b>	<b>27,976</b>

## Note 40 Private Finance Initiatives and Service Concession Arrangements (continued)

### *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 rebuilding of Crown Hills and City of Leicester Community Colleges. The Council is contracted to Leicester BSF Company 2 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. Under the Government's current policies the trend of more schools becoming academies is likely to continue. If any PFI schools convert, the Council will continue to make payments under this contract from a combination of PFI credits and contributions from schools. At conversion assets would transfer to the

academy, subject to the on-going provisions of the PFI contract. 2018/19 was the sixth year of the operation of the contract costing £6.8m.

#### *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 as shown:

	Other Land & Buildings £000
Balance at 1st April 2018	44,600
Revaluations/(Impairment)	24,623
Depreciation	(1,075)
<b>Balance at 31st March 2019</b>	<b>68,148</b>

## Note 40 Private Finance Initiatives and Service Concession Arrangements (continued)

### 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 2019 are as follows:

	Payment for Services	Reimbursement of Capital	Interest	Lifecycle Capital Replacement	Total
	£000	£000	£000	£000	£000
Within 1 year	2,454	1,305	2,604	425	6,788
Within 2 to 5 years	10,522	5,312	9,473	2,948	28,255
Within 6 to 10 years	14,901	7,422	9,818	5,859	38,000
Within 11 to 15 years	17,122	10,547	6,809	6,479	40,957
Within 16 to 20 years	17,954	13,333	2,593	6,668	40,548
<b>Total</b>	<b>62,953</b>	<b>37,919</b>	<b>31,297</b>	<b>22,379</b>	<b>154,548</b>

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

	2017/18	2018/19
	£000	£000
Balance outstanding at 1st April	40,519	39,191
Payments during the year	(1,328)	(1,272)
<b>Balance at 31st March</b>	<b>39,191</b>	<b>37,919</b>

## Note 40 Private Finance Initiatives and Service Concession Arrangements (continued)

### 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.

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.

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.

The scheme involves the replacement of

#### 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 2019 are shown in the table:

	Vehicles, Plant & Equipment £000
Balance at 1st April 2018	8,124
Depreciation	(374)
<b>Balance at 31st March 2019</b>	<b>7,750</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 2019 (excluding future inflation increases and the final phase which has yet to be completed) are as follows:

	Payment for Services £000	Reimbursement of Capital £000	Interest £000	Lifecycle Capital Replacement £000	Total £000
Within 1 year	1,793	236	817	215	3,061
Within 2 to 5 years	7,172	948	3,263	860	12,243
Within 6 to 10 years	8,965	1,810	3,454	1,076	15,305
Within 11 to 15 years	8,965	2,886	2,378	1,076	15,305
Within 16 to 20 years	6,225	2,984	713	753	10,675
Within 21 to 25 years	1,786	39	9	-	1,834
<b>Total</b>	<b>34,906</b>	<b>8,903</b>	<b>10,634</b>	<b>3,980</b>	<b>58,423</b>

## Note 40 Private Finance Initiatives and Service Concession Arrangements (continued)

### Liability

The liability outstanding to the contractor for capital expenditure incurred up to 31<sup>st</sup> March 2019 is as per the following table:

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.

	2017/18	2018/19
	£000	£000
Liability for capital expenditure incurred for operational phases	8,838	8,613
Payments during the year	(225)	(256)
<b>Balance at 31st March</b>	<b>8,613</b>	<b>8,357</b>

## Note 41 Termination Benefits

The Council terminated the contracts of a number of employees in 2018/19 incurring liabilities of £1.4m (£4.5m in 2017/18). Of this £1.0m (£2.6m in 2017/18) was for redundancy and other departure costs, and £0.4m (£1.9m in 2017/18) 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 2018/19 the Council approved 38 compulsory redundancies (71 in 2017/18).

Band	Total number of exit packages by cost band	Total cost of exit 2017/18	Total number of exit packages by cost band	Total cost of exit 2018/19
£	2017/18	£	2018/19	£
0 - 20,000	233	1,695,684	123	769,330
20,001 - 40,000	38	1,011,787	11	281,074
40,001 - 60,000	12	579,540	3	158,477
60,001 - 80,000	12	798,653	1	61,801
80,001 - 100,000	3	282,514	1	83,691
100,001 - 150,000	1	133,774	-	-
<b>Total</b>	<b>299</b>	<b>4,501,952</b>	<b>139</b>	<b>1,354,373</b>

## Note 42 Pension Schemes Accounted for as Defined Contribution Schemes

### Teachers' Pensions

Teachers employed by the Council are eligible to be members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers 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 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. For the purposes of the Statement of Accounts, it is accounted for on the same basis as a defined contribution scheme. Under this treatment, the council has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Council's obligation is limited to the amount that it has agreed to contribute to the fund and in consequence, actuarial risk and investment risk fall on the employee.

In 2018/19, the Council paid £13.4m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2017/18 were £14.7m and 16.48%. The employer rate will be increased to 23.68% from September 2019, however it is expected that additional funding will be provided by central government, the allocation of which is yet to be determined.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 43.

### Public Health

Certain public health employees remain members of the NHS pension scheme. 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. For the purposes of the Statement of Accounts, it is accounted for on the same basis as a defined contribution scheme. Under this treatment, the council has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Council's obligation is limited to the amount that it has agreed to contribute to the fund and in consequence, actuarial risk and investment risk fall on the employee.

In 2018/19, the Council paid £0.1 m to the NHS Pension Scheme in respect of former NHS staff retirement benefits representing 14.3% of pensionable pay. The employer contribution will increase to 20.6% from 1st April 2019, however the increase will be paid to the scheme by NHS England.



## Note 43 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 need 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 42 for further information
- NHS Pension Scheme – see Note 42 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.

### *Guaranteed Minimum Pension and Pensions Transition Arrangements Age Discrimination*

The accounts have been prepared on the basis of the actuary's updated IAS19 valuation report dated 5th July 2019 and takes into account their assessment of the McCloud judgement relating to the 2014 reforms of LGPS benefit structure. The impact on liabilities is an increase of 0.83% (£17.6m). These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

The accounts do not reflect any adjustment in respect of Guaranteed Minimum Pensions.

## Note 43 Defined Benefit Pension Schemes (continued)

### 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 in the accounts 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.

	2017/18 £000	2018/19 £000
Comprehensive Income and Expenditure Statement		
<b>Cost of Services</b>		
Current service cost	66,270	64,140
Past service cost	1,380	17,545
Settlements and curtailments	(4,552)	(7,807)
<b>Total Service Cost</b>	<b>63,098</b>	<b>73,878</b>
Financing and Investment Income and Expenditure		
Expected return on scheme assets	(31,580)	(34,400)
Interest cost	48,838	51,873
<b>Net Interest Cost</b>	<b>17,258</b>	<b>17,473</b>
<b>Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>80,356</b>	<b>91,351</b>
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets excluding amounts included in net interest	(23,042)	(36,697)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	(34,581)	165,272
Other Experience adjustments	(556)	1,135
<b>Total remeasurements recognised in the Comprehensive Income and Expenditure Statement</b>	<b>(58,179)</b>	<b>129,710</b>
<b>Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement</b>	<b>22,177</b>	<b>221,061</b>
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	80,356	91,351
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	(43,596)	(43,466)
<b>Total Movement in Reserves</b>	<b>36,760</b>	<b>47,885</b>

## Note 43 Defined Benefit Pension Schemes (continued)

### Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2017/18	2018/19
	£000	£000
<b>Balance at 1st April</b>	<b>1,867,006</b>	<b>1,909,655</b>
Current service cost	66,270	64,140
Past service costs (including curtailments)	1,380	17,545
Effect of settlements	(9,343)	(16,932)
Interest cost	48,838	51,873
Contributions by scheme participants	10,700	10,706
Benefits paid	(40,059)	(42,994)
Remeasurements arising from changes in financial assumptions	(35,137)	166,407
<b>Balance at 31st March</b>	<b>1,909,655</b>	<b>2,160,400</b>

Reconciliation of fair value of the scheme (plan) assets:

	2017/18	2018/19
	£000	£000
<b>Balance at 1st April</b>	<b>1,211,556</b>	<b>1,275,624</b>
Interest income	31,580	34,400
Effect of settlements	(4,791)	(9,125)
Contributions by scheme participants	10,700	10,706
Employer contributions	43,596	43,466
Benefits paid	(40,059)	(42,994)
Return on plan assets excluding amounts included in net interest	23,042	36,697
<b>Balance at 31st March</b>	<b>1,275,624</b>	<b>1,348,774</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.

## Note 43 Defined Benefit Pension Schemes (continued)

### Scheme History

	2014/15	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000	£000
Present value of funded obligations	(1,676,690)	(1,469,327)	(1,812,582)	(1,857,800)	(2,108,019)
Present value of unfunded obligations	(56,757)	(51,018)	(54,424)	(51,855)	(52,381)
Fair value of assets in the scheme	969,019	989,570	1,211,556	1,275,624	1,348,774
<b>Surplus/(deficit) in the scheme</b>	<b>(764,428)</b>	<b>(530,775)</b>	<b>(655,450)</b>	<b>(634,031)</b>	<b>(811,626)</b>

### 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 £2,143m has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a negative overall balance of £811.6m. 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 2019 is £41.6m. The maturity profile is as follows:

	Liability Split	Weighted Average Duration
Active members	55.0%	23.0
Deferred members	19.9%	22.9
Pensioner members	25.0%	11.7
<b>Total</b>	<b>100.0%</b>	<b>18.9</b>

## Note 43 Defined Benefit Pension Schemes (continued)

### *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 2016.

The main assumptions used by the actuary have been:

Local Government Pension Scheme	2017/18	2018/19
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners (years):		
Men	22.1	22.1
Women	24.3	24.3
Longevity at 65 for future pensioners (years):		
Men	23.8	23.8
Women	26.2	26.2
<b>Benefit entitlement assumptions</b>		
Rate of increase in salaries	3.4%	3.5%
Rate of increase in pensions	2.4%	2.5%
Rate for discounting scheme liabilities	2.7%	2.4%
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%

## Note 43 Defined Benefit Pension Schemes (continued)

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

	2017/18				2018/19			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percentage of Total	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percentage of Total
	£000	£000	£000	Assets	£000	£000	£000	Assets
<b>Equity</b>								
Consumer	-	-	-	0%	3,450	-	3,450	0%
Manufacturing	-	-	-	0%	1,010	-	1,010	0%
Energy and Utilities	-	-	-	0%	2,836	-	2,836	0%
Financial Institutions	-	-	-	0%	4,279	-	4,279	0%
Health and Care	-	-	-	0%	993	-	993	0%
Information Technology	-	-	-	0%	1,136	-	1,136	0%
Other	30,952	-	30,952	2%	9,779	-	9,779	1%
<b>Debt Securities</b>								
UK Government	106,463	-	106,463	8%	113,987	215	114,202	8%
Other	11,645	-	11,645	1%	17,468	-	17,468	1%
<b>Private Equity</b>								
All	-	45,361	45,361	4%	-	62,196	62,196	5%
<b>Real Estate</b>								
UK Property	-	112,057	112,057	9%	-	100,811	100,811	7%
<b>Investment Fund and Unit Trusts</b>								
Equities	600,925	-	600,925	47%	541,715	-	541,715	40%
Bonds	40,948	105,484	146,432	11%	56,994	-	56,994	4%
Hedge Funds	43,162	1,308	44,470	3%	113	-	113	0%
Commodities	-	29,885	29,885	2%	-	47,704	47,704	4%
Infrastructure	-	60,338	60,338	5%	-	70,935	70,935	5%
Other	37,745	-	37,745	3%	135,017	139,444	274,461	20%
<b>Derivatives</b>								
Foreign Exchange	(3,716)	-	(3,716)	0%	(1,714)	-	(1,714)	0%
<b>Cash and Cash Equivalents</b>								
All	53,067	-	53,067	4%	40,406	-	40,406	3%
<b>Total</b>	<b>921,190</b>	<b>354,434</b>	<b>1,275,624</b>	<b>100%</b>	<b>927,469</b>	<b>421,305</b>	<b>1,348,774</b>	<b>100%</b>

## Note 43 Defined Benefit Pension Schemes (continued)

### *Sensitivity Analysis*

IAS 19 requires the disclosure of the sensitivity of the results to the methods and assumptions used.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below.

Changes in assumptions at 31st March 2019	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	11%	232,105
0.5% increase in the Salary Increase Rate	2%	34,049
0.5% increase in the Pension Increase Rate	9%	193,894

The sensitivity figures above can be used to estimate the impact of adopting different financial assumptions. In order to qualify the impact of a change in the financial assumptions used, the value of the scheme liabilities have been calculated at the accounting date on varying bases.

## Note 44 Contingent Liabilities

The Council is currently in the process of a procurement exercise to replace the bus shelters in return for advertising rights. A claim has been lodged by the existing contractor in relation to this tender process with the technology court. The claim is currently stayed and the Council is deciding on the next steps.



## Note 45 Contingent Assets

The council has no contingent assets to disclose in the 18/19 accounts.

## Note 46 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 the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity Risk: The possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

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 the Treasury Management team under the policies approved by Council in the Treasury Management Strategy.

## Note 46 Nature and Extent of Risks arising from Financial Instruments (continued)

### a) 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 Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of loans to commercial entities as at the balance sheet date are as detailed opposite.

Investment Type	Maximum Investment Period	Minimum Credit Rating	Individual Lending Limit	Limit for Investment Type
Deposits – Credit Rated Banks and Building Societies	366 Days	A long term rating of A and a short term rating of F1	£10m	£100m
	6 months	A long term rating of A- and a short term rating of F2	£10m	
	100 days or less	A long term rating of BBB+ and a short term rating of F2	£10m Additional £5m overnight limit for Barclays Bank	
Covered Bonds	5 years	A long term rating of AA	£20m £2m for unrated building societies	Included in above
Repurchase Agreements (REPO)	1 year	To be no less secure than a deposit	£20m	Included in above
Deposits—unrated building societies	6 months	N/A – Advice taken from Treasury Advisors	£1m	£10m

## Note 46 Nature and Extent of Risks arising from Financial Instruments (continued)

The credit criteria applied to other investments are as detailed below:

Investment Type	Counterparty	Maximum Investment Period	Minimum Credit Rating	Individual Lending Limit	Limit for Investment Type
Deposits & Bonds	Local authority	5 Years	None required	£20m	£250m
Bonds	Local Government Bonds Agency	5 Years	A long term rating of AA-	£20m	
Bonds, Bills and Deposits	UK Public Sector & Quasi-Public Sector	5 Years	A long term rating of AA-	£20m	£40m
Deposits and Treasury Bills	UK Government / UK Government Guarantee	Unlimited	None required	Unlimited	Unlimited
Bonds	International Development Banks	5 Years	A long term rating of AA- plus backing of one or more G7 countries.	£10m	£40m
Money Market Funds, Money Market Plus Funds and Short-Dated Bond Funds	Various Fund Managers, including funds shaped by local authorities acting collectively	Up to 1 month Advice taken from Treasury Advisors	AAAmmf Or AAf	£20m	£120m of which no more than £30mm in property funds and no more than £50m in longer dated funds and funds investing in Asset Based Securities
Longer dated Bond Funds and funds investing in Asset Based Securities	Various Fund Managers	Up to 1 month Advice taken from Treasury Advisors	AAf	£10m	
Property Funds	Various Fund Managers	Investments can be sold in market.	Not Applicable	£10m	

## Note 46 Nature and Extent of Risks arising from Financial Instruments (continued)

The credit 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 £92m as at 31st March 2019 (£64m as at 31st March 2018) 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 31st March 2019 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 £128m (£189m as at 31st March 2018). Such investments are assessed to be virtually risk free.

## Note 46 Nature and Extent of Risks arising from Financial Instruments (continued)

The value of the Council's receivables classified as financial instruments on the Balance Sheet as at 31st March 2019 was £16.0m (£17.2m as at 31st March 2018). The following matrix is used for both 2017/18 and 2018/19 to estimate the non-collectible proportion of these receivables.

Age of Receivable	Estimated Non-Collection Rate
Less than One Month	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 Years	100%

It is estimated that the uncollectable amount on commercial and personal debts outstanding as at 31st March 2019 will be £8.9m (£9.4m as at 31st March 2018) and that the impaired value of these debts are £7.1m (£7.8m as at 31st March 2018).

The following table shows current 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 2018		31st March 2019	
	Due	Impaired Value	Due	Impaired Value
	£000	£000	£000	£000
Less than 3 months	6,212	6,039	5,807	5,648
Three to six months	713	535	862	647
Six months to one year	1,496	568	1,141	423
More than one year	8,793	604	8,211	409
<b>Total</b>	<b>17,214</b>	<b>7,746</b>	<b>16,021</b>	<b>7,127</b>

## Note 46 Nature and Extent of Risks arising from Financial Instruments (continued)

### b) Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans.

The maturity analysis of the principal sums borrowed is as follows:

Time to maturity (years)	31st March 2018 £000	31st March 2019 £000
Not over 1	32,138	15,931
Over 1 but not over 2	7,648	5,177
Over 2 but not over 5	21,806	15,682
Over 5 but not over 10	29,924	27,030
Over 10 but not over 20	27,901	45,835
Over 20 but not over 30	24,769	22,740
Over 30	224,921	167,826
<b>Total</b>	<b>369,107</b>	<b>300,221</b>

The Council has £20m of “Lender’s option, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable. The Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

## Note 46 Nature and Extent of Risks arising from Financial Instruments (continued)

### c) Market Risks

#### *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 will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments classed as “amortised cost” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on 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. Movements in the fair value of fixed rate investments classed as “Other” will be reflected in Comprehensive Income and Expenditure.

The accounting arrangements for “Lenders Option, Borrowers Option” (LOBO) loans is more complex. These are loans where the lender has a periodic option to propose an increase in the rate of interest payable on the loan and the borrower has the option to decline this increase and to repay. In the event that an increase was accepted the carrying amount of the loan is recalculated and the increase in the carrying amount of the loan will reflect the net present value of the increase in interest payments in future years. The increase in the carrying amount of the loan will be accounted for as an immediate charge to the Comprehensive Income and Expenditure. In simple terms, a relatively small increase in the annual interest payable will be accounted for as a far larger sum once the net present value of all future increases is calculated.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	487
Increase in interest receivable on short term investments	473
Increase in interest payable on variable rate loans	(96)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>864</b>
Decrease in fair value of available for sale financial assets	0
<b>Impact on Comprehensive Income and Expenditure</b>	<b>0</b>
Decrease in fair value of loans and receivables *	239
Decrease in fair value of fixed rate borrowings/liabilities *	58,751

\*No impact on Comprehensive Income and Expenditure

The approximate impact of a 1% fall in interest rates would be as above but with the reverse movement.



## Note 46 Nature and Extent of Risks arising from Financial Instruments (continued)

### c) Market Risks

#### *Price Risk*

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The market price of the Council's property fund investments are determined by the market prices of the underlying property assets owned by the funds. The impact of the 5% fall in value of the property fund value would be a reduction in value of £414k. The Council's intention is to hold these investments over the medium term and not to crystallise these losses by selling.

#### *Foreign Exchange Risk*

The Council has no exposure to foreign exchange risk.

# Supplementary Financial Statements & Explanatory Notes

# Housing Revenue Account

# Housing Revenue Account (HRA) Statements - Income and Expenditure

The Housing Revenue Account (HRA) is a ring-fenced account that represents the Council's social housing service. This service is required by law to be ring-fenced in order to ensure that there is a clear link between rents charged to tenants and expenditure on social housing.

2017/18			2018/19
£000		Note	£000
<b>Income</b>			
(77,322)	Dwelling Rents	5	(75,047)
(1,073)	Non-dwelling Rents	6	(401)
(5,286)	Service Charges	6	(5,520)
(1,324)	Contributions & Miscellaneous income		(1,605)
<b>(85,005)</b>	<b>Total Income</b>		<b>(82,573)</b>
<b>Expenditure</b>			
12,430	General Management		12,140
12,081	Special Management	3	12,814
28,284	Repairs & Maintenance		29,299
747	Rent, Rates, Taxes & Other Charges		1,080
(264)	Increase/ (Decrease) in Bad Debt Provision	4	(84)
28,055	Depreciation & Impairment of Fixed Assets	12	31,229
60	Debt Management Expenses		60
<b>81,393</b>	<b>Total Expenditure</b>		<b>86,538</b>
710	HRA share of Corporate & Democratic Core		710
<b>(2,902)</b>	<b>"HRA Comprehensive Income and Expenditure Line"</b>		<b>4,675</b>
-	Exceptional item: Reversal of Prior Year Impairments		-
<b>(2,902)</b>	<b>Net Cost of HRA Services</b>		<b>4,675</b>
2,389	(Gain) or Loss on Sale of HRA Assets		1,841
10,344	Loan Charges - Interest		20,301
(259)	Investment Interest		(259)
4,811	Pensions - Interest on Liabilities	14	5,196
(3,111)	Pensions - Expected Return on Assets	14	(3,462)
<b>11,272</b>	<b>(Surplus) / Deficit for the Year</b>		<b>28,292</b>

## Housing Revenue Account (HRA) Statements - Movement in Reserve

2017/18			2018/19
£000		Note	£000
11,272	(Surplus) / Deficit for the Year (from above)		28,292
-	<u>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</u>		
(86)	Amounts charged to the HRA for amortisation of Premia and Discounts for the year determined in accordance with statute		(11,466)
(4,406)	HRA share of contributions to/(from) the Pension Reserve	14	(4,111)
(2,389)	Gain or (Loss) on Sale of HRA Fixed Assets		(1,841)
(28,055)	Impairment of Fixed Assets	12	(31,229)
5,491	Capital Expenditure Financed from Revenue Account	10	9,173
325	HRA Set-Aside (MRP)		325
10,473	Transfers to/(from) the Major Repairs Reserve	13	11,121
(21)	Transfers to/(from) the Employee Benefits Reserve		(27)
(18,668)	<b>Total value of items reversed as part of determining the statutory movement on the Housing Revenue Account Balance</b>		<b>(28,055)</b>
(7,396)	<b>Net (Surplus)/Deficit on the Housing Revenue Account in the year</b>		<b>237</b>
(23,348)	Balance Brought Forward 1st April 2018		(30,745)
(30,744)	<b>Balance Carried Forward 31st March 2019</b>		<b>(30,508)</b>

# Housing Revenue Account (HRA) Explanatory Notes

## 1. Housing Revenue Account

The rules for the Housing Revenue Account (HRA) are specified within the Local Government and Housing Act 1989. Additionally a suite of self-financing determinations was issued by the Ministry of Housing, Communities and Local Government (MHCLG) in 2012, including the Item 8 Credit and Item 8 Debit determinations which set out the capital accounting and financing entries under the 1989 Act.

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 2017/18 comparative figures)

There has been no change in accounting practice.

## 3. Special Management

These include group central heating and hot water schemes, caretaking services, security services to high rise flats, maintenance of shrubberies and grassed areas, communal services, tenancy sustainment for tenants and support for hostel residents.

## 4. Rent Arrears and Provision for Bad Debts

### *Rents and Service Charges*

The bad debt provision for rents and service charges at 31st March 2019 was £0.8m (£0.2m at 31st March 2018). This is calculated on a rent and service charge arrears balance of £2.3m (£1.4m in 2017/18).

## 5. Net Rent Income from Dwellings

	2017/18	2018/19
	£000	£000
Total Rent income from Dwellings	77,322	75,047
Less Housing Benefit	(43,729)	(39,560)
<b>Total</b>	<b>33,593</b>	<b>35,487</b>

## 6. Non -Dwelling Rents and Service Charges

These include the charges made to tenants for central heating, garages, rent from shops, security and cleaning services to flats.

## Housing Revenue Account (HRA) Explanatory Notes (continued)

### 7. Housing Stock

Changes to Housing Stock:

	2017/18	2018/19
Number of Dwellings at 1st April	21,150	20,759
Construction of new dwellings	18	-
Acquisitions	-	32
Right to Buy sales	(409)	(424)
Other Disposals	-	(1)
<b>Number of Dwellings at 31st March</b>	<b>20,759</b>	<b>20,366</b>

### 8. Value of HRA Assets

	31st March 2018	31st March 2019
	£000	£000
Dwellings	910,318	950,471
Other Land and Buildings	22,618	21,972
Vehicles, Plant, Furniture & Equipment	582	371
Surplus Assets	759	358
Intangible Assets	744	542
<b>Total</b>	<b>935,021</b>	<b>973,714</b>

## Housing Revenue Account (HRA) Explanatory Notes (continued)

### 9. Vacant Possession Value of Council Dwellings

The vacant possession value of council dwellings at 31<sup>st</sup> March 2019 was £2.3bn. At the same date the balance sheet value of council dwellings was £1.0bn. The difference of £1.4bn 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 2018	31st March 2019
	£000	£000
Vacant possession values	2,167,425	2,263,017

### 10. Capital Expenditure

HRA capital expenditure on land, houses and other property in 2018/19 totalled £22m, financed as follows:

	2017/18	2018/19
	£000	£000
Major Repairs Reserve	11,673	11,121
Usable capital receipts	892	2,178
Financing from revenue account	5,491	9,173
<b>Total</b>	<b>18,056</b>	<b>22,472</b>

### 11. Capital Disposals

HRA capital disposals in 2018/19 were as follows:

	2017/18		2018/19	
	Total Receipt	Usable/ Retained	Pooled/ Set aside	Total Receipt
	£000	£000	£000	£000
Right to Buy (RTB) sales	18,095	11,979	6,995	18,974
Non-RTB sales	223	269	-	269
<b>Total</b>	<b>18,318</b>	<b>12,248</b>	<b>6,995</b>	<b>19,243</b>



## Housing Revenue Account (HRA) Explanatory Notes (continued)

### 12. Depreciation and Impairment of Fixed Assets

A breakdown of the depreciation and impairment charges are provided in the table below:

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.

	2017/18			2018/19		
	Depreciation	Impairment	Total	Depreciation	Impairment	Total
	2017/18	2017/18	2017/18	2018/19	2018/19	2018/19
	£000	£000	£000	£000	£000	£000
Dwellings*	9,259	16,614	25,873	9,910	20,074	29,984
Other Land and Buildings	541	977	1,518	453	34	487
Vehicles, Plant, Furniture & Equipment	548	-	548	520	-	520
Surplus Assets	2	(9)	(7)	2	-	2
Intangible Assets	123	-	123	236	-	236
<b>Total</b>	<b>10,473</b>	<b>17,582</b>	<b>28,055</b>	<b>11,121</b>	<b>20,108</b>	<b>31,229</b>

## Housing Revenue Account (HRA) Explanatory Notes (continued)

### 13. Use of Major Repairs Reserve

	2017/18	2018/19
	£000	£000
Balance at 1st April	(1,200)	-
Depreciation credited	(10,473)	(11,121)
Capital expenditure on land, houses and other property	11,673	11,121
<b>Balance at 31st March</b>	<b>-</b>	<b>-</b>

### 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 43 to the core financial statements.

	2017/18	2018/19
	£000	£000
Pension costs incurred in Net Cost of Services:		
Current service cost	(2,706)	(2,377)
	<b>(2,706)</b>	<b>(2,377)</b>
Pension interest cost and expected return on assets:		
Interest on liabilities	(4,811)	(5,197)
Expected return on assets	3,111	3,462
	<b>(1,700)</b>	<b>(1,735)</b>
<b>Total Transfer to Pension Reserve</b>	<b>(4,406)</b>	<b>(4,112)</b>

# Collection Fund Account

## 150

The Collection Fund is a ring-fenced account that represents the Council's role in collecting Council Tax and Non-Domestic Rates for the City of Leicester. The Council records taxation income in the Collection Fund and then makes distributions to precepting authorities including the Leicestershire Fire and Police authorities as well as to the Council's own General Fund.

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# Collection Fund Explanatory Notes

## 1. Statutory Requirements & Allocation of Balances

This statement fulfils the statutory requirement for the Council to maintain a separate Collection Fund.

The balance on the collection fund is split between the relevant bodies as shown in the table below:

	2017/18			2018/19		
	Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
	£000	£000	£000	£000	£000	£000
Leicester City Council	(1,153)	2,849	1,696	(1,732)	3,988	2,256
Government	-	2,907	2,907	-	4,069	4,069
Leicestershire & Rutland Combined Fire Authority	(51)	58	7	(74)	82	8
Police & Crime Commissioner for Leicestershire	(152)	-	(152)	(232)	-	(232)
<b>Fund Balance Allocations as at 31st March</b>	<b>(1,356)</b>	<b>5,814</b>	<b>4,458</b>	<b>(2,038)</b>	<b>8,139</b>	<b>6,101</b>

## Collection Fund Explanatory Notes (continued)

### 2. Council Tax Base

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:

The total collectable Council Tax during 2018/19 was £130.6m including arrears from prior years.

The collectable Council Tax specifically for 2018/19 was £156.0m (including sums paid under the Local Council Tax Reduction Scheme). After taking into account the total amount of this reduction (£24.8m), the average number of Band D dwellings equates to 74,082. This is an increase from the 71,632 dwellings existing when the 2018/19 budget was prepared due to the net effect of the following:

- 1) Changes in discounts and exemptions allowed;
- 2) New properties;
- 3) Lower amounts of local council tax reduction granted than expected, arising from reduced claimant numbers.

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-	239	5/9	133	49	84
A	67,931	6/9	45,287	10,826	34,461
B	23,043	7/9	17,922	2,143	15,779
C	13,494	8/9	11,995	1,041	10,954
D	5,744	9/9	5,744	322	5,422
E	3,051	11/9	3,729	112	3,617
F	1,406	13/9	2,031	44	1,987
G	555	15/9	925	8	917
H	30	18/9	60	0	60
	<b>115,493</b>		<b>87,826</b>	<b>14,545</b>	<b>73,281</b>
Less adjustments for collection rates and other adjustments.					(1,649)
<b>Council Tax Base</b>					<b>71,632</b>

## Collection Fund Explanatory Notes (continued)

### 3. Precepts and Demands

The following sums were paid from the collection fund.

	2017/18 £000	2018/19 £000
Leicester City Council	100,691	107,948
Police & Crime Commissioner for Leicestershire	13,261	14,271
Leicestershire & Rutland Combined Fire Authority	4,451	4,635
<b>Total</b>	<b>118,403</b>	<b>126,854</b>

### 4. Income from Business Rates

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 relevant rates are detailed in the tables below:

	31st March 2018 £	31st March 2019 £
<b>Non Domestic Rateable Value</b>	<b>304,957,214</b>	<b>305,093,296</b>
	2017/18	2018/19
Non Domestic Rating Multiplier	47.9p	49.3p
Non Domestic Rating Multiplier- Small Business	46.6p	48.0p

## Collection Fund Explanatory Notes (continued)

### 5. Collection Fund Surpluses & Deficits

The Collection Fund account shows a cumulative deficit of £6,100,559 at 31<sup>st</sup> March 2019 (£4,457,437 deficit at 31<sup>st</sup> March 2018). This has arisen due to uncertainty over the cost of business rate appeals.

The surplus arising on the Council Tax during the financial year 2018/19 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 2018/19 will be shared between Leicester City Council (49%), Central Government (50%) and the Leicester, Leicestershire & Rutland Combined Fire Authority (1%).



## Collection Fund Explanatory Notes (continued)

### 6. Contributions to Collection Fund Surpluses & 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 commissioner 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.

	City	Police	Fire	Total
	£000	£000	£000	£000
<b>Estimated Surplus – Jan 2018</b>	<b>1,101</b>	<b>145</b>	<b>49</b>	<b>1,295</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.

	City	Government	Fire	Total
	£000	£000	£000	£000
<b>Estimated Deficit – Jan 2018</b>	<b>1,388</b>	<b>1,416</b>	<b>28</b>	<b>2,832</b>

## Collection Fund Explanatory Notes (continued)

### 7. Bad and Doubtful Debts

This table provides more detail on the bad debt write-offs and the increase in the provision for bad and doubtful debts.

Provisions	Bad Debt Provision			
	Balance at	Increase/	Balance at	Bad Debt
	1st April 2018	(Decrease)	31st March 2019	Write-offs In
	£000	£000	£000	year
Council Tax	6,641	448	7,089	1,361
NNDR	4,392	(356)	4,036	2,532
<b>Total</b>	<b>11,033</b>	<b>92</b>	<b>11,125</b>	<b>3,893</b>

# Annual Governance Statement

# Leicester City Council Annual Governance Statement 2018-19

## 1. Introduction

The Council is committed to good corporate governance and complies with the CIPFA/ SOLACE “Delivering Good Governance Framework” (2016). The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations
- public money is safeguarded and properly accounted for
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people

This statement is produced in fulfilment of the requirements under the Accounts and Audit Regulations, 2015, to prepare an annual governance statement.

## 2. The Arrangements

The Council works within the governance arrangements summarised in Appendix 1, and has an approved Local Code of Corporate Governance. The following describes how the Council meets the requirements of good governance through the core principles, systems, policies and procedures it has in place. Appendix 2 demonstrates how this has been assessed to inform the Annual Governance Statement.

### We have the following codes and rules:

- Finance Procedure Rules
- Code of Conduct for Members
- Code of Conduct for Employees
- Anti-fraud, Bribery and Corruption Policy
- Whistleblowing Policy
- Information Governance & Risk Policy

### The City Mayor has set out a strategic vision in terms of a number of key pledges which relate to:

- Connecting Leicester
- Quality public transport
- Transforming the Waterside
- Increasing school places
- Attracting investment, jobs and skills

### The key pledges are supported by the following key plans:

- Economic Action Plan
- Local Transport Plan
- Health and Wellbeing Strategy
- Sustainability Action Plan
- Children’s Improvement Plan
- Heritage Action Plan
- Homelessness Strategy
- Air Quality Action Plan
- Flood Risk Management Strategy
- Departmental performance targets
- Budget Strategy
- Corporate Risk Management Strategy

### We monitor:

- Delivery of the key plans and strategies
- Performance indicators, particularly in relation to children’s and adults’ social care
- Delivery of the Budget

## Leicester City Council Annual Governance Statement 2018-19 (continued)

### 2. The Arrangements (continued)

#### We are transparent in our decision making through:

- Open Council & committee meetings with published minutes
- Published Executive decisions
- Scrutiny of Executive projects through committees
- Call in periods for Executive decisions
- Public engagement through consultation, representations and petitions
- Use of social media and engagement with the press and media
- Stakeholder engagement on key projects and partnership working
- Publication of Freedom of Information Act responses and transparency data

#### We are supported by:

- Democratic Services including Member and Civic Support Services, who also support member development
- An Organisational Development Team, who ensure effective development of employees
- A Communications function which includes PR, Media and Digital Media Teams

- A staff intranet and established internal communication channels, which provide guidance to staff
- Partnership working on key priorities
- An Information Assurance Team to support our data policies

#### We review processes and delivery throughout the year supported by:

- Internal Audit
- External Audit
- Information Governance
- Audit and Risk Committee
- Annual review of the Local Code of Corporate Governance
- Annual review of the Assurance Framework

Additional information on many of the areas detailed above can be found on the Council's website;

[www.leicester.gov.uk](http://www.leicester.gov.uk)

### 3. Review of Effectiveness

The Council's review of processes enables the identification of any areas of the Council's activities where there are significant weaknesses in financial controls, governance arrangements or the management of risk. Overall, from this year's work, it can be concluded that controls are operationally sound and that the Council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government'. This has been supported by the internal audit opinion which stated:

**"The HoIAS will conclude Leicester City Council's control environment (its framework of governance, risk management and control) is overall adequate and effective."**

Risk management and internal control are significant part of the governance framework and are designed to manage risk to a reasonable level. We cannot eliminate all risk of failure to achieve policies, aims and objectives however the above controls provide reasonable and not absolute assurance of effectiveness.

## Leicester City Council Annual Governance Statement 2018-19 (continued)

Areas of significant risk or priorities for action have been identified and are detailed in the tables, along with an update of the issues identified last year.

### Issues Identified in 2017/18

The areas of significant risk or priorities for action that have been identified are listed in the table:

Issue Identified	Action taken to Date
<b>Medium Term Financial Strategy</b> – Like all local authorities, the Council's financial viability is a key concern at a time of deep funding cuts.	A balanced budget has been agreed for 2019/20 and a further round of savings is planned through the spending review programme. Budget performance is closely monitored.
<b>2015 OFSTED Inspection</b> - an inspection of Services for Children in Need of Help and Protection, Children Looked After, and Care Leavers graded Leicester's children's services as inadequate. A follow up inspection took place in 2017 which rated the authority as requiring improvement.	Since the last full inspection in 2017, we have: (i) developed an improvement plan, (now implemented) that addresses the 11 recommendations of that inspection outcome and; (ii) had a short Focused Visit this January which showed a positive step forward in our improvement journey. We have also established a new Improvement Board (IB) to support us until the next full inspection (anticipated around April/July 2020). The Board has an independent chair (ex DCS) and supported by an independent consultant offers focused audits and reviews as directed by the Board.

## Leicester City Council Annual Governance Statement 2018-19 (continued)

Areas of significant risk or priorities for action have been identified and are detailed in the tables, along with an update of the issues identified last year.

### Issues Identified in 2018/19

The areas of significant risk or priorities for action that have been identified are listed in the table:

Issue Identified	Planned Action:
<b>Medium Term Financial Strategy</b> - Like all local authorities, the Council's financial viability is a key concern at a time of deep funding cuts and growth in the costs of Adult and Children Social Care. The future funding for the Council beyond 2019/20 is still uncertain. Further to this the Government is yet set out a plan to manage the pressures within Children's and Adult Social Care going forward.	A balanced budget has been agreed for 2019/20 and a further round of savings are planned for 2020/21 through the spending review programme. Budget performance is closely monitored.
<b>2015 OFSTED Inspection</b> – An inspection of Services for Children in Need of Help and Protection, Children Looked After, and Care Leavers graded Leicester's children's services as inadequate. A follow up inspection took place in 2017 which rated the authority as requiring improvement.	The action being taken to date as described above will continue during 2019/20

## Leicester City Council Annual Governance Statement 2018-19 (continued)

### Issues Identified in 2018/19 (continued)

Issue Identified	Planned Action:
<p><b>EU exit particularly in the event of no-deal being reached.</b></p>	<p>An impact assessment has been undertaken to identify possible risks and impacts of a no-deal EU exit and this will continue to be reviewed and updated and mitigating actions taken forward as appropriate. The Council is linked into a wider network of East Midlands authorities via a Chief Executives group which is identifying and sharing emerging issues and reporting these up to MHCLG on a weekly basis, and anything arising from this as appropriate will feed into the Council's impact assessment and actions. The Executive along with the Audit and Risk Committee will be updated as appropriate on the Council's assessment and actions.</p> <p>The Local Resilience Forum (LRF) of which the Council is a key member, is planning for risks which may require a multi-agency response. The Council will continue to work with the LRF to ensure there are robust arrangements in place and that we are prepared to respond as necessary with the appropriate resources. This includes joint working in relation to communications and community engagement as appropriate.</p>



## Leicester City Council Annual Governance Statement 2018-19 (continued)

### Issues Identified in 2018/19 (continued)

Issue Identified	Planned Action:
<p><b>Cybersecurity</b> – the potential for loss or compromise of IT systems and/or associated data through cyber security attacks.</p>	<p>The Council will continue to ensure close monitoring of existing perimeter and internal security protection.</p> <p>We have further implemented measures to raise staff awareness and training via an internal IT Security Team.</p> <p>The Council has also implemented a number of improved security toolsets including a Security and Incident Event Management System.</p>
<p><b>SEND</b></p>	<p>A Joint Area Review (Care Quality Commission and Ofsted) was undertaken in May 2018 of Leicester's partnership and working arrangements across Special Educational Needs (SEND) provisions. The outcome was that there were areas of weakness (including strategic oversight; quality of Education, Health and Care Plans / EHCPs) but areas of good practice identified. As a result of the Area Review the Council and its partners (health) were required to submit a Written Statement of Action (WSOA) which was signed off by Ofsted/ CQC in September 2018. The new SEND Improvement Board has oversight of the WSOA and has standing representation from statutory partners, education community and parent/carer representation. At the time of the Area Review there were no plans for those areas required to submit a WSOA (some 44% of areas reviewed) to be re-reviewed. However DfE changed this and now those areas with a WSOA are to be re-reviewed, usually with about one year to 18 months post the original Area Review.</p>

## Leicester City Council Annual Governance Statement 2018-19 (continued)

### 4. Conclusion

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:**

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**City Mayor**

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**Chief Operating Officer**

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**Director of Finance**

The Council had the following governance arrangements in place during 2018/19.

## SUMMARY OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS

### Mayor, Executive and Council

- Provide leadership, develop and set policy
- Key risks are considered by the Executive quarterly

### Decision making

- Decisions are recorded on the Council's website
- There is a period of grace in which decisions are open to review

### Risk management

- Risk registers identify both operational and strategic risks
- Key risks are considered by Corporate Management Team quarterly

### Scrutiny and review

- Scrutiny committees review Council policy and can challenge decisions
- Audit and Risk Committee approves the annual accounts and reviews policies & procedures that ensure good governance of the Council. Along with approving of the Internal Audit Annual Report and opinion

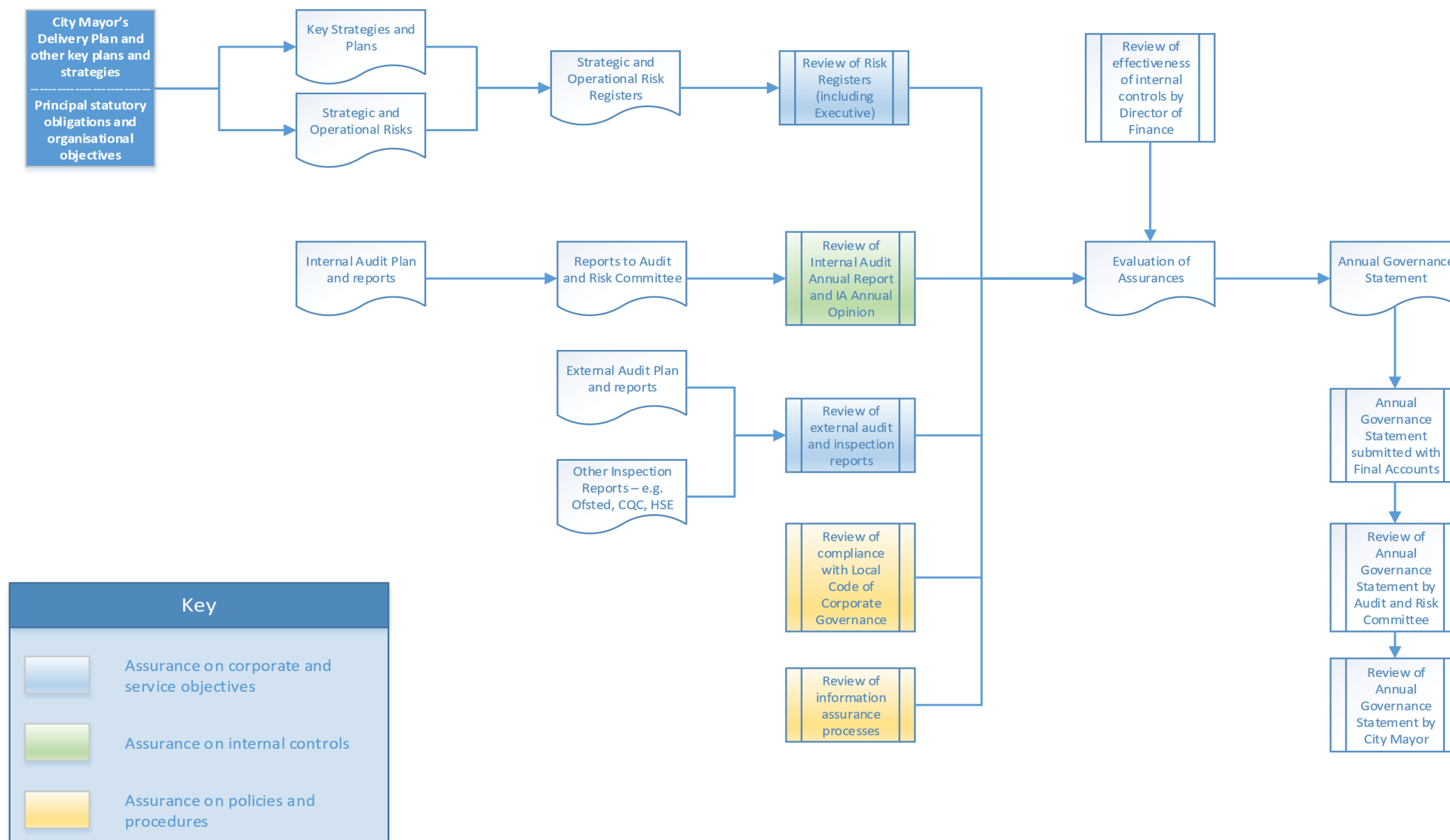
### Corporate Management Team (CMT)

- Provides service level management and interface with the political leadership
- Head of Paid Service is the Chief Operating Officer, who is responsible for all Council staff and leading an effective CMT.
- Director of Finance is the s.151 Officer and is responsible for safeguarding the Council's financial position and ensuring value for money
- Monitoring Officer is the City Barrister & Head of Standards who is responsible for ensuring legality and promoting high standards of public conduct
- CMT includes all strategic and operational directors

## Leicester City Council Annual Governance Statement 2018-19 (continued)

## Appendix 2

The following diagram, shows how the Council has assessed its governance arrangements to inform the Annual Governance Statement



# Glossary

# 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.

## Academies

Publicly funded schools, independent of Local Authority control, held accountable directly to the Government.

## 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.

## Asset

A resource controlled by the authority, as a result of past events and from which future economic benefits are expected to flow to the authority.

## 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.

## Glossary (continued)

### 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.

### 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.

### 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.

## Glossary (continued)

### 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.

### Expenditure and Funding Analysis

This statement shows how annual expenditure is used and funded from resources by the Council in comparison to those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

### Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

### 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.

### 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.



## Glossary (continued)

### 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.

### 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.

### Liabilities

An obligation to transfer economic benefits. Current liabilities are payable within one 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.

### Local Tax Reduction Scheme

System of granting means-tested Council Tax discounts and exemptions depending on personal taxpayer circumstances.

### 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).

## Glossary (continued)

### Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that be applied to fund expenditure or reduce local taxation) and other reserves.

### 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. Income is shared between Central Government, the Council and Leicestershire Fire authority.

### 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 Crime Commissioner and the Leicestershire & Rutland Combined Fire Authority.

### 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 (PFI)

An initiative for utilising private sector funding to provide public sector assets.

### 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.

### 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.

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