



**Leicester**  
City Council

**Draft (unaudited)**

# **Statement of Accounts**

**Year ended 31<sup>st</sup> March 2013**



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## FOREWORD

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### 1. Introduction

The statement of accounts presents the City Council's financial performance for the year 2012/13. The accounts have been prepared on a going concern basis, and in compliance with the Code of Practice on Local Authority Accounting in the UK published by the Chartered Institute of Public Finance and Accountancy.

### 2. Core Statements

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

The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance (for Council Tax-setting purposes) and the Housing Revenue Account (for rent-setting purposes). The Net increase/decrease before transfers to earmarked reserves shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The **Comprehensive Income and Expenditure Account** shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the financial period under the relevant accounting standards. This account shows a deficit in 2012/13 of £54.4m. This includes various transactions which illustrate aspects of the Council's financial position but do not impact on the 'bottom line' amounts chargeable to taxpayers – such items include gains/losses on the revaluation or disposal of assets (including losses on assets transferred to academy schools for nil consideration), and changes to actuarial estimates of the authority's pension liabilities (see section 6 below).

The Council is required by law to set its budget and raise council tax on a different accounting basis from that used in the Comprehensive Income & Expenditure Statement. There are a number of statutory adjustments made in order to determine the movement on the General Fund balance, which is a key figure for Council Tax purposes. These are made in the Movement on Reserves Statement described above. Following these adjustments the final movement on the Council's General Fund balance is a small increase of £0.6m.

The **Balance Sheet** shows the Council's assets and liabilities. The top half of the Balance Sheet shows the Council's total net assets.

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

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

The **Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

### **3. Supplementary statements**

The **Housing Revenue Account (HRA)** is a statutory ring-fenced account relating to the provision of rented social housing. The HRA Income and Expenditure account shows a deficit of £9.2m. However after adjustments to reflect statutory requirements, the account generated a year end surplus of £1.4m.

The **Collection Fund** records all income and expenditure in relation to council tax and non-domestic (business) rates. This account shows a year end surplus of £0.4m.

The Council has in previous years prepared group accounts consolidating bodies which are associates or subsidiaries of the Council. The Council has assessed the relationships it has at 31<sup>st</sup> March 2013 and judged that the preparation of group accounts does not provide any material benefit to users of the accounts in terms of their understanding of the Council's financial position. Information on the relevant bodies can still be found in Note 39 to the accounts.

#### **4. Summary of the year**

Local government is in the midst of the most substantial funding cuts ever experienced, as a result of the UK Government's programme to reduce the national spending deficit. The Council's formula grant, which is the biggest source of funding received for general purposes, fell from £189m to £177m in 2012/13 and over the period 2010/11 to 2014/15 reductions in total revenue grant funding from the Government will be close to 30%. It is in this context that the budget for 2012/13 made plans to reduce annual expenditure by £38m over 3 years.

Given this difficult backdrop, it is pleasing to report that the Council spent within budget in 2012/13, and a planned use of reserves to balance the budget was not required.

Capital spending of £76m was incurred in 2012/13, of which £26m was spent on the "Building Schools for the Future" (BSF) programme to modernise secondary schools. An estimated further £30m of capital expenditure was invested on BSF projects under Private Finance Initiative contracts. The refurbishments of Rushey Mead School and the Children's Hospital School were finished during 2012/13, and contracts were signed for a further 12 schools. Spending of £82m is expected to be incurred on these schools in 2013/14.

Credit conditions continued to be difficult during 2012/13. The Council had investments totalling £106.8m at the end of the year, and adopted a cautious investment strategy – it has only lent to strong UK banks, other local authorities and the Government's Debt Management Office. The Council has adopted a policy of using investments as an alternative to borrowing for capital projects, and balances are expected to reduce in future years.

No new borrowing took place during 2012/13.

2012/13 saw a change in the financial arrangements for supporting the provision of rented housing. The costs of this activity are recorded in the Housing Revenue Account, and former arrangements for Government subsidy were abolished. Instead, the Government has paid £10m to reduce the Council's debt, as a "once & for all" settlement. The Housing Revenue Account underspent by £2.4m on a turnover of £81m in 2012/13.

#### **5. Reserves**

The Council's uncommitted reserves stand at £14m, and are expected to increase in 2013/14 and 2014/15 as part of a conscious policy to control the impact of further government funding cuts. Reserve balances built up will be drawn down to mitigate the impact of cuts in later years.

The Council holds “earmarked” reserves for specific purposes. These include reserves ring-fenced by law, such as schools’ balances (£25m) which can only be spent by individual schools; and funds committed for future purposes, such as monies required for Building Schools for the Future (£37m). Other funds include monies received from the NHS for joint projects, and money to pay for capital works. Earmarked reserves stand at £153m. A substantial draw-down of reserves will take place in the next two years as Building Schools for the Future moves towards its conclusion, and other provisions are spent.

## **6. Pensions**

The Council is a member of the Leicestershire local authority pension scheme, a defined benefit scheme managed by Leicestershire County Council. In common with most such schemes, the Council’s pension fund shows a significant deficit (£434m). This represents the difference between expected investment returns and the cost of providing benefits to scheme members which have been earned to date. The size of the deficit has increased, principally due to increased longevity and falling gift yields. The deficit has no immediate impact on the revenue budget, but will be a factor in calculating employers’ contributions from 2014/15. Local government pension schemes are changing in 2014/15 and future pension entitlement will be calculated on a career average rather than a final salary basis. Full accounts of the Leicestershire scheme can be found at <http://www.leics.gov.uk/pensions.htm>

## **7. Future issues**

2013/14 and later years will inevitably see the continuation of substantial grant cuts. At the time of writing, the Government has not produced the June 2013 Spending Review, but substantial revenue funding cuts are envisaged at least until 2017/18. This may be complemented by additional funding for infrastructure investment.

2013/14 will see the start of significant capital spending on the City Mayor’s Economic Action Plan, including works to the retail market, street works to connect the centre of Leicester, and other measures to help rejuvenate the local economy. The City has seen significant international interest in, and a boost to tourism from, the discovery of the remains of King Richard III; and capital investment in a new visitor attraction is designed to secure lasting benefit to the City.

From 1<sup>st</sup> April 2013, local government assumes responsibility for public health, with staff, services and associated funding transferring from the National Health Service to local authorities. The intention behind this national move is to maximise the



capacity of the public sector to achieve improvements in public health through co-ordination of all relevant community services.

2013/14 also sees the introduction of funding reforms, including the partial retention by local authorities of their business rates (at present they are collected by local authorities but paid directly to the Government). There will also be significant changes to schemes of, and funding for, welfare benefits administered by local authorities.

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

The Code of Practice on Local Authority Accounting is published annually by CIPFA and sets out the proper accounting practice required for the Statement of Accounts. There have been no significant changes to accounting policies during 2012/13.



## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

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### **The Council's Responsibilities**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Director of Finance.
- Manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

These accounts were approved at a meeting of the Audit & Risk Committee on ..... 2013.

**Cllr ..... Date .....**  
**To be signed by the Chair of the Audit & Risk Committee meeting approving  
the final audited accounts in September 2013**

### **The Chief Finance Officer's Responsibilities**

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Director of Finance has also:

- Kept proper accounting records, which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts has been prepared in accordance with proper practices and presents a true and fair view of the financial position of the City Council and its income and expenditure for the year ended 31<sup>st</sup> March 2013.

**A Greenhill CPFA  
Director of Finance**

**28<sup>th</sup> June 2013**

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

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## MOVEMENT IN RESERVES STATEMENT

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

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

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Total Usuable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2012</b>	<b>(23,551)</b>	<b>(131,443)</b>	<b>(4,580)</b>	<b>(1,201)</b>	<b>(3,519)</b>	<b>(164,294)</b>	<b>(1,086,582)</b>	<b>(1,250,876)</b>
<b>Movement in reserves during 2012/13</b>								
(Surplus) or deficit on provision of services	3,025	-	(1,401)	-	-	1,624	-	1,624
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	52,753	52,753
<b>Total Comprehensive Expenditure and Income</b>	<b>3,025</b>	<b>-</b>	<b>(1,401)</b>	<b>-</b>	<b>-</b>	<b>1,624</b>	<b>52,753</b>	<b>54,377</b>
Adjustments between accounting basis & funding basis under regulations	(31,605)	-	(1,763)	1	(16,600)	(49,967)	49,967	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(28,580)</b>	<b>-</b>	<b>(3,164)</b>	<b>1</b>	<b>(16,600)</b>	<b>(48,343)</b>	<b>102,720</b>	<b>54,377</b>
Transfers to/from Earmarked Reserves	27,968	(21,154)	-	-	-	6,814	(6,814)	-
<b>Increase/Decrease (movement) in Year</b>	<b>(612)</b>	<b>(21,154)</b>	<b>(3,164)</b>	<b>1</b>	<b>(16,600)</b>	<b>(41,529)</b>	<b>95,906</b>	<b>54,377</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>(24,163)</b>	<b>(152,597)</b>	<b>(7,744)</b>	<b>(1,200)</b>	<b>(20,119)</b>	<b>(205,823)</b>	<b>(990,676)</b>	<b>(1,196,499)</b>

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Total Usuable Reserves	Unusuable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2011</b>	<b>(14,487)</b>	<b>(112,741)</b>	<b>(2,647)</b>	<b>(4,253)</b>	<b>(3,856)</b>	<b>(137,984)</b>	<b>(1,229,133)</b>	<b>(1,367,117)</b>
<b>Movement in reserves during 2011/12</b>								
(Surplus) or deficit on provision of services	29,416	-	6,626	-	-	<b>36,042</b>	(334)	<b>35,708</b>
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	80,533	<b>80,533</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>29,416</b>	<b>-</b>	<b>6,626</b>	<b>-</b>	<b>-</b>	<b>36,042</b>	<b>80,199</b>	<b>116,241</b>
Adjustments between accounting basis & funding basis under regulations	(57,182)	-	(8,559)	3,052	337	<b>(62,352)</b>	62,352	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(27,766)</b>	<b>-</b>	<b>(1,933)</b>	<b>3,052</b>	<b>337</b>	<b>(26,310)</b>	<b>142,551</b>	<b>116,241</b>
Transfers to/from Earmarked Reserves	18,702	(18,702)	-	-	-	-	-	-
<b>Increase/Decrease (movement) in Year</b>	<b>(9,064)</b>	<b>(18,702)</b>	<b>(1,933)</b>	<b>3,052</b>	<b>337</b>	<b>(26,310)</b>	<b>142,551</b>	<b>116,241</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(23,551)</b>	<b>(131,443)</b>	<b>(4,580)</b>	<b>(1,201)</b>	<b>(3,519)</b>	<b>(164,294)</b>	<b>(1,086,582)</b>	<b>(1,250,876)</b>



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2011/12				2012/13			
Gross Exp £000	Income £000	Net Exp £000		Note	Gross Exp £000	Income £000	Net Exp £000
33,628	(31,865)	1,763	Central Services to the Public		34,130	(32,408)	1,722
77,384	(18,206)	59,178	Cultural and Related Services		46,199	(17,212)	28,987
32,010	(14,364)	17,646	Environmental and Regulatory Services		33,732	(14,267)	19,465
60,095	(27,819)	32,276	Planning and Development Services		39,918	(19,055)	20,863
421,163	(326,080)	95,083	Education and Children's Services		402,377	(321,964)	80,413
37,278	(12,163)	25,115	Highways and Transport Services		38,510	(11,842)	26,668
86,979	(77,894)	9,085	Local Authority Housing (HRA)		72,056	(81,276)	(9,220)
166,763	(146,752)	20,011	Other Housing Services		170,689	(152,397)	18,292
129,457	(53,698)	75,759	Adult Social Care		147,323	(62,837)	84,486
22,575	(21,787)	788	Corporate and Democratic Core		66,538	(60,165)	6,373
10,342	(328)	10,014	Non Distributed Costs		2,287	(1,710)	577
<b>1,077,674</b>	<b>(730,956)</b>	<b>346,718</b>	<b>Cost of Services</b>	<b>28</b>	<b>1,053,759</b>	<b>(775,133)</b>	<b>278,626</b>
12,887	(12,591)	296	Other Operating Expenditure	9	5,105	-	5,105
24,157	(2,660)	21,497	Financing and Investment Income and Expenditure	10	30,808	(299)	30,509
-	-	-	Surplus or Deficit of Discontinued Operations		-	-	-
-	(332,469)	(332,469)	Taxation and Non-Specific Grant Income	11	-	(312,616)	(312,616)
<b>1,114,718</b>	<b>(1,078,676)</b>	<b>36,042</b>	<b>(Surplus) or Deficit on Provision of Services</b>		<b>1,089,672</b>	<b>(1,088,048)</b>	<b>1,624</b>
		(334)	Associates and Joint Ventures Accounted for on an Equity Basis - Authority share of results of associates and joint ventures				-
			Tax Expenses - Corporation Tax Payable				
		<b>35,708</b>	<b>(Surplus) or Deficit including Associates &amp; Joint Ventures</b>				<b>1,624</b>
		(13,523)	Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets	24			(30,692)
		-	Surplus or Deficit on Revaluation of Available for Sale Financial Assets				
		94,056	Actuarial Gains/Losses on Pension Assets /Liabilities	47			83,445
		-	Other Share of Other Comprehensive Expenditure & Income of Associates & Joint Ventures				-
		<b>80,533</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>52,753</b>
		<b>116,241</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>54,377</b>



## BALANCE SHEET

31 <sup>st</sup> March 2011 £000	31 <sup>st</sup> March 2012 £000		Note	31 <sup>st</sup> March 2013 £000
1,967,541	1,896,901	Property, Plant & Equipment	12	1,879,159
49,502	50,289	Heritage Assets	51	74,844
1,900	1,101	Intangible Assets	14	1,291
7,830	8,274	Long Term Investments	15	8,274
288	307	Long Term Debtors	18	359
<b>2,027,061</b>	<b>1,956,871</b>	<b>Long Term Assets</b>		<b>1,963,927</b>
43,482	50,106	Short Term Investments	15	100,555
5,180	14,775	Assets Held For Sale (<1 year)	20	4,312
3,430	3,809	Inventories	16	3,692
61,162	49,919	Short Term Debtors	18	57,783
34,017	59,586	Cash and Cash Equivalents	19	45,550
<b>147,271</b>	<b>178,195</b>	<b>Current Assets</b>		<b>211,892</b>
(30,660)	(41,208)	Bank Overdraft	19	(29,544)
(2,348)	(16,853)	Short Term Borrowing	15	(4,355)
(122,421)	(120,223)	Short Term Creditors	21	(121,370)
(4,250)	(4,270)	Provisions (<1 year)	22	(4,609)
<b>(159,679)</b>	<b>(182,554)</b>	<b>Current Liabilities</b>		<b>(159,878)</b>
(9,531)	(9,504)	Provisions	22	(10,259)
(266,015)	(245,135)	Long Term Borrowing	15	(245,141)
(320,707)	(415,256)	Other Long Term Liabilities	15	(520,568)
(51,282)	(31,743)	Capital Grants Receipts in Advance	38	(43,474)
<b>(647,535)</b>	<b>(701,638)</b>	<b>Long Term Liabilities</b>		<b>(819,442)</b>
<b>1,367,118</b>	<b>1,250,874</b>	<b>Net Assets</b>		<b>1,196,499</b>
137,984	164,293	<u>Represented by:</u> Usable Reserves	23	205,823
1,229,134	1,086,581	Unusable Reserves	24	990,676
<b>1,367,118</b>	<b>1,250,874</b>	<b>Total Reserves</b>		<b>1,196,499</b>



## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2011/12 £000		Note	2012/13 £000
(36,042)	Net surplus or (deficit) on the provision of services		(1,624)
104,053	Adjustments to net surplus or deficit on the provision of services for non-cash movements		121,747
6,530	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities		(66,253)
<b>74,541</b>	<b>Net cash flows from Operating Activities</b>	25	<b>53,870</b>
(53,146)	Net cash flows from Investing Activities	26	(41,454)
(6,374)	Net cash flows from Financing Activities	27	(14,788)
<b>15,021</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(2,372)</b>
3,357	Cash (in hand) and cash equivalents at the beginning of the reporting period		18,378
<b>18,378</b>	<b>Cash (in hand) and cash equivalents at the end of the reporting period</b>		<b>16,006</b>



## **NOTES TO THE ACCOUNTS**

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

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

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. The Council is required to prepare an annual statement by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. Those practices comprise the Code of Practice on Local Authority accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13 (SeRCOP), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

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

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

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

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash Equivalents are investments that mature within three months from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form part of the Council's cash management.

### **iv) Exceptional Items**

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

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

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

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

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

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

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

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



The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, the Council's policy is to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirements (equal to at least 4% of the underlying amount measured by the adjusted capital financing requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two.

## **vii) Employee Benefits**

### *Benefits Payable during employment*

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

### *Termination Benefits*

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

When these involve enhancement of pensions the General Fund is required to be charged with the amount payable, however this is adjusted in the Movement in Reserves Statement to reflect the cash paid rather than the amount calculated.

### *Post-employment Benefits*

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pension Scheme, administered by the Leicestershire County Council (LGPS).

Both 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' scheme 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.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.8%. (Based on an AA rated fixed interest rate bond with a duration of 20 years). Such a figure is not directly discoverable from published indices and has been estimated as the yield to maturity of a 20 year zero coupon “AAA rated” government bond plus risk premium. The risk premium reflects the difference between the yield on an “AAA rated” government bond and lower rated AA bonds.
- The assets of the Leicestershire County Council Pension Scheme attributable to Leicester City Council are included in the Balance Sheet at their fair value:
  - Quoted securities                      - Current bid price
  - Unquoted securities                - Professional estimate
  - Unlisted securities                 - Current bid price
  - Property                                - Market value
- The change in the net pensions liability between Balance Sheet dates is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the 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.
  - Interest costs – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure.
  - Expected return on assets – the annual investment return on the fund assets attributable to Leicester City Council, based on an average of the expected long-term return – credited to Net Operating Expenditure.

- Gains/losses on settlements and curtailments – the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services as part of Non-Distributed Costs.
- Actuarial gains/losses – changes in the net pensions liability that arise, because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, are debited or credited to the Pension Reserve.
- Contributions paid to the Leicestershire County Council Pension Scheme – cash paid as employer’s contributions to the pension fund.

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

#### *Discretionary Benefits*

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

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

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statements.

## **ix) Financial Instruments**

### *Financial Assets*

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### *Loans and Receivables*

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

### *Soft Loans*

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

### *Impairment*

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

### *Financial Liabilities*

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

### *Repurchase of Borrowing*

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

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

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

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of the entitlement to the grant/contribution (or immediately if there are no conditions) and there is reasonable assurance that the monies will be received.

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

Grant towards general expenditure (e.g. Revenue Support Grant, NNDR etc.) is credited to the Taxation and Non-specific Grant Income in the CIES.

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

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

### ***xi) Intangible Assets***

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

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

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

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

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

### ***xiii) Inventories***

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

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

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

The Council has an interest in a joint purchasing authority – ESPO (Eastern Shires Purchasing Organisation). The Council has determined that this meets the criteria set out within the code as a Joint Arrangement Not an Entity (JANE).

### ***xv) Leases***

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

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

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

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

#### *Council as Lessor*

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

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

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

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

#### *Council as Lessee*

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

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

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

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

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

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

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

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

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

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

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

##### *Recognition:*

Expenditure on the acquisition, creation or enhancement of tangible non-current assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

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

##### *Measurement:*

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



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

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

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

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

*Impairment:*

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

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

Where an impairment loss is charged to the CIES but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

### *Disposals:*

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

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

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

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

A proportion of receipts relating to Housing Revenue Account (HRA) dwellings sold under the Right To Buy (RTB) rules from 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.

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

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

### *Depreciation:*

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

Depreciation is calculated on the following bases:

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

For Council dwellings, in 2011/12 depreciation was based on the fair value of dwellings without an adjustment for social housing.

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

### *Schools:*

Community and Voluntary Controlled schools are included in the Council's Balance Sheet. The following types of schools are excluded:

- a) Academies.
- b) Voluntary Aided Schools (playing fields for some of these are owned by the Council and are included).
- c) Foundation and Trust Schools.

### **xviii) Heritage Assets**

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

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

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

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

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

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

#### **xix) *Private Finance Initiatives***

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

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

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

- Fair Value of the service received in the year – charged to relevant service in the CIES.
- Finance Cost – the interest charge on the outstanding Balance Sheet liability, charged to the Finance and Investment line in the CIES.
- Contingent Rent – increases in the amount payable for the property and charged to the Finance and Investment line in the CIES.
- Payment towards the liability – applied to the Balance Sheet Liability.
- Lifecycle Costs – additional expenditure on assets either added as prepayment for the asset or to the Service lines where not material, when the relevant work is carried out.

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

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

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

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

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

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

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

#### **xxi) Reserves**

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

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

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

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

#### **xxiii) VAT**

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

## **2. Changes in Accounting Policies Since 2011/12 & Accounting Standards Issued but not Adopted**

There have been no substantial changes to the Council's accounting policies in 2012/13.

There have been certain changes to accounting standards which have not yet been incorporated into the Code of Practice for 2012/13. These will affect the Council's accounting in future years. They are:

### ***IAS 1 Presentation of Financial Statements***

IAS1 has been amended to change the requirements around grouping of items of Other Comprehensive Income that may be reclassified into items within the Surplus or Deficit on Provision of Services. These amendments relate mainly to complex financial transactions and are not expected to impact on the Council's accounts.

### ***IFRS 7 Financial Instruments***

The changes require greater disclosure about the right to offset financial instruments against each other in order to help users understand the Council's financial position. It is not anticipated that this change will have a significant impact on the Council's accounts.

### ***IAS 12 Income Taxes***

There are certain changes to IAS 12 around deferred taxation. These changes are not anticipated to have a significant effect on the Council's accounts.

### ***IAS19 Employee Benefits***

Changes to be implemented in 2013/14 will affect the recognition of future investment income and the discount rate applied to the Council's future liabilities. The impact of these changes on the Council is unclear but it is likely that the costs of employee pensions on an IAS19 basis will increase. The impact of any increase in costs on the General Fund would be offset by the standard adjustments allowed under the Code of Practice, though there may be an effect on the contribution rates required by the pension scheme in future years.

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

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

The critical judgements made in the Statement of Accounts are:

### ***Accounts Prepared on a Going Concern Basis***

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

### ***Classification of Leases***

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

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

Since the introduction of the IFRS-based Code, the Council has regularly reviewed the leases it is a party to and has used relevant criteria to assess the nature of each lease. This process has again been undertaken in 2012/13, with judgements being applied to classify leases in line with the guidance and requirements. Details of leases are included in Note 41.

### ***Investment Properties***

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

### ***Group Accounts***

In previous years, the Council has prepared Group Accounts, incorporating certain other organisations over which the Council has a level of control consistent with the Code's definition of a subsidiary or associate entity. In 2012/13 the Council has reviewed its relationship with these other organisations and has concluded that the preparation of Group Accounts gives no material benefit to users of the Statement of Accounts in terms of their understanding of the Council's financial position. Details of the associated organisations can be found in Note 39.



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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain.

Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by approximately £0.5m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Local Government Pension Scheme, administered by Leicestershire County Council with expert advice about the assumptions to be applied.	The effects of the net pension liability of changes in individual assumptions can be measured. The actuaries have advised that a 0.5% decrease in the Real Discount Rate would mean a 11% increase to the employers liability amounting to approximately £108m. A one year increase in member life expectancy would mean a 3% increase in employers liability amounting to approximately £30m. A 0.5% increase in the Pension Increase Rate would mean a 7% increase to the employers liability amounting to £70m.
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.

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

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

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

There are no material events after the Balance Sheet date to report.

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

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

<b>2012/13</b>	<b>General Fund Balance £000</b>	<b>Housing Revenue Account £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Major Repairs Reserve £000</b>	<b>Movemt in Unusable Reserves £000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:</b>					
Charges for depreciation, impairment and amortisation of non-current assets	(40,509)	(18,717)		(6,723)	65,949
Revaluation losses on Property Plant and Equipment	(16,842)	1,838			15,004
Movements in the market value of Investment Property					
HRA Settlement					
Capital grants and contributions applied	34,170				(34,170)
Movement in the Donated Assets Account					
Capital expenditure funded from revenue		12,151			(12,151)
Revenue expenditure funded from capital under statute	(1,203)				1,203
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	(16,635)	3,048	(20,671)		34,258
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:</b>					
Statutory provision for the financing of capital investment	20,440	64			(20,504)
Capital expenditure charged against the General Fund and HRA balances					
<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					
Use of the Capital Receipts Reserve to finance new capital expenditure			2,883		(2,883)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals					
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,198)		1,198		

2012/13 continued	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>					
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement			(10)		10
<b>Adjustments primarily involving the Major Repairs Reserve:</b>					
Reversal of Major Repairs Allowance credited to the HRA					
Use of the Major Repairs Reserve to finance new capital expenditure				6,724	(6,724)
<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	(827)	934			(107)
<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	(43,125)	(1,103)			44,228
Employer's pensions contributions and direct payments to pensioners payable in the year	33,158				(33,158)
<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	367				(367)
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>					
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements					
<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	599	22			(621)
<b>Total Adjustments</b>	<b>(31,605)</b>	<b>(1,763)</b>	<b>(16,600)</b>	<b>1</b>	<b>49,967</b>

2011/12 Comparative Information	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:</b>					
Charges for depreciation, impairment and amortisation of non-current assets	(102,774)	(14,719)		(19,575)	137,068
Revaluation losses on Property Plant and Equipment					
Movements in the market value of Investment Property					
HRA Settlement	(8,414)	8,414			
Capital grants and contributions applied	43,349				(43,349)
Movement in the Donated Assets Account					
Revenue expenditure funded from capital under statute	(3,676)				3,676
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	(8,765)	2,141			6,624
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:</b>					
Statutory provision for the financing of capital investment	28,886	1,145			(30,031)
Capital expenditure charged against the General Fund and HRA balances					
<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	297		(301)		4
Use of the Capital Receipts Reserve to finance new capital expenditure			4,440		(4,440)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals					
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	3,802		(3,802)		
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>					
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement					
<b>Adjustments primarily involving the Major Repairs Reserve:</b>					
Reversal of Major Repairs Allowance credited to the HRA		(5,985)		5,985	
Use of the Major Repairs Reserve to finance new capital expenditure				16,642	(16,642)

<b>2011/12 Comparative Information continued</b>	<b>General Fund Balance £000</b>	<b>Housing Revenue Account £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Major Repairs Reserve £000</b>	<b>Movemt in Unusable Reserves £000</b>
<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	(899)	1,030			(131)
<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	(37,665)	(284)			37,949
Employer's pensions contributions and direct payments to pensioners payable in the year	33,750				(33,750)
<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	794				(794)
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>					
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements					
<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	(5,867)	(301)			6,168
<b>Total Adjustments</b>	<b>(57,182)</b>	<b>(8,559)</b>	<b>337</b>	<b>3,052</b>	<b>62,352</b>

## 8. Earmarked Reserves

Earmarked reserves are amounts set aside from the General Fund and HRA to provide financing for future expenditure plans. During the year they may be used to fund expenditure and additional amounts may be set aside.

The table below provides a list of earmarked reserves held by the Council at the end of the financial year. A brief explanation of the nature and purpose of the more significant reserves is also provided below.

2012/13	Balance at 1st April 2012 £000	Transfers In 2012/2013 £000	Transfers Out 2012/2013 £000	Balance at 31st March 2013 £000
<b>General Fund Earmarked Reserves:</b>				
School Balances	21,535	5,898	(2,782)	24,651
Building Schools for the Future - Financing	31,279	6,067	(319)	37,027
Job Evaluation	3,072	5,160	(7,007)	1,225
Children's Services Funds	8,151	2,828	(2,924)	8,055
Area Based Grant	6,220	-	(5,091)	1,129
Insurance Fund	5,823	9,146	(9,587)	5,382
Schools Capital Fund	4,776	993	(320)	5,449
Supporting People	679	-	(70)	609
IT Reserves	1,555	560	(65)	2,050
Organisational Developm't & Improvement	2,236	1,173	(2,366)	1,043
City Development & Neighbourhoods	751	502	(43)	1,210
Schools Buy Back	1,028	135	(27)	1,136
Ward Committee Funds	230	381	(419)	192
Butterwick House	409	-	(409)	0
Local Elections Reserve	-	100	-	100
Community Cohesion Fund	92	-	-	92
Adult Social Care	695	577	(356)	916
Highways Maintenance	408	10	-	418
Corporate Governance	379	300	(379)	300
Cremator Replacement Fund	1,198	266	(1,196)	268
Severence Fund	5,042	6,500	(2,271)	9,271
NHS Joint Working Projects	10,337	3,750	(1,130)	12,957
Social Care Replacement IT System	1,650	551	(102)	2,099
Preventing Homelessness	882	54	-	936
Community Safety	227	-	(227)	0
Connexions Closure	2,000	508	(711)	1,797
Public Health	2,752	2,113	(1,552)	3,313
HR Improvement Plan	-	701	(701)	0
HR Divisional Reserve	-	701	-	701
Hamilton Development - Bond	-	475	-	475
Financial Services Divisional Reserve	130	1,590	-	1,720
Housing Divisional Reserve	131	270	-	401
Corporate Reserve	-	312	-	312
Legal Divisional Reserve	-	380	-	380
Other - Miscellaneous Reserves	594	7,935	(7,503)	1,026
Capital Reserve	17,182	15,689	(6,914)	25,957
<b>Total General Fund Earmarked Reserves</b>	<b>131,443</b>	<b>75,625</b>	<b>(54,471)</b>	<b>152,597</b>
<b>Housing Revenue Account Earmarked Reserve:</b>				
Housing Maintenance	-	-	-	0
<b>Total HRA Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Earmarked Reserves</b>	<b>131,443</b>	<b>75,625</b>	<b>(54,471)</b>	<b>152,597</b>

2011/2012 Comparative information	Balance at 1st April 2011 £000	Transfers In 2011/2012 £000	Transfers Out 2011/2012 £000	Balance at 31st March 2012 £000
<b>General Fund Earmarked Reserves:</b>				
School Balances	17,074	5,990	(1,529)	21,535
Building Schools for the Future - Financing	25,277	6,002	-	31,279
Job Evaluation	9,223	4,191	(10,342)	3,072
Children's Services Funds	5,410	3,724	(983)	8,151
Area Based Grant	12,870	6	(6,656)	6,220
Insurance Fund	3,624	9,437	(7,238)	5,823
Schools Capital Fund	2,820	6,758	(4,802)	4,776
Supporting People	1,166	-	(487)	679
IT Reserves	1,042	588	(75)	1,555
Organisational Developm't & Improvement	2,628	637	(1,029)	2,236
City Development & Neighbourhoods	561	630	(440)	751
Schools Buy Back	925	1,398	(1,295)	1,028
Economic Regeneration	144	-	(144)	0
Ward Committee Funds	114	206	(90)	230
Butterwick House	409	-	-	409
Local Elections Reserve	150	50	(200)	0
Community Cohesion Fund	57	35	-	92
Adult Social Care	2,278	337	(1,920)	695
Highways Maintenance	162	306	(60)	408
Corporate Governance	284	95	-	379
Cremator Replacement Fund	550	995	(347)	1,198
Severence Fund	12,442	1,641	(9,041)	5,042
NHS Joint Working Projects	-	15,420	(5,083)	10,337
Social Care Replacement IT System	-	1,650	-	1,650
Preventing Homelessness	-	882	-	882
Community Safety	-	227	-	227
Connexions Closure	-	2,000	-	2,000
Public Health	-	2,752	-	2,752
Financial Services Divisional Reserve	100	30	-	130
Housing Divisional Reserve	231	-	(100)	131
Corporate Reserve	22	-	(22)	0
Other - Miscellaneous Reserves	727	8,940	(9,073)	594
Capital Reserve	12,451	6,600	(1,869)	17,182
<b>Total General Fund Earmarked Reserves</b>	<b>112,741</b>	<b>81,527</b>	<b>(62,825)</b>	<b>131,443</b>
<b>Housing Revenue Account Earmarked Reserve:</b>				
Housing Maintenance	-	-	-	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Earmarked Reserves</b>	<b>112,741</b>	<b>81,527</b>	<b>(62,825)</b>	<b>131,443</b>

### ***Schools' Revenue Balances***

The amount of money held in this reserve has increased from £21.5m to £24.7m following this year's outturn. This money is, by law, ring fenced to individual schools.

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

This reserve was set up in January 2007 to meet the capital financing costs associated with the BSF programme. Funding for the costs of borrowing to meet the BSF programme has already been made available by the DCSF (now DFE). As this

was provided in advance of need, it needs to be set aside, together with the interest earned on its investment, until required. The balance at year-end stands at £37.0m.

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

This amount comprises £6.6m of ring-fenced school reserves which are not devolved to schools. These monies are ring-fenced to the schools block and not available for general spending. In addition, the department holds £1.3m of reserves, which are held for commitments with regard to Building Schools for the Future and Leicester's Raising Achievement Plan (£0.2m).

### ***Capital Reserve***

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

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

This reserve was set up in 2011/12 and stands at £13.0m as at year end. The Government is increasingly providing money (via the NHS) for joint working between adult social care and the NHS. The use of this funding has to be agreed with the NHS and will be used for on-going projects. All funds directed in this way are subject to section 256 agreements which need to be signed by both parties. Expenditure on this fund is subject to external audit to ensure money has been spent according to the section 256 agreement.

## **9. Other Operating Expenditure**

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Levies	81	81
Payments to the government Housing Capital Receipts Pool	1,531	1,198
Total gains/losses on the disposal of non-current assets	(1,277)	2,735
Costs of sale – assets held for sale	428	(364)
Other operating income and expenditure	(467)	1,455
<b>Total</b>	<b>296</b>	<b>5,105</b>

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

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Interest payable and similar charges	20,087	18,767
Pensions interest cost and expected return on pensions assets	2,441	11,958
Interest Receivable and Similar Income	(491)	(343)
Other Investment Income	(540)	127
<b>Total</b>	<b>21,497</b>	<b>30,509</b>



## 11. Taxation and Non-Specific Grant Income

	2011/12 £000	2012/13 £000
Council Tax income	(94,574)	(98,734)
Non domestic rates	(145,022)	(176,295)
Non-ringfenced government grants	(44,827)	(3,417)
Capital grants and contributions	(48,046)	(34,170)
<b>Total</b>	<b>(332,469)</b>	<b>(312,616)</b>

## 12. Property, Plant & Equipment

Movements in Balances 2012/13	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1 <sup>st</sup> April 2012	625,414	976,656	71,879	223,846	2,393	106,688	1,624	<b>2,008,500</b>	69,868
Additions	17,037	32,203	19,459	7,690	-	1,621	2,236	<b>80,246</b>	14,321
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(9)	6,404	-	(76)	(71)	(3,014)	-	<b>3,234</b>	-
Revaluation Decreases / Increases not recognised in the Revaluation Reserve	(15,279)	(26,619)	(92)	(1,395)	(165)	(382)	-	<b>(43,932)</b>	-
De-recognition – disposals	(1,615)	(13,110)	(5)	-	-	(19,838)	-	<b>(34,568)</b>	-
Assets reclassified (to) / from Held for Sale	123	-	-	-	-	8,022	-	<b>8,145</b>	-
Asset reclassified (other)	-	2,457	-	-	(1,030)	197	(1,624)	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-	-	-
<b>As at 31<sup>st</sup> March 2013</b>	<b>625,671</b>	<b>977,991</b>	<b>91,241</b>	<b>230,065</b>	<b>1,127</b>	<b>93,294</b>	<b>2,236</b>	<b>2,021,625</b>	<b>84,189</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1 <sup>st</sup> April 2012	(19,401)	(24,392)	(42,443)	(25,304)	-	(59)	-	<b>(111,599)</b>	(20,774)
Depreciation Charge	(6,540)	(14,724)	(8,855)	(5,570)	-	(23)	-	<b>(35,712)</b>	(2,466)
Depreciation written out to Revaluation Reserve	-	2,488	-	-	-	7	-	<b>2,495</b>	-
Depreciation written out to the Surplus/Deficit on the provision of services	-	2,348	-	-	-	2	-	<b>2,350</b>	-
De-recognition – disposals	-	-	-	-	-	-	-	-	-
<b>As at 31<sup>st</sup> March 2013</b>	<b>(25,941)</b>	<b>(34,280)</b>	<b>(51,298)</b>	<b>(30,874)</b>	<b>-</b>	<b>(73)</b>	<b>-</b>	<b>(142,466)</b>	<b>(23,240)</b>
<b>Net Book Value</b>									
As at 31 <sup>st</sup> March 2013	<b>599,730</b>	<b>943,711</b>	<b>39,943</b>	<b>199,191</b>	<b>1,127</b>	<b>93,221</b>	<b>2,236</b>	<b>1,879,159</b>	<b>60,949</b>
At 31 <sup>st</sup> March 2012	606,013	952,264	29,436	198,542	2,393	106,629	1,624	<b>1,896,901</b>	49,094

<b>2011/12 Comparative Movements</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>	<b>PFI Assets Included in Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>									
At 1 <sup>st</sup> April 2011	635,512	929,808	106,866	216,591	1,357	183,618	2,258	<b>2,076,010</b>	92,823
Additions	19,424	33,149	3,745	9,867	833	657	1,252	<b>68,927</b>	2,124
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	16	56,976	(34,958)	23	5	(32,519)	-	<b>(10,457)</b>	(26,037)
Revaluation Decreases / Increases not recognised in the Revaluation Reserve	(28,111)	(35,686)	(3,780)	(2,635)	(832)	(39,204)	-	<b>(110,248)</b>	958
De-recognition – disposals	(3,132)	(2,400)	(2)	-	-	(517)	-	<b>(6,051)</b>	-
Assets reclassified (to) / from Held for Sale	-	(5,250)	-	-	-	(5,347)	-	<b>(10,597)</b>	-
Asset reclassified (other)	1,705	-	-	-	1,030	-	(1,886)	<b>849</b>	-
Other movements in cost or valuation	-	59	8	-	-	-	-	<b>67</b>	-
<b>As at 31<sup>st</sup> March 2012</b>	<b>625,414</b>	<b>976,656</b>	<b>71,879</b>	<b>223,846</b>	<b>2,393</b>	<b>106,688</b>	<b>1,624</b>	<b>2,008,500</b>	<b>69,868</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1 <sup>st</sup> April 2011	(17,094)	(17,354)	(54,072)	(19,915)	-	(36)	-	<b>(108,471)</b>	(39,510)
Depreciation Charge	(19,401)	(13,149)	(8,197)	(5,389)	-	(41)	-	<b>(46,177)</b>	(1,448)
Depreciation written out to Revaluation Reserve	-	1,533	19,826	-	-	9	-	<b>21,368</b>	20,184
Depreciation written out to the Surplus/Deficit on the provision of services	17,094	4,578	-	-	-	9	-	<b>21,681</b>	-
De-recognition – disposals	-	-	-	-	-	-	-	-	-
<b>As at 31<sup>st</sup> March 2012</b>	<b>(19,401)</b>	<b>(24,392)</b>	<b>(42,443)</b>	<b>(25,304)</b>	<b>-</b>	<b>(59)</b>	<b>-</b>	<b>(111,599)</b>	<b>(20,774)</b>
<b>Net Book Value</b>									
<b>As at 31<sup>st</sup> March 2012</b>	<b>606,013</b>	<b>952,264</b>	<b>29,436</b>	<b>198,542</b>	<b>2,393</b>	<b>106,629</b>	<b>1,624</b>	<b>1,896,901</b>	<b>49,094</b>
At 31 <sup>st</sup> March 2011	618,418	912,454	52,795	196,676	1,357	183,582	2,258	<b>1,967,541</b>	53,313

## Capital Commitments

At 31<sup>st</sup> March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years. Similar commitments at 31<sup>st</sup> March 2012 were £22.5m. The major commitments are:

Contract for Capital Investment	Period	£000
Hamilton & Netherhall - BSF New Build & ICT**	2015/16	18,117
Street Lighting	2015/16	13,500
English Martyrs - BSF New Build & ICT**	2014/15	13,369
Babington - BSF New Build & ICT**	2015/16	12,232
Lancaster - BSF New Build & ICT**	2015/16	11,966
St Pauls - BSF New Build & ICT**	2014/15	11,673
Housing - Kitchens & bathrooms - supply & fit	2015/16	11,384
Ellesmere - BSF New Build & ICT**	2014/15	10,730
Moat - BSF New Build & ICT**	2014/15	9,143
Sir J North- BSF New Build & ICT**	2015/16	8,345
New College - BSF New Build & ICT**	2014/15	7,845
Keyham Lodge - BSF New Build & ICT**	2014/15	5,861
Innovation Centre	2013/14	3,310
Millgate - BSF New Build & ICT**	2014/15	2,283
City of Leicester - BSF ICT**	2013/14	1,828
Crown Hills - BSF ICT**	2013/14	1,383
Football Investment Strategy	2013/14	628
Housing - Procurement of mobile working	2014/15	579
Montrose Primary School	2013/14	408
Housing - Door entry systems*	2013/14	387
Riverside College demolition	2013/14	282
Housing - Fire risk works	2014/15	281
St Barnabas Primary School	2013/14	280
Housing - Windows and doors	2014/15	257
Mellor Primary	2013/14	154
Rushey Mead - BSF Completion	2013/14	112
		<b>146,337</b>

\* Door entry systems contain some revenue cost elements.

\*\* BSF (Building Schools for the Future) sums exclude VAT but not all will be re-claimable.

Commitments relating to existing and new PFI schemes are included in note 42.

## Revaluations

The Council carries out a rolling programme that ensures that all property and land required to be measured at fair value (subject to a de minimis of £10k for asset values) is revalued at least every five years. The table on the next page shows that there are some exceptions to this objective. Valuations of Council Dwellings are carried out by a specialist external valuer each year. All other valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of the majority of vehicles, plant, equipment and furniture, and of infrastructure, are based on historical cost.

The significant assumptions applied in estimating the fair values are:

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

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

2012/13 Valuation Dates	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community	Surplus	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Historical Cost Valued @ 31st March 2013	-	5,795	29,535	198,675	40	1,724	2,236	<b>238,005</b>
Valued at fair or nominal value as at:	599,730	-	-	-	-	-	-	<b>599,730</b>
Pre 1st April 2008	-	1,347	-	-	29	614	-	<b>1,990</b>
1st April 2008	-	42,425	-	-	273	367	-	<b>43,065</b>
1st April 2009	-	129,238	-	-	583	1,277	-	<b>131,098</b>
1st April 2010	-	324,543	8,412	-	-	4,094	-	<b>337,049</b>
1st April 2011	-	296,987	-	-	-	3,825	-	<b>300,812</b>
1st April 2012	-	141,426	1,717	516	202	81,320	-	<b>225,181</b>
ESPO @ 31st March 2012	-	1,950	279	-	-	-	-	<b>2,229</b>
<b>Total</b>	<b>599,730</b>	<b>943,711</b>	<b>39,943</b>	<b>199,191</b>	<b>1,127</b>	<b>93,221</b>	<b>2,236</b>	<b>1,879,159</b>

### **13. Investment Properties**

The Code Of Practice On Local Authority Accounting (2012/13) defines Investment Property as “.....property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.....” All the land or buildings that the Council holds are for economic support reasons even if they earn rentals or appreciate over time. Accordingly no investment properties are identified in the Balance Sheet.

### **14. Intangible Assets**

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

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

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

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
<b>Balance at 1<sup>st</sup> April</b>		
Gross Carrying Amounts	2,458	2,905
Accumulated Amortisation	(558)	(1,804)
<b>Net carrying amount at start of year</b>	<b>1,900</b>	<b>1,101</b>
Additions		
Purchases	409	674
Change in LCC ESPO share	38	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	(250)
Amortisation Applied in Year	(1,246)	(234)
<b>Gross Carrying Amount</b>	<b>2,905</b>	<b>3,329</b>
Accumulated Amortisation	(1,804)	(2,038)
<b>Net Carrying Amount at 31<sup>st</sup> March</b>	<b>1,101</b>	<b>1,291</b>

## 15. Financial Instruments

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

	Long Term		Current		Total	
	31st March 2012	31st March 2013	31st March 2012	31st March 2013	31st March 2012	31st March 2013
	£000	£000	£000	£000	£000	£000
Investments	8,274	8,274	50,106	98,511	58,380	106,785
Receivables (Debtors)	307	358	17,310	22,652	17,617	23,010
Receivables (Other)	-	-	25,556	27,389	25,556	27,389
<b>Investments &amp; Receivables</b>	<b>8,581</b>	<b>8,632</b>	<b>92,972</b>	<b>148,552</b>	<b>101,553</b>	<b>157,184</b>
Loans	245,135	245,141	15,556	3,110	260,691	248,251
Payables (Creditors)	-	-	118,990	119,620	118,990	119,620
<b>Loans &amp; Payables</b>	<b>245,135</b>	<b>245,141</b>	<b>134,546</b>	<b>122,730</b>	<b>379,681</b>	<b>367,871</b>
<b>Other Long Term Liabilities</b>						
Leicestershire County Council	31,132	29,887	1,297	1,245	32,429	31,132
PFI and finance lease liabilities	44,596	55,960	3,184	2,797	47,780	58,757
<b>Total Other Long Term Liabilities</b>	<b>75,728</b>	<b>85,847</b>	<b>4,481</b>	<b>4,042</b>	<b>80,209</b>	<b>89,889</b>
<b>Total Loans, Payables and Other Long Term Liabilities</b>	<b>320,863</b>	<b>330,988</b>	<b>139,027</b>	<b>126,772</b>	<b>459,890</b>	<b>457,760</b>

All financial instruments are carried at amortised cost. The table excludes investments classified as being equivalent to cash which are included in the total for cash and cash equivalents shown on the Balance Sheet.

The table above only includes items which are financial instruments. Some Balance Sheet figures include elements which are not financial instruments and hence will be greater than the figures shown in the table above. The most significant difference arises in respect of the pension liabilities of the Council which are not categorised as a financial instrument. Other lesser differences arise in respect of receivables, payables and the current element of liabilities arising under PFI.

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

	2011/12			2012/13		
	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total
	£000	£000	£000	£000	£000	£000
Interest Expense	17,784	-	17,784	18,592	-	18,592
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>17,784</b>	<b>-</b>	<b>17,784</b>	<b>18,592</b>	<b>-</b>	<b>18,592</b>
Interest Income	-	(362)	(362)	-	(279)	(279)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(362)</b>	<b>(362)</b>	<b>-</b>	<b>(279)</b>	<b>(279)</b>
<b>Net gain/(loss) for the Year</b>	<b>17,784</b>	<b>(362)</b>	<b>17,422</b>	<b>18,592</b>	<b>(279)</b>	<b>18,313</b>

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

The following table discloses the fair value of financial instruments:

	31 <sup>st</sup> March 2012		31 <sup>st</sup> March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Total Assets</b>				
Loans	260,691	280,664	248,251	287,182
Other Long Term Liabilities	80,209	80,209	89,889	89,889
Payables	118,990	118,990	119,621	119,620
<b>Total Assets</b>	<b>459,890</b>	<b>479,863</b>	<b>457,761</b>	<b>496,691</b>
<b>Liabilities</b>				
Loans	50,106	50,106	98,511	98,511
Investments – deposits	8,274	8,274	8,274	8,274
Payables	43,173	43,173	50,041	50,041
<b>Total Liabilities</b>	<b>101,553</b>	<b>101,553</b>	<b>156,826</b>	<b>156,826</b>

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

The relevant lenders are the Public Works Loans Board (PWLB) and market lenders such as banks and insurance companies. For a number of loans whose value is immaterial the fair value is assessed as being equal to the carrying amount. In addition the fair value of temporary loans is also assessed as being equal to the carrying amount.

The following table summarises the calculation of fair value and the assumptions used for loans borrowed directly by the Council. The carrying amount of the loans comprises the nominal value plus accrued interest at year end. In addition where the interest rate paid over the life of the loan varies the outstanding loan balance is calculated on the basis of the average interest rate over the expected life of the loan and not on the contractual rate, and this gives rise to an “equated interest adjustment”. Fair values are calculated loan by loan and the table shows the highest discount rate used, the lowest and the average. The table shows fair values as at 31<sup>st</sup> March 2013 and at 31<sup>st</sup> March 2012.

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

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

	Fair Value of Loans as at 31 <sup>st</sup> March 2013		
	PWLB £	Market £	Stock £
Nominal Value at 31 <sup>st</sup> March 2013	134,491	96,300	8,567
Accrued interest	1,253	836	108
Equated interest adjustment	0	3,780	0
<b>Carrying Amount at 31<sup>st</sup> March 2013</b>	<b>135,744</b>	<b>141,997</b>	<b>11,031</b>
<b>Fair value at 31<sup>st</sup> March 2013</b>	<b>134,154</b>	<b>141,997</b>	<b>11,031</b>
Lowest discount rate	4.24%	3.26%	1.98%
Highest discount rate	4.25%	3.30%	1.98%
Average discount rate	4.25%	3.27%	1.98%

	Fair Value of Loans as at 31 <sup>st</sup> March 2012		
	PWLB £	Market £	Stock £
Nominal Value at 31 <sup>st</sup> March 2012	146,786	96,300	8,568
Accrued interest	1,277	849	110
Equated interest adjustment	0	3,795	0
<b>Carrying Amount at 31<sup>st</sup> March 2012</b>	<b>148,063</b>	<b>100,944</b>	<b>8,678</b>
<b>Fair value at 31<sup>st</sup> March 2012</b>	<b>143,267</b>	<b>125,766</b>	<b>8,678</b>
Lowest discount rate	1.28%	3.26%	2.56%
Highest discount rate	4.40%	3.27%	2.56%
Average discount rate	4.13%	3.26%	2.56%

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

The long term investments included in the first table of this note have a carrying amount of £8.3m at 31/03/2013 (£8.3m at 31/03/2012) and reflect unquoted equity investments and grants which are repayable in the event that qualifying conditions cease to apply. The value of such investments is difficult to assess but is expected to at least equal the carrying amount, and on this basis the fair value is estimated to be the carrying amount.

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

## 16. Inventories

The value of inventories as at 31st March 2013 is shown in the table below:

	Balance at 31 <sup>st</sup> March 2012 £000	Balance at 31 <sup>st</sup> March 2013 £000
Consumable Stores	1,307	1,263
Maintenance Materials	2,028	1,916
Work in Progress	474	513
<b>Total</b>	<b>3,809</b>	<b>3,692</b>



## **17. Construction Contracts**

At 31<sup>st</sup> March 2013 the City Council had no significant construction contracts (contracts being managed on behalf of other parties) in progress.

## **18. Debtors**

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

	<b>Balance at 31<sup>st</sup> March 2012 £000</b>	<b>Balance at 31<sup>st</sup> March 2013 £000</b>
Mortgages	63	52
Car Loans to Employees	244	200
PFI (CHP)	0	107
<b>Total</b>	<b>307</b>	<b>359</b>

### ***Short-Term Debtors***

	<b>Balance at 31<sup>st</sup> March 2012 £000</b>	<b>Balance at 31<sup>st</sup> March 2013 £000</b>
Central government bodies	15,184	10,386
Other local authorities	5,417	5,506
NHS bodies	5,027	5,915
Public Corporations & Trading Funds	12	13
Other Entities and Individuals	17,971	24,542
Payments in Advance	4,948	5,352
Capital Debtors	1,360	6,069
<b>Total</b>	<b>49,919</b>	<b>57,783</b>

Each line item is presented net of impairment.

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

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

	<b>Balance at 31<sup>st</sup> March 2012 £000</b>	<b>Balance at 31<sup>st</sup> March 2013 £000</b>
<b>Cash and cash equivalents:</b>		
Cash held by the Council	261	222
Bank	36,283	27,224
Short-term deposits with local authorities – Investment	20,700	17,499
Short-term deposits with local authorities – PSR element	2,342	605
<b>Total Cash and Cash Equivalents</b>	<b>59,586</b>	<b>45,550</b>
Overdraft	(41,208)	(29,544)
<b>Net Total</b>	<b>18,378</b>	<b>16,006</b>

## 20. Assets Held for Sale

	2011/12 £000	2012/13 £000
Balance outstanding at start of year	5,180	14,775
Property, Plant and Equipment newly classified as Held for Sale	10,591	0
Property, Plant and Equipment Held Declassified	(436)	(10,636)
Assets Sold	(573)	0
Other Adjustments	13	173
<b>Balance outstanding at end of year</b>	<b>14,775</b>	<b>4,312</b>

As at the 31<sup>st</sup> March 2013 the Council had a total of £4.3m assets defined as held for sale. These are shown separately on the Balance Sheet and the assets meet the four main criteria of the code, namely;

- They are available for immediate sale in their existing condition.
- They are highly likely to be sold and action is planned to this effect.
- They are actively being marketed at a price that is reasonable.
- Sale should be expected within one year of the Balance Sheet date.

## 21. Creditors

	2011/12 £000	2012/13 £000
Central government bodies	35,137	34,608
Other local authorities	9,381	8,569
NHS bodies	448	628
Public corporations and trading funds	0	215
Other entities and individuals	48,780	48,206
Receipts in advance	25,165	26,006
Capital creditors	1,312	3,138
<b>Total</b>	<b>120,223</b>	<b>121,370</b>

## 22. Provisions

The table below provides a list of provisions made by the Council at the end of the financial year.

	Insurance £000	Housing Benefits £000	Equal Pay £000	Sec 117 Mental Health Act £000	Housing DSO Stock & Dilapidation £000	Total £000
<b>Balance at 1<sup>st</sup> April 2011</b>	<b>5,840</b>	<b>4,526</b>	<b>1,766</b>	<b>700</b>	<b>948</b>	<b>13,780</b>
Net Movement (additions less amounts used)	(190)	216	0	0	(32)	(6)
<b>Balance at 1<sup>st</sup> April 2012</b>	<b>5,650</b>	<b>4,742</b>	<b>1,766</b>	<b>700</b>	<b>916</b>	<b>13,774</b>
Additional provisions made in 2012/13	140	2,008	0	0	20	2,168
Amounts used in 2012/13		(1,041)	(33)	0	0	(1,074)
<b>Balance at 31<sup>st</sup> March 2013</b>	<b>5,790</b>	<b>5,709</b>	<b>1,733</b>	<b>700</b>	<b>936</b>	<b>14,868</b>

These provisions are described in more detail below.

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

The Council holds funds to meet the costs of insurance claims, for both claims received but not yet settled and claims that will be received in the future. The sum of £5.8m is held as a provision, being the amount estimated by the Council's actuaries that will be required to meet claims already received. A further sum of £5.4m is held as an earmarked reserve (as per note 8), to meet the costs of liabilities incurred for which claims have not been received.

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

The 2010/11, 2011/12 and 2012/13 benefit subsidy grant claims are outstanding. This could potentially result in a claw back of subsidy from the Council by the Department of Work and Pensions. Accordingly, provisions totalling £5.7m have been established within the accounts.

### ***Equal Pay***

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

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

The sum is a provision for refunds to people with mental health difficulties who have been charged for residential and nursing care. The sum provided for is based on known cases, and there is a possibility that the Council will be required to make future refunds on these. There is currently one potential case for a refund to be made during 2013/14.

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

This sum is held against obsolete or damaged stock within the Housing Direct Service Organisation as at 31<sup>st</sup> March 2013.

## **23. Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (Note 7).

## 24. Unusable Reserves

	31 <sup>st</sup> March 2012 £000	31 <sup>st</sup> March 2013 £000
Revaluation Reserve	(361,677)	(367,463)
Capital Adjustment Account	(1,075,105)	(1,066,845)
Financial Instruments Adjustment Account	(1,757)	(1,863)
Deferred Capital Receipts Reserve	(63)	(52)
Pensions Reserve	339,528	434,042
Collection Fund Adjustment Account	(416)	(783)
Accumulated Absences Account	14,600	13,979
ESPO	(1,691)	(1,691)
<b>Total Unusable Reserves</b>	<b>(1,086,581)</b>	<b>(990,676)</b>

### ***Revaluation Reserve***

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

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

The Reserve contains only revaluation gains accumulated since 1 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.

	2011/12 £000	2012/13 £000
<b>Balance at 1<sup>st</sup> April</b>	<b>(351,596)</b>	<b>(361,677)</b>
Upward revaluation of assets	(88,750)	(53,699)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	76,560	23,007
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(363,786)	(392,369)
Difference between fair value depreciation and historical cost depreciation	1,553	3,965
Accumulated gains on assets sold or Scrapped	556	20,941
<b>Balance at 31<sup>st</sup> March</b>	<b>(361,677)</b>	<b>(367,463)</b>

### ***Capital Adjustment Account***

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

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

The Account contains revaluation gains accumulated on property, Plant and Equipment before 1 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, apart from those involving the Revaluation Reserve.

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
<b>Balance at 1<sup>st</sup> April</b>	<b>(1,119,128)</b>	<b>(1,075,105)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation & impairment	72,602	65,716
Revaluation losses on Property, Plant and Equipment	61,998	15,004
Amortisation of intangible assets	1,135	235
Revenue expenditure funded from capital under statute	3,676	1,203
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	6,624	34,568
Transfer of Assets Held For Sale	0	(314)
	<b>(973,093)</b>	<b>(958,693)</b>
Adjusting amounts written out of the Revaluation Reserve	(2,109)	(24,906)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(975,202)</b>	<b>(983,599)</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(4,440)	(2,883)
Use of the Major Repairs Reserve to finance new capital expenditure	(16,642)	(6,724)
Capital Grants & Contributions credited to the Income and Expenditure Statement that have been applied to capital financing	(43,349)	(34,169)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(35,472)	(20,505)
Capital expenditure charged against the General Fund and HRA balances	0	(18,965)
<b>Balance at 31<sup>st</sup> March</b>	<b>(1,075,105)</b>	<b>(1,066,845)</b>

### ***Financial Instruments Adjustment Account***

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

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

The entries to the account made during 2011/12 include recalculations in respect of previous financial years that are not required to be accounted for as a prior year adjustment. No further adjustments are made in 2012/13.

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.

The entries to the account in 2011/12 includes an adjustment which transfers a balance of unamortised premia from the Capital Adjustment Account to the Financial Instruments Adjustment Account. No further adjustments are made in 2012/13.

	2011/12 £000	2012/13 £000
<b>Balance at 1<sup>st</sup> April</b>	<b>(7,067)</b>	<b>(1,757)</b>
Adjustment made between the Financial Instruments Adjustment Account and the Capital Adjustment Account	5,441	0
Premiums and discount incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(1,202)	(1,644)
Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	1,071	1,538
<b>Balance at 31<sup>st</sup> March</b>	<b>(1,757)</b>	<b>(1,863)</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	(131)	(106)

### ***Deferred Capital Receipts Reserve***

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. For the Council these amounts relate to mortgage loans made by the Council in respect of the purchase of Council Dwellings. 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 payments are made the principal repayment element of these amounts are transferred to the Capital Receipts Reserve.

	2011/12 £000	2012/13 £000
<b>Balance at 1<sup>st</sup> April</b>	<b>(67)</b>	<b>(63)</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	4	11
Write-off of debt (re-possession)	0	0
Other	0	0
<b>Balance at 31<sup>st</sup> March</b>	<b>(63)</b>	<b>(52)</b>

### ***Pensions Reserve***

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2011/12 £000	2012/13 £000
<b>Balance at 1<sup>st</sup> April</b>	<b>241,272</b>	<b>339,528</b>
Actuarial gains or losses on pensions assets and liabilities	94,056	83,445
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	37,950	44,228
Employer's pensions contributions and direct payments to pensioners payable in the year	(33,750)	(33,159)
<b>Balance at 31<sup>st</sup> March</b>	<b>339,528</b>	<b>434,042</b>

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

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

	2011/12 £000	2012/13 £000
<b>Balance at 1<sup>st</sup> April</b>	<b>378</b>	<b>(416)</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	(794)	(367)
<b>Balance at 31<sup>st</sup> March</b>	<b>(416)</b>	<b>(783)</b>

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

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

	2011/12 £000	2012/13 £000
<b>Balance at 1<sup>st</sup> April</b>	<b>8,432</b>	<b>14,600</b>
Settlement or cancellation of accrual made at the end of the preceding year	(8,432)	(14,600)
Amounts accrued at the end of the current year	14,600	13,979
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(6,168)</b>	<b>(621)</b>
<b>Balance at 31<sup>st</sup> March</b>	<b>14,600</b>	<b>13,979</b>

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

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

	2011/12 £000	2012/13 £000
<b>Balance at 1<sup>st</sup> April</b>	<b>(1,357)</b>	<b>(1,691)</b>
Net Movement in Year	(334)	0
<b>Balance at 31<sup>st</sup> March</b>	<b>(1,691)</b>	<b>(1,691)</b>



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

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Interest received	362	394
Interest paid	(11,429)	(18,918)

## **26. Cash Flow Statement – Investing Activities**

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Purchase of property, plant and equipment and intangible assets	(75,394)	(64,133)
Purchase of short-term and long-term investments	(1,552,804)	(1,609,972)
Other payments for investing activities	0	(107)
Proceeds from sale of property, plant and equipment and int assets	8,062	15,973
Proceeds from short-term and long-term investments	1,545,736	1,559,472
Other receipts from investing activities	21,254	57,313
<b>Net cash flows from investing activities</b>	<b>(53,146)</b>	<b>(41,454)</b>

## **27. Cash Flow Statement – Financing Activities**

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Cash receipts of short and long-term borrowing	893	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	(4,534)	(3,305)
Repayments of short and long-term borrowing	(8,434)	(13,586)
Other payments	5,701	2,103
<b>Net cash flows from financing activities</b>	<b>(6,374)</b>	<b>(14,788)</b>

## **28. Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation were taken by the Council's Executive on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve, upwards revaluations on previously impaired assets up to the total balance of previous impairments and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to departments.

### ***Departmental Income and Expenditure***

2012/13	Education & Children's Services	Adults Social Care	Housing	City Development & Neighbourhoods	Corporate & Resources Support	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(30,223)	(25,629)	(92,906)	(76,109)	(24,760)	<b>(249,627)</b>
Government & non-Gov Grants	(287,293)	(34,223)	(170,248)	(6,915)	(8,311)	<b>(506,990)</b>
<b>Total Income</b>	<b>(317,516)</b>	<b>(59,852)</b>	<b>(263,154)</b>	<b>(83,024)</b>	<b>(33,071)</b>	<b>(756,617)</b>
Employee Expenses	235,973	35,850	31,705	55,971	38,151	<b>397,650</b>
Other service expenses	131,647	107,223	222,525	99,865	42,740	<b>604,000</b>
Support service recharges	546	0	7,581	(511)	17,741	<b>25,357</b>
<b>Total Expenditure</b>	<b>368,166</b>	<b>143,073</b>	<b>261,811</b>	<b>155,325</b>	<b>98,632</b>	<b>1,027,007</b>
<b>Net Expenditure</b>	<b>50,650</b>	<b>83,221</b>	<b>(1,343)</b>	<b>72,301</b>	<b>65,561</b>	<b>270,390</b>

2011/12 Comparative Information	Education & Children's Services	Adults Social Care	Housing	City Development & Neighbourhoods	Corporate & Resources Support	Total
Fees, charges & other service income	(42,775)	(38,667)	(74,548)	(68,445)	(91,117)	<b>(315,552)</b>
Government Grants	(276,568)	(30,991)	(161,859)	(7,711)	(4,055)	<b>(481,184)</b>
<b>Total Income</b>	<b>(319,343)</b>	<b>(69,658)</b>	<b>(236,407)</b>	<b>(76,156)</b>	<b>(95,172)</b>	<b>(796,736)</b>
Employee Expenses	239,857	42,578	32,972	48,289	47,138	<b>410,834</b>
Other service expenses	140,327	109,835	185,853	93,540	34,159	<b>563,714</b>
Support service recharges	0	226	290	1,371	3,448	<b>5,335</b>
<b>Total Expenditure</b>	<b>380,184</b>	<b>152,639</b>	<b>219,115</b>	<b>143,200</b>	<b>84,745</b>	<b>979,883</b>
<b>Net Expenditure</b>	<b>60,841</b>	<b>82,981</b>	<b>(17,292)</b>	<b>67,044</b>	<b>(10,427)</b>	<b>183,147</b>

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

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

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Net expenditure in the Departmental Analysis	183,147	270,390
Net expenditure of services and support services not included in the analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	134,649	53,697
	<b>317,796</b>	<b>324,087</b>
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(10,768)	(45,461)
Allocation of Recharges	39,690	-
<b>Cost of services in Comprehensive Income and Expenditure Statement</b>	<b>346,718</b>	<b>278,626</b>

## Reconciliation to Subjective Analysis

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

2012/13	Departmental Analysis	Amounts not Reported to Management for Decision Making	Amounts not including in the I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(249,627)	-	-	-	(249,627)	(18,580)	(268,207)
Surplus or deficit on associates and joint ventures	-	-	-	-	0	-	0
Interest and investment income	-	-	-	-	0	(235)	(235)
Income from council tax	-	-	-	-	-	(98,734)	(98,734)
Government grants & contributions	(506,990)	-	-	-	(506,990)	(213,882)	(720,872)
<b>Total Income</b>	<b>(756,617)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(756,617)</b>	<b>(331,431)</b>	<b>(1,088,048)</b>
Employee expenses	397,650	(621)	-	-	397,029	-	397,029
Other Service expenses	604,000	(1,467)	(45,461)	-	557,072	30,193	587,265
Support service recharges	25,357	-	-	-	25,357	-	25,357
Depreciation, amortisation and impairment	-	55,785	-	-	55,785	1,455	57,240
Interest Payments	-	-	-	-	0	18,767	18,767
Precepts & Levies	-	-	-	-	0	81	81
Payments to Housing Capital Receipts Pool	-	-	-	-	0	-	0
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	0	3,933	3,933
<b>Total Expenditure</b>	<b>1,027,007</b>	<b>53,697</b>	<b>(45,461)</b>	<b>-</b>	<b>1,035,243</b>	<b>54,429</b>	<b>1,089,672</b>
<b>Surplus or deficit on the provision of services</b>	<b>270,390</b>	<b>53,697</b>	<b>(45,461)</b>	<b>-</b>	<b>278,626</b>	<b>(277,002)</b>	<b>1,624</b>

2011/12 Comparative Information	Departmental Analysis	Amounts not Reported to Management for Decision Making	Amounts not including in the I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Allocation of Recharges
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(315,552)	-	-	65,780	(249,772)	(799)	(250,571)
Surplus or deficit on associates and joint ventures	-	-	-	-	0	-	0
Interest and investment income	-	-	-	-	0	(2,659)	(2,659)
Income from council tax	-	-	-	-	0	(94,574)	(94,574)
Government grants & contributions	(481,184)	-	-	-	(481,184)	(237,097)	(718,281)
HRA transfer to/from reserves	-	-	-	-	0	(12,591)	(12,591)
<b>Total Income</b>	<b>(796,736)</b>	<b>0</b>	<b>0</b>	<b>65,780</b>	<b>(730,956)</b>	<b>(347,720)</b>	<b>(1,078,676)</b>
Employee expenses	410,834	4,019	-	-	414,853	12,099	426,952
Other Service expenses	563,714	(3,899)	(10,768)	-	549,047	(7,124)	541,923
Support service recharges	5,335	-	-	(26,090)	(20,755)	-	(20,755)
Depreciation, amortisation and impairment	-	136,669	-	-	136,669	-	136,669
Interest Payments	-	-	-	-	0	21,716	21,716
Precepts & Levies	-	-	-	-	0	81	81
Payments to Housing Capital Receipts Pool	-	-	-	-	0	1,531	1,531
Gain or Loss on Disposal of Fixed Assets	-	(2,140)	-	-	(2,140)	(3,383)	(5,523)
HRA transfer to/from reserves	-	-	-	-	0	12,124	12,124
<b>Total Expenditure</b>	<b>979,883</b>	<b>134,649</b>	<b>(10,768)</b>	<b>(26,090)</b>	<b>1,077,674</b>	<b>37,044</b>	<b>1,114,718</b>
<b>Surplus or deficit on the provision of services</b>	<b>183,147</b>	<b>134,649</b>	<b>(10,768)</b>	<b>39,690</b>	<b>346,718</b>	<b>(310,676)</b>	<b>36,042</b>

## 29. Acquired & Discounted Operations

There are no acquired or discontinued operations to disclose.

### 30. Trading Operations

The net surpluses and deficits of the Council's trading operations are included in the Comprehensive Income and Expenditure Statement. This note provides a detailed breakdown of the financial performance of these trading activities. The Council manages six trading operations which provide internal support to front line services.

	2011/12			2012/13		
	Turnover £000	Expenditure £000	(Surplus)/ Deficit £000	Turnover £000	Expenditure £000	(Surplus)/ Deficit £000
City Catering	(7,592)	7,600	8	(7,814)	7,818	4
City Highways	(8,001)	7,967	(34)	(7,795)	7,786	(9)
City Transport Fleet	(6,984)	6,959	(25)	(7,194)	6,508	(686)
Passenger and Transport	(6,800)	6,800	-	(6,915)	6,798	(117)
I.T. Services	(2,548)	2,383	(165)	(2,023)	1,911	(112)
Temporary Staffing Agency	(1,345)	1,306	(39)	(133)	158	25
Design & Maintenance*	(4,011)	3,726	(285)	-	-	-
<b>Total</b>	<b>(37,281)</b>	<b>36,741</b>	<b>(540)</b>	<b>(31,874)</b>	<b>30,979</b>	<b>(895)</b>

\* No longer a trading operation.

#### ***City Catering***

The Council owns and manages the City Catering Service, generating income from catering services. Management of the service is provided by an in-house team. The trading objective is to ensure value for money in the delivery of the service objectives.

#### ***City Highways***

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

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

City Transport Fleet is responsible for the centralised provision and maintenance of the Council's Central Vehicle Pool and grant-aided vehicles. Currently 857 vehicles across 72 user sections are in daily use. Hired vehicles, provision of fuel and a vehicle wash facility are available to user sections. The trading objective is to achieve a surplus.

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

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

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

The service procures and commissions IT equipment across the Council. The service also provides Technical Education Support and as such trades with schools accordingly. Expenditure in 2012/13 decreased due to vacancies not being filled and the use of existing staff to cover the traded functions. Income decreased in 2012/13 due to reduced demand as a result current economic climate. The trading objective is to break even.

## ***Temporary Staffing Agency***

The TSA exists to provide customers, across the Council, with an efficient solution to their short-term temporary requirements for administrative staff. The trading objective is to achieve a budgeted surplus. Income decreased in 2012/13 due to the Council's policy of reducing the use agency staff.

## **31. Agency Services**

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

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Expenditure incurred in providing payroll services to Samworth Enterprise Academy	10.8	3.0
Amount charged to Samworth Enterprise Academy	(10.8)	(3.0)
<b>Net Surplus</b>	<b>0.0</b>	<b>0.0</b>

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Expenditure incurred in providing payroll services to Harborough District Council	14.5	14.4
Amount charged to Harborough District Council	(14.5)	(14.4)
<b>Net Surplus</b>	<b>0.0</b>	<b>0.0</b>

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Expenditure incurred in providing payroll services to Krishna-Avanti Primary School	1.3	3.4
Amount charged to Krishna-Avanti Primary School	(1.3)	(3.4)
<b>Net Surplus</b>	<b>0.0</b>	<b>0.0</b>

	2011/12 £000	2012/13 £000
Expenditure incurred in providing payroll services to Ash Field Academy	0.0	4.5
Amount charged to Ash Field Academy	0.0	(4.5)
<b>Net Surplus</b>	<b>0.0</b>	<b>0.0</b>

	2011/12 £000	2012/13 £000
Expenditure incurred in providing payroll services to Sacred Heart Catholic Voluntary Academy	0.0	3.4
Amount charged to Sacred Heart Catholic Voluntary Academy	0.0	(3.4)
<b>Net Surplus</b>	<b>0.0</b>	<b>0.0</b>

	2011/12 £000	2012/13 £000
Expenditure incurred in providing payroll services to St. Joseph's Catholic Voluntary Academy	0.0	3.4
Amount charged to St. Joseph's Catholic Voluntary Academy	0.0	(3.4)
<b>Net Surplus</b>	<b>0.0</b>	<b>0.0</b>

	2011/12 £000	2012/13 £000
Expenditure incurred in providing payroll services to St. Thomas More Catholic Voluntary Academy	0.0	3.4
Amount charged to St. Thomas More Catholic Voluntary Academy	0.0	(3.4)
<b>Net Surplus</b>	<b>0.0</b>	<b>0.0</b>

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

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

### **33. Pooled Budgets**

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

#### ***Learning Disabilities Commissioning***

This arrangement is for the joint commissioning of various services and is in partnership with Leicester City Primary Care Trust. Leicester City Council acts as the host and has lead responsibility for its operation. The City Council contributed £3.1m to the pool during 2012/13 (£3.7m in 2011/12) and this expenditure is included in the Adult Social Care line of the Comprehensive Income and Expenditure Statement.



	2011/12 £000	2012/13 £000
<b>Funding provided to the pooled budget:</b>		
Leicester City Council	(3,690.7)	(3,083.6)
Leicester Primary Care Trust	(4,040.0)	(3,500.0)
<b>Total funding provided to the pooled budget</b>	<b>(7,730.7)</b>	<b>(6,583.6)</b>
<b>Expenditure met from the pooled budget:</b>		
Leicester City Council	3,690.7	3,083.6
Leicester Primary Care Trust	4,040.0	3,500.0
<b>Total expenditure met from the pooled budget</b>	<b>7,730.7</b>	<b>6,583.6</b>
<b>Net surplus arising on the pooled budget during the year</b>	<b>0.0</b>	<b>0.0</b>
<b>Leicester City Council's share of the net surplus arising on the pooled budget during the year</b>	<b>0.0</b>	<b>0.0</b>

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

This is an arrangement for the supply of community equipment with Leicestershire County Council, Rutland County Council and the two Primary Care Trusts in the areas covered by the councils. Leicester City Primary Care Trust acts as the host partner. The City Council contributed £0.5m to the pool during 2012/13 (£0.5m in 2011/12) and this expenditure is also included in the Adult Social Care line of the Comprehensive Income and Expenditure Statement.

	2011/12 £000	2012/13 £000
<b>Funding provided to the pooled budget:</b>		
Leicester City Council	(559.3)	(547.1)
Leicestershire County Council	(1,036.5)	(1,242.8)
Rutland County Council	(78.9)	(93.7)
Leicestershire County and Rutland Primary Care Trust	(2,139.1)	(2,545.2)
Leicester Primary Care Trust	(847.4)	(1,134.8)
<b>Total Funding provided to the pooled budget</b>	<b>(4,661.2)</b>	<b>(5,563.6)</b>
<b>Expenditure met from the pooled budget:</b>		
Leicester City Council	559.3	547.1
Leicestershire County Council	1,036.5	1,242.8
Rutland County Council	78.9	93.7
Leicestershire County and Rutland Primary Care Trust	2,139.1	2,545.2
Leicester Primary Care Trust	847.4	1,134.8
<b>Total expenditure met from the pooled budget</b>	<b>4,661.2</b>	<b>5,563.6</b>
<b>Net surplus arising on the pooled budget during the year</b>	<b>0.0</b>	<b>0.0</b>
<b>Leicester City Council's share of the net surplus arising on the pooled budget during the year</b>	<b>0.0</b>	<b>0.0</b>

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

This is an arrangement for the implementation of the Governments National Drugs and Alcohol Strategies. As the accountable body, Leicester City Council manages funding from the Department of Health, Home Office, National Offender Management Service, PCT Cluster and Leicestershire/Rutland County Councils and commissions of a range of health and social care interventions for individuals with problematic substance misuse issues. The City Council contributed £0.3m to the pool during 2012/13 and this expenditure is also included in the Adult Social Care line of the Comprehensive Income and Expenditure Statement.

	2011/12 £000	2012/13 £000
<b>Funding provided to the pooled budget:</b>		
Leicester City Council	(366.7)	(347.3)
Leicester Primary Care Trust	(4,584.2)	(6,646.2)
<b>Total Funding provided to the pooled budget</b>	<b>(4,950.9)</b>	<b>(6,993.5)</b>
<b>Expenditure met from the pooled budget:</b>		
Leicester City Council	366.7	347.3
Leicester Primary Care Trust	4,584.2	6,646.2
<b>Total expenditure met from the pooled budget</b>	<b>4,950.9</b>	<b>6,993.5</b>
<b>Net surplus arising on the pooled budget during the year</b>	<b>0.0</b>	<b>0.0</b>
<b>Leicester City Council's share of the net surplus arising on the pooled budget during the year</b>	<b>0.0</b>	<b>0.0</b>

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

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

Members' Allowance	2011/12 £	2012/13 £
Basic Allowance Payments	541,081	540,117
Special Responsibility Payments	341,233	339,335
General Expense Payments	77,202	77,339
<b>Total</b>	<b>959,516</b>	<b>956,791</b>

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

This note discloses the remuneration of the Council's senior officers – 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).

The note relates to individual post-holders and 2011/12 comparative figures are only included where the same individual was in post in 2012/13.

Expenses are shown only where they are taxable benefits.

During 2012/13 the post of Director Corporate Governance was replaced with a new post of Direct of Delivery, Communications & Political Governance. The Director of Finance, Strategic Director of City Development & Neighbourhoods and the City Barrister & Head of Standards posts were all recruited to. The Director of Human Resources post is currently vacant. The remuneration paid to the Council's senior employees is as follows:

Post	Notes	Financial Year	Salary, Fees and Allowances	Expenses	Pension Contribution	Compensation for loss of employment	Total
			£	£	£	£	£
Chief Operating Officer (head of paid service)		2012/13	140,234	963	12,621		<b>153,818</b>
		2011/12	141,289	802	24,735		<b>166,826</b>
Director Delivery, Communications & Political Governance	1	2012/13	102,382		17,847		<b>120,229</b>
		2011/12	-		-		-
Acting Director of Finance	2	2012/13	17,828		3,209		<b>21,037</b>
		2011/12	65,370		11,309		<b>76,679</b>
Director of Finance	3	2012/13	60,314	8	10,857		<b>71,179</b>
		2011/12	-		-		-
Director of Human Resources	4	2012/13	60,331		10,623	37,500	<b>108,454</b>
		2011/12	88,400		15,477		<b>103,877</b>
City Barrister & Head of Standards	5	2012/13	75,741		13,633		<b>89,374</b>
		2011/12	-		-		-
Strategic Director Children		2012/13	123,231		22,182		<b>145,413</b>
		2011/12	122,775		21,466		<b>144,241</b>
Strategic Director Adults & Communities	6	2012/13	9,915		1,785	45,000	<b>56,700</b>
		2011/12	118,983		20,802		<b>139,785</b>
Strategic Director Development, Culture & Regeneration	7	2012/13	5,312		956	60,004	<b>66,272</b>
		2011/12	126,996		22,204		<b>149,200</b>
Strategic Director City Development & Neighbourhoods	8	2012/13	82,566		14,862		<b>97,428</b>
		2011/12	-		-		-
Director Information & Customer Access	9	2012/13	85,575		15,404		<b>100,979</b>
		2011/12	17,287		3,644		<b>20,931</b>

Note 1 : The Director of Delivery, Communications & Political Governance replaced the posts of Director of Corporate Governance and Director of Change & Project Management

Note 2 : The Acting Director of Finance was in post from 1st May 2011 to 30th June 2012. The equivalent annual salary was £71,313.

Note 3 : The Director of Finance was in post from 18th June 2012. The equivalent annual salary is £76,725.

Note 4 : The Director of Human Resources was in post until 23rd November 2012 and has since been vacant. The equivalent annual salary was £85,581.

Note 5 : The post of City Barrister & Head of Standards was vacant during 2011/12 and the responsibilities were shared between other officers.

Note 6 : The Strategic Director of Adults and Communities left the Council during 2012/13.

Note 7 : This post has been replaced by the post of Strategic Director of City Development & Neighbourhoods.

Note 8 : This post replaced the post of Strategic Director of Development, Culture & Regeneration.

Note 9 : The post of Director Information & Customer Access was new from January 2012.

The Council's other employees, including teaching & other schools staff, receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were as follows:

Remuneration Band £	Number of employees	
	2011/12	2012/13
50,000 – 54,999	117	114
55,000 – 59,999	93	83
60,000 – 64,999	50	46
65,000 – 69,999	30	32
70,000 – 74,999	6	14
75,000 – 79,999	6	3
80,000 – 84,999	8	7
85,000 – 89,999	8	7
90,000 – 94,999	2	4
95,000 – 99,999	5	4
100,000 – 104,999	2	2
105,000 – 109,999	1	1
110,000 – 114,999	1	1
115,000 – 119,999	1	0
120,000 – 124,999	1	0
125,000 – 129,999	1	0
130,000 – 134,999	0	1
<b>Total</b>	<b>332</b>	<b>319</b>

### 36. External Audit Costs

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

	2011/12 £000	2012/13 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	300	269
Fees payable for the certification of grant claims and returns for the year	135	139
Fees payable in respect of other services provided during the year	2	3
<b>Total</b>	<b>437</b>	<b>411</b>

### **37. Dedicated Schools Grant**

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on a council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2012/13 are as follows:

<b>2012/13</b>	<b>Central Expenditure £000</b>	<b>ISB £000</b>	<b>Total £000</b>
<b>Final DSG for 2012/13 before Academy recoupment</b> Academy figure recouped for 2012/13			<b>247,639</b> (6,743)
<b>Total DSG after Academy recoupment for 2012/13</b> Brought forward from 2011/12 Carry forward to 2013/14 agreed in advance			<b>240,896</b> 4,992 0
<b>Agreed initial budgeted distribution in 2012/13</b> In year adjustments	<b>38,063</b> (689)	<b>207,825</b> 689	<b>245,888</b> 0
<b>Final budgeted distribution for 2012/13</b> Actual central expenditure for the year Actual ISB deployed to schools Local Authority contribution for 2012/13	<b>37,374</b> (30,766)	<b>208,514</b> (208,514)	<b>245,888</b> (30,766) (208,514) 0
<b>Carry forward to 2013/14</b>	<b>6,608</b>	<b>0</b>	<b>6,608</b>

<b>2011/12 Comparative Information</b>	<b>Central Expenditure £000</b>	<b>ISB £000</b>	<b>Total £000</b>
<b>Final DSG for 2011/12</b> Brought forward from 2010/11 Carry forward to 2012/13 agreed in advance			<b>245,142</b> 2,880 0
<b>Agreed budgeted distribution in 2011/12</b> Actual central expenditure for the year Actual ISB deployed to schools Local Authority contribution for 2011/12	<b>32,973</b> (27,981)	<b>215,049</b> (215,049)	<b>248,022</b> (27,981) (215,049) 0
<b>Carry forward to 2012/13</b>	<b>4,992</b>	<b>0</b>	<b>4,992</b>

### **38. Grant Income**

The Council received the following revenue and capital grants in 2012/13. These are analysed between those credited to the Comprehensive Income and Expenditure Statement and those held as receipts in advance, in line with the Council's accounting policies.

## Capital Grants

	2011/12 £000	2012/13 £000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
Building Schools for the Future	12,549	17,089
Primary Capital Programme	6,499	0
Devolved Formula Capital	3,926	0
Integrated Service Centres – SF & Co-location	2,457	0
DFT Maintenance Grant	2,098	2,139
School Kitchen Funding	1,761	0
DFT Integrated Transport Grant	1,658	3,532
Growth Fund	1,625	0
European Regional Development Fund	1,516	1,108
Heritage Lottery Fund	1,130	0
Football Foundation Grant & Other Partner Contributions	1,127	790
DFE Capital Maintenance	643	694
DFE Basic Need	0	3,361
DFT Local Sustainable Transport Fund	523	452
Working Neighbourhood Fund	503	0
DFT Pothole Funding	480	0
Sustrans Grant	343	0
Aiming High for Disabled Children Grant	0	249
Arts Council	0	334
DEFRA	0	43
HCA	0	294
Growing Places	0	423
Others	794	3,662
HRA repayment of Debt (funding from Government)	8,414	0
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>48,046</b>	<b>34,170</b>
<b>Credited to Services (All REFCUS related)</b>		
Disabled Facilities Grant	1,755	1,067
DFT Integrated Transport Grant	0	23
DFT Local Sustainable Transport Fund	0	8
Growing Places	0	423
DFE Capital Maintenance	0	783
Devolved Formula Capital	0	2,970
Building Schools for the Future	0	6,927
Standards Fund YMCA Co-location Grant	675	0
Integrated Service Centres – SF & Co-location	277	0
Mental Health SCER	250	0
Growth Fund	200	0
Social Care IT Reform Grant	137	0
Aiming High for Disabled Children Grant	112	16
Childrens Playbuilder Grant	50	0
British Gas – Hot Lofts Scheme	34	0
Sure Start Funding	26	0
Others	0	42
<b>Total Credited to Services</b>	<b>3,516</b>	<b>12,259</b>
<b>Capital Grants Receipts in Advance</b>		
DFE Basic Need		19,920
Devolved Formula Capital		4,219
DFE Capital Maintenance		7,323
DFT Integrated Transport Grant		920
Building School for the Future		2,963
PCT Contributions		1,100
Adult Social Care Grant		828
DFE 2 year old capital		794
DFT Local Sustainable Transport Fund		156
DEFRA		92
DFE Academy rebate		1,285
Others		3,874
<b>Total Received in Advance</b>		<b>43,474</b>

## Revenue Grants

	2011/12 £000	2012/13 £000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
Revenue Support Grant	44,827	3,417
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>44,827</b>	<b>3,417</b>
<b>Credited to Services</b>		
<b><u>Children's and Education Services</u></b>		
Early Intervention	16,015	19,440
Pupil Premium	5,428	9,665
Dedicated Schools Grant (see note 37)	245,412	239,280
Other Education	9,715	18,908
<b><u>Adults and Housing</u></b>		
Learning Disability & Health Reform Grant	10,103	10,347
Drug Intervention Programme	1,278	1,687
Adult Pooled Treatment	2,553	3,243
Housing Benefit Subsidies	154,132	167,992
Other Adults and Housing	15,090	21,202
<b><u>City Development and Neighbourhoods</u></b>		
Support Unit Grants	1,443	0
Future Jobs Fund	694	85
Waste PFI	2,148	2,148
Other City Development and Neighbourhoods	3,427	4,682
<b><u>Corporate and Resources</u></b>		
Local Services Support Grant	1,272	1,207
Other Corporate and Resources	4,055	4,122
Council Tax Freeze Grant	2,342	0
New Homes Bonus Scheme	1,410	2,982
<b>Total Credited to Services</b>	<b>476,517</b>	<b>506,990</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2011/12 £000	2012/13 £000
<b>Receipts in Advance</b>		
<b><u>Children's and Education Services</u></b>		
Early Intervention Grant	2,594	2,687
Dedicated Schools Grant (see note 37)	4,992	6,608
Other Education	1,520	3,141
<b><u>Adults and Housing</u></b>		
Social Care Reform	1,070	1,070
Adult Pooled Treatment	344	197
Other Adults and Housing	898	856
<b><u>City Development and Neighbourhoods</u></b>		
Urban Congestion Grant	304	302
Environmental Crime	235	144
Smarticketing	520	451
Other City Development and Neighbourhoods	763	2,264
<b><u>Corporate and Resources</u></b>		
Other Resources	0	10
<b>Total Receipts in Advance</b>	<b>13,240</b>	<b>17,730</b>

### 39. Related Parties

#### **ESPO**

The City Council along with six other local authorities is a member of the Eastern Shires Purchasing Organisation (ESPO). This is a Joint Committee involved in the letting of contracts for supplies and services to its members and others; together with the provision of a central warehouse for the supply of items in common use. During the year stores purchases and direct orders to ESPO from the City Council totalled £3.5m in 2011/12 (£5.6m in 2010/11). The total for 2012/13 has not yet been provided.

The City Council's estimated share of ESPO's assets, liabilities and cash flows has been incorporated into the Balance Sheet and Cash Flow Statement, as appropriate.

The table below provides a summary of ESPO's assets and liabilities as at 31<sup>st</sup> March 2012, together with the City Council's estimated share – which has been incorporated into the Balance Sheet figures.

	31 <sup>st</sup> March 2011		31 <sup>st</sup> March 2012	
	ESPO £000	LCC Share £000	ESPO £000	LCC Share £000
Fixed Assets	10,986	2,186	11,506	2,290
Current Assets	16,638	3,312	21,949	4,367
Current Liabilities	(11,110)	(2,211)	(15,816)	(3,147)
Long Term Borrowing	(9,700)	(1,931)	(9,139)	(1,819)
<b>Total Assets less Liabilities</b>	<b>6,814</b>	<b>1,356</b>	<b>8,500</b>	<b>1,691</b>
Usable reserves	5,923	1,179	6,599	1,313
Unusable reserves	891	177	1,901	378
<b>Net Worth</b>	<b>6,814</b>	<b>1,356</b>	<b>8,500</b>	<b>1,691</b>

#### **Homecome Ltd**

Homecome Ltd is a not-for-profit limited company set up by the Council under its wellbeing powers (Local Government Act 2000) in spring 2004. Other member bodies include the Leicestershire Chamber of Commerce and the Leicester Federation of Tenants' Associations. The company was set up to create new affordable housing and now manages 234 properties. The Council appoints a director, but does not have control or significant influence over the company's affairs.

Based on draft accounts available at June 2013, the company made a profit after tax of £112k in 2012/13 (£208k in 2011/12, although this was affected by a significant tax rebate). As at 31<sup>st</sup> March 2013 the assets of the company stood at £11.8m, and liabilities were £12.3m, giving net liabilities of £0.5m (surplus of £0.7m at 31<sup>st</sup> March; the difference largely relates to a downwards revaluation of the property portfolio). Copies of Homecome's accounts are available from the Council's Adults and Housing Department.



### ***Leicester Miller Education Company (LMEC)***

During the course of 2007/08, the Council entered into a partnership agreement with the Miller Consortium. This is a contractual framework to establish a Local Education Partnership under the Building Schools for the Future programme. It is envisaged that this programme will result in over £300m of investment to transform secondary education in the City. The LMEC is mainly a private sector owned company in which the Council has a 10% sub-debt and shareholding, with the Miller Consortium holding 80%, and Building Schools for the Future (BSFI) holding the remaining 10%. The Council's investment of £45,277, which represents the 10% sub-debt and shareholding, is included within the Balance Sheet.

### ***Leicester BSF Holding Company 2 Ltd***

This company is contracted to the Council to construct and operate two secondary schools as a Private Finance Initiative under the Building Schools for the Future programme. The Council purchased 10% of the shares and associated sub-debt in March 2012 when the PFI contract was signed. The Council's investment of £443,394 is included within the Balance Sheet.

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

With effect from 1st April 2008 Leicester City Council and Leicestershire County Council took joint control of Connexions Leicester Shire Service Limited and its trading subsidiary Connexions Leicester Shire Trading Limited. Connexions offer advice on education, careers, housing, money, health and relationships for 13-19 years olds within the UK. Following changes to the funding for these services, the Council has brought these services back in house and relevant staff were transferred to the Council during 2012/13 under TUPE regulations.

Connexions Leicester Shire Service Limited ceased trading at the end of April 2013 and is expected to go into liquidation during 2013/14. Based on draft accounts, the company made a deficit of £151k in the 13 months to 30<sup>th</sup> April 2013 (£333k surplus in 2011/12) on a turnover of £4.0m. On 30<sup>th</sup> April 2013, gross assets stood at £1.3m (£2.6m on 31<sup>st</sup> March 2012) and liabilities £0.4m (£1.6m on 31<sup>st</sup> March 2012).

Connexions Leicester Shire Trading Limited has live contracts until the end of March 2014, after which it is also expected to go into liquidation. Based on draft accounts, the company made a post-tax surplus of £225k in 2012/13 (£378k in 2011/12) on a turnover of £2.2m. On 31<sup>st</sup> March 2013, gross assets stood at £2.6m (£1.9m in March 2012) and liabilities £1.3m (£0.8m in March 2012).

### ***East Midlands Public Sector Network (emPSN) Services Limited (SCo)***

The Council is one of seven local authority members of East Midlands Public Sector Network Services Limited (previously East Midlands Broadband Consortium (EMBC) Procurement Limited), which was incorporated in July 2006. The company was established to procure broadband services for member authority schools, and is now expanding to offer services to the wider public sector.

The draft financial statements available in June 2013 show that the company made a pre-tax profit of £139k in 2012/13 (£39k in 2011/12). As at 31st March 2013 the gross assets of the company stood at £1.7m (£2.3m in March 2012) and liabilities stood at £1.4m (£2.2m in March 2012).

### ***School Development Support Agency***

The School Development Support Agency (SDSA) leads partnerships and projects to improve outcomes for children and young people. It fulfils a number of roles to support improvement and development activity within Leicester, across the East Midlands region and beyond. Created by the Government in 2000, it is now owned by the Council as an arms-length not-for-profit company.

The company made a surplus of £2,596 for the year ending 31<sup>st</sup> March 2013 (£2,268 for the year ending 31<sup>st</sup> March 2012). As at 31<sup>st</sup> March 2013 the assets of the company stood at £1.3m and liabilities were £1.3m (£0.7m and £0.7m respectively as at 31<sup>st</sup> March 2012).

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

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

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
<b>Opening Capital Financing Requirement</b>	561,227	534,558
<b>Capital Investment</b>		
Property, Plant and Equipment	68,705	80,246
Intangible Assets	411	674
Long Term Investment	443	0
Revenue Expenditure Funded Under Capital Statute	3,676	13,462
<b>Sources of Finance</b>		
Capital Receipts	(4,440)	(2,883)
Government Grants & Other Contributions	(59,991)	(53,153)
Sums set aside from revenue:		
Direct Revenue Contributions	0	(18,827)
(MRP/Loans Fund Principal)	(21,618)	(20,504)
Repayment of PWLB Loans for HRA	(8,414)	0
Correction for HRA Premia	(5,441)	0
<b>Closing Capital Financing Requirement</b>	<b>534,558</b>	<b>533,573</b>
Increase/Decrease in underlying need to borrowing (unsupported by government financial assistance)	23,350)	(15,946)
HRA CFR adjustment	(5,441)	0
Assets acquired under Finance Leases	0	640
Assets acquired under PFI/PPP contracts	2,124	14,321
<b>Increase/(Decrease) in CFR</b>	<b>(26,667)</b>	<b>(985)</b>

## 41. Leases

### **Council as Lessee**

#### *Finance Leases*

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

	31 <sup>st</sup> March 2012 £000	31 <sup>st</sup> March 2013 £000
Other Land and Buildings	1,815	1,722
Vehicles, Plant and Equipment	372	853
<b>Total</b>	<b>2,187</b>	<b>2,575</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:

	31 <sup>st</sup> March 2012 £000	31 <sup>st</sup> March 2013 £000
Finance lease liabilities	930	1,346
Finance costs payable in future years	509	686
<b>Total minimum lease payments</b>	<b>1,439</b>	<b>2,032</b>

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

	Minimum lease payments		Finance lease liabilities	
	31 <sup>st</sup> March 2012 £000	31 <sup>st</sup> March 2013 £000	31 <sup>st</sup> March 2012 £000	31 <sup>st</sup> March 2013 £000
Within one year	269	428	181	290
Within 2 to 5 years	619	988	398	620
Later than 5 years	552	627	351	437
<b>Total</b>	<b>1,440</b>	<b>2,033</b>	<b>930</b>	<b>1,347</b>

#### *Operating Leases*

The Council leases cars for staff (although this is now running down as the facility has been withdrawn) and a number of buildings for operational use. The future minimum lease payments due under non-cancellable leases in future years are:

	Vehicles £000	Buildings £000	Total £000
Not later than one year	77	914	991
Later than one year and not later than 5 years	30	1,798	1,828
Later than five years	0	1,865	1,865
<b>Total</b>	<b>107</b>	<b>4,577</b>	<b>4,684</b>

## **Council as Lessor**

### *Finance Leases*

The Council has leased out property at the City Rooms, 40-50 High Street, Aylestone Hall and land at Barkby Road on finance leases. These leases are on peppercorn annual payments and so no income has been included in the accounts. There are no contingent rents in these leases.

### *Operating Leases*

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

	<b>31<sup>st</sup> March 2012 £000</b>	<b>31<sup>st</sup> March 2013 £000</b>
Not later than one year	4,335	4,126
Later than one year and not later than 5 years	11,485	11,329
Later than five years	67,291	68,407
<b>Total Minimum lease payments</b>	<b>83,111</b>	<b>83,862</b>

Some contingent rents are included in these leases. During 2013/14 Property Services will identify and record these.

## **42. Private Finance Initiatives and Service Concession Arrangements**

### ***Integrated Waste Management Service***

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

2012/13 was the tenth year of the operation of the contract, costing £13m (£12.6m in 2011/12).

### *Property Plant and Equipment*

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

	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Total £000</b>
Balance at 1 <sup>st</sup> April 2012	14,142	2,803	16,945
Depreciation	(709)	(1,087)	(1,796)
Additions	0	4,123	4,123
<b>Balance at 31<sup>st</sup> March 2013</b>	<b>13,433</b>	<b>5,839</b>	<b>19,272</b>

### *Payments*

The Council makes an agreed payment each year which is increased by inflation (based on the RPI-X measure) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31 March 2013 (excluding future inflation) are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Within 1 year	6,470	1,963	1,041	9,474
Within 2 to 5 years	26,061	7,883	3,664	37,608
Within 6 to 10 years	32,935	10,091	3,228	46,254
Within 11 to 15 years	33,487	9,921	2,074	45,482
Within 16 to 20 years	680	124	9	813
<b>Total</b>	<b>99,633</b>	<b>29,982</b>	<b>10,016</b>	<b>139,631</b>

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

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

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Balance outstanding at 1 <sup>st</sup> April	12,459	12,627
Payments during the year	(1,956)	(2,006)
Additions	2,124	4,123
<b>Balance at 31<sup>st</sup> March</b>	<b>12,627</b>	<b>14,744</b>

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

In December 2007, the Council entered into a 25-year contract with Leicester Miller Education Company Limited under a PFI scheme. The contractor was to design, build, finance and operate, on the existing sites, replacement buildings for two community colleges – Judgemeadow and Soar Valley – valued at £34.9m (on completion of the rebuild in 2009). The Council own 10% of the shares in the company with another 10% held by a Government treasury nominee and 80% in private hands. At the end of the contract, all assets will revert to Council control. The

rebuild was completed in 2009, and 2012/13 was therefore the fourth year of the operation of the contract costing £6.3m.

### *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:

	<b>Other Land &amp; Buildings £000</b>
Balance at 1 April 2012	32,148
Less: Depreciation	(670)
<b>Balance at 31 March 2013</b>	<b>31,478</b>

### *Payments*

The Council makes an agreed payment each year which is increased by inflation (based on the RPI-X measure) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31 March 2013 are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Within 1 year	2,158	525	2,983	5,666
Within 2 to 5 years	7,318	4,193	11,157	22,668
Within 6 to 10 years	11,532	4,655	12,148	28,335
Within 11 to 15 years	11,015	7,865	9,455	28,335
Within 16 to 20 years	11,182	11,707	5,446	28,335
Within 21 to 25 years	1,928	4,284	400	6,612
<b>Total</b>	<b>45,133</b>	<b>33,229</b>	<b>41,589</b>	<b>119,951</b>

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

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Balance outstanding at start of year	35,131	34,224
Payments during the year	(907)	(997)
<b>Balance at year end</b>	<b>34,224</b>	<b>33,227</b>

### ***District Energy Heating & Combined Heat Power Scheme***

On 14<sup>th</sup> January 2011 the Council signed an agreement with Leicester District Energy Company Ltd (LDEC Ltd) for the implementation and provision of a district heating and combined heat and power scheme in Leicester.

The scheme involves the replacement of existing heating boilers, the use of existing heating networks and the construction of additional heating networks in the City Centre and some outer Council estates. Leicester University are part of the scheme and their heating and electricity networks are linked into the overall network scheme. It is envisaged that other public and private sector organisations will buy into the scheme and become part of a dynamic network.

The scheme came on stream during 2012/13 although one phase (Aikman Avenue) will not become operational until September 2013. Under the terms of the agreement LDEC Ltd are liable to make a capital payment to the Council when each phase of the scheme becomes operational (total £1.4m). £1.2m was received during 2012/13.

The Council is paying charges to LDEC Ltd based on three elements;

- a. Fixed Charges for Heat and Electricity – these include the capital costs of the scheme,
- b. Unit Charges for Heat and Electricity – these are based on actual consumption of heat and energy and the current purchase price of fuel, and
- c. Performance Charges for Heat and Electricity – these are based on performance targets and will be reduced where these are not met.

The initial capital investment being made by LDEC Ltd for the whole scheme is estimated to be £13.7m, of which £935k is being funded by a CESP (Community Energy Saving Programme) Grant from LDEC Ltd's parent company, GDF Suez, who are an energy provider.

#### *Property Plant and Equipment*

The assets used to provide the service and directly attributable to the City Council are recognised on the Council's Balance Sheet. The value of fixed assets attributable to the Council and operational as at 31<sup>st</sup> March 2013, are shown below:

	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>
<b>Balance at 31 March 2013</b>	<b>10,198</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 2013 (excluding future inflation increases but including the final phase due to become operational during 2013/14) are as follows:

	<b>Payment For Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Lifecycle Capital Replacement Costs £000</b>	<b>Total £000</b>
Within 1 year	1,735	19	994	215	2,963
Within 2 - 5 years	6,941	551	3,891	860	12,243
Within 6 - 10 years	8,676	1,060	4,493	1,076	15,305
Within 11 - 15 years	8,676	1,702	3,851	1,076	15,305
Within 16 - 20 years	8,676	2,734	2,818	1,076	15,304
Within 21 - 25 years	7,253	3,924	1,131	939	13,247
<b>Total</b>	<b>41,957</b>	<b>9,990</b>	<b>17,178</b>	<b>5,242</b>	<b>74,367</b>

### *Liability*

The liability outstanding to the contractor for capital expenditure incurred up to 31<sup>st</sup> March 2013 is as per the following table:

	<b>2012/13 £000</b>
Liability for capital expenditure incurred for operational phases	9,519
Payments during the year	(78)
<b>Balance at 31<sup>st</sup> March</b>	<b>9,441</b>

Under the terms of the agreement, at the end of the scheme, or, if earlier, upon termination of the agreement, LDEC Ltd will sell the boiler plant and heating network (such parts that are required to heat all of the City Council's buildings) to the City Council or to a new service provider. The term is designed to ensure that the City Council has a working district heating system at the end of the project term. 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.

### ***Building Schools for the Future – Phase 2 - Rebuild of Crown Hills and City Of Leicester Community Colleges***

On 31<sup>st</sup> March 2012 the City Council committed to a new joint PFI project scheme for the re-building of Crown Hills and City of Leicester Community Colleges. The scheme has an estimated total cost of £156m and the Council will contract with Leicester Miller Education Company Limited for 25 years. This is a design, build, finance and operate on existing sites contract. The new school buildings are due to become available for use during 2013. At the end of the contract, as things stand, all assets will revert to City Council control.

The Council has bought shares (for approximately £400k) in the Leicester BSF Company 2 Ltd (the PFI SPV company for the scheme). The Council also has a 10% share in LMEC Ltd.

Under the contract the Council will make an agreed payment each year (which will be increased by inflation annually) and can be reduced if the contractor fails to meet performance standards. Assuming an operational start date of 1<sup>st</sup> September 2013



the payments that the Council will be required to make (excluding inflation) are as follows:

	<b>Payment For Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Lifecycle costs £000</b>	<b>Total £000</b>
Payable in 2013/14	861	427	1,301	0	2,589
Payable within 2 to 5 years	7,876	4,980	11,638	414	24,908
Payable within 6 to 10 years	9,844	6,927	12,552	1,811	31,134
Payable within 11 to 15 years	9,844	6,722	10,279	4,289	31,134
Payable within 16 to 20 years	9,844	10,342	7,519	3,430	31,135
Payable within 21 to 25 years	9,844	13,291	3,561	4,438	31,134
Payable within 26 to 30 years	1,150	1,908	75	504	3,637
<b>Total</b>	<b>49,263</b>	<b>44,597</b>	<b>46,925</b>	<b>14,886</b>	<b>155,671</b>

Lifecycle costs are shown separately from the service costs as they are capital as opposed to revenue.

The Council has determined that the scheme meets the criteria of a service concession arrangement under IFRIC 12. However, as the new schools are not scheduled to be operational until September 2013 they will not need to be recognised on the Council's Balance Sheet until the 2013/14 accounts are formed.

The Council has disclosed this note on the basis that it has entered into a long term financial commitment with Leicester Miller Education Company Ltd.

#### **43. Impairment Losses**

There were no material impairments of assets during the year.

#### **44. Capitalisation of Borrowing Costs**

The Council has not capitalised any of its borrowing costs during 2012/13.

#### **45. Termination Benefits**

The Council terminated the contracts for a number of employees in 2012/13 incurring liabilities of £3,938k (£8,028k in 2011/12). Of this £2,755k (£6,014k in 2011/12) was for redundancy and other departure costs, and £1,183k (£2,013k in 2011/12) 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. Details on officer remuneration can be found in note 35. In 2012/13 the Council approved 82 compulsory redundancies. Payments arising from these in 2012/13 are included in the below figures.

2011/12 figures have been restated to include redundancies of schools based staff.

	<b>Total number of exit packages by cost band 2011/12 revised</b>	<b>Total cost of exit packages 2011/12 revised £</b>	<b>Total number of exit packages by cost band 2012/13</b>	<b>Total cost of exit packages 2012/13 £</b>
0 – 20,000	531	3,743,839	194	1,635,600
20,001 – 40,000	112	3,049,803	47	1,333,395
40,001 – 60,000	17	799,891	10	490,063
60,001 – 140,000	6	434,276	6	478,918
140,001 – 160,000	0	0	0	0
<b>Total</b>	<b>666</b>	<b>8,027,809</b>	<b>257</b>	<b>3,937,976</b>

#### **46. Pensions Schemes Accounted For as Defined Contribution Schemes**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012/13, the Council paid £13.4m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14% of pensionable pay. The figures for 2011/12 were £13.9m and 14%. There were no contributions remaining payable at the year-end.

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 47.

#### **47. Defined Benefit Pension Schemes**

##### ***Participation in Pension Schemes***

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to

make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment pension schemes:

- The Local Government Pension Scheme (LGPS), administered locally by the Leicestershire County Council. This is a funded defined benefit final salary 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.
- The Teachers' Pension Scheme, administered by the Department for Education. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Council is not able to identify its share of the underlying financial position and performance of the scheme.

### ***Transactions Relating to Post-employment Benefits (LGPS)***

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
<b>Cost of Services</b>		
Current service cost	31,389	31,660
Past service cost	0	726
Settlements and curtailments	3,835	(191)
<b>Financing and Investment Income and Expenditure</b>		
Expected return on scheme assets	(47,003)	(36,831)
Interest cost	49,728	48,864
<b>Total Post-employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>37,949</b>	<b>44,228</b>
<b>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
Actuarial (gains) and net losses	94,056	83,445
<b>Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement</b>	<b>132,005</b>	<b>127,673</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	4,200	11,069
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employer's contributions payable to the scheme	(30,449)	(29,886)
Discretionary retirement benefits payable to pensioners	(3,301)	(3,272)

The cumulative amount of actuarial gains and losses recognised in the Other Comprehensive Income and Expenditure in the actuarial gains or losses on pension assets and liabilities line was at 31<sup>st</sup> March 31<sup>st</sup> 2012/13 a loss of £432.7m and at 31 March 2011/12 was a loss of £349.2m.

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

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

	2011/12 £000	2012/13 £000
<b>Balance at 1<sup>st</sup> April</b>	<b>896,078</b>	<b>1,012,589</b>
Current service cost	31,389	31,660
Interest cost	49,728	48,864
Contributions by scheme participants	11,300	10,633
Actuarial (gains) and losses	50,440	143,632
Benefits paid	(30,181)	(30,299)
Past service costs	0	82
Settlements and curtailments	3,835	1,871
Liabilities extinguished on settlements	0	(4,164)
Liabilities assumed in a business combination	0	3,933
<b>Balance at 31<sup>st</sup> March</b>	<b>1,012,589</b>	<b>1,218,801</b>

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

	2011/12 £000	2012/13 £000
<b>Balance at 1<sup>st</sup> April</b>	<b>654,805</b>	<b>673,061</b>
Expected rate of return	47,003	36,831
Actuarial gains and (losses)	(43,616)	60,187
Employer contributions	33,750	33,158
Contributions by scheme participants	11,300	10,633
Benefits paid	(30,181)	(30,299)
Assets distributed on settlements	0	(2,101)
Assets acquired in a business combination	0	3,289
<b>Balance at 31<sup>st</sup> March</b>	<b>673,061</b>	<b>784,759</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £97.2m (2011/12: £3.6m).

## ***Scheme History***

	<b>2008/09 £000</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Present value of funded obligations	(655,247)	(1,157,032)	(848,312)	(962,314)	(1,165,624)
Present value of unfunded obligations	(44,457)	(56,095)	(47,765)	(50,275)	(53,177)
Fair value of assets in the scheme	456,854	651,088	654,805	673,061	784,759
<b>Surplus/(deficit) in the scheme</b>	<b>(242,850)</b>	<b>(562,039)</b>	<b>(241,272)</b>	<b>(339,528)</b>	<b>(434,042)</b>

With effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £1,218.8m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £434.0m. 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 (ie 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 March 31<sup>st</sup> 2013 is £31.1m.

### ***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 March 31<sup>st</sup> 2010.

The principal assumptions used by the actuary have been:

	2011/12	2012/13
<b>Long term expected rate of return on assets on the scheme:</b>		
Equity investments	6.2%	4.5%
Bonds	3.9%	4.5%
Property	4.4%	4.5%
Cash	3.5%	4.5%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	20.9	20.9
Women	23.3	23.3
Longevity at 65 for future pensioners:		
Men	23.3	23.3
Women	25.6	25.6
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	4.5%
Take-up of option to convert annual pension into retirement lump-sum – relating to service pre April 2008	50%	50%
Take-up of option to convert annual pension into retirement lump-sum – relating to service post April 2008	75%	75%

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

	31 <sup>st</sup> March 2012 %	31 <sup>st</sup> March 2013 %
Equity investments	65	65
Bonds	16	26
Property	11	9
Cash	8	0
<b>Total</b>	<b>100</b>	<b>100</b>

### ***History of Experience Gains and Losses***

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31<sup>st</sup> March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	(46.09)	21.84	(5.9)	(6.5)	7.67
Experience gains and losses on liabilities	0.14	(0.13)	11.3	(0.98)	(0.05)

### ***Teachers' Pensions***

In 2012/13 the Council paid £13.4m (2011/12:£13.9m) to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.3% of teachers' pensionable pay (2011/12: 14.1%). In addition the Council is responsible for all pension payments relating to pension enhancement for added years' service it has

awarded, together with the related increases. In 2012/13 these amounted to £1.2m (2011/12: £1.0m).

#### **48. Contingent Liabilities**

The Council has no material contingent liabilities to disclose.

#### **49. Contingent Assets**

The Council has no material contingent assets to disclose.

#### **50. Nature and Extent of Risks arising from financial instruments**

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Council's Treasury Policy Statement.

##### ***Credit Risk***

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by leading credit rating agencies. 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 are as detailed below:-

- For term deposits and callable deposits for periods of 1 year or less, a long-term rating of A+, a short term rating of F1.
- For term deposits and callable deposits for periods of 3 months or less, a long-term rating of A, a short term rating of F1.
- For term deposits and callable deposits for periods of 1 month or less, a long-term rating of A-, a short term rating of F1.

In addition there is a requirement that there shall be a good prospect of support from a strong government (the government having an AA+ long-term rating) or well-resourced parent institution (minimum A+ credit rating).

No credit rating is required for investments issued by or subject to an explicit guarantee from the UK government or in other local authorities.

For money market funds, and other commercial secured deposit facilities, a rating for the fund of AAA is required.

The maximum sum to be deposited with individual counterparties is £10m for investments in money market funds and £20m for deposits with other local Councils although there is no limit in respect of investments with, or explicitly guaranteed by the UK Government. All other deposits are limited to a maximum of £6m.

The above criteria are based on credit ratings issued by Fitch Ratings but investments are also permitted on the basis of equivalent ratings issued by Moody's Investors Services or Standard and Poor's.

The main commercial customers are lessees, and the financial standing of potential lessees is checked before leases are granted. There is no uniform practice in respect of other customers, but many of these are receiving a service linked to the social aims and objectives of the Council where it would not be practicable to assess the customer's financial standing as a precondition for the provision of that service.

The Council's maximum exposure to credit risk in relation to its investments in commercial institutions (banks and building societies) of £28m (as at 31<sup>st</sup> March 2013) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at 31 March 2013 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 £87.5m as at 31 March 2013, and such investments are assessed to be risk free.

The following analysis summarises the Council's potential maximum exposure to credit risk on receivables classified as financial instruments, based on experience of default and levels of collectability over the last five financial years, adjusted to reflect current market conditions.

The value of receivables classified as financial instruments on the Balance Sheet as at 31<sup>st</sup> March 2013 was £23.1m (£17.3m 31/03/2012). The following matrix is used for both 2011/12 and 2012/13 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%

On this basis it is estimated that the uncollectable amount on commercial and personal debts outstanding at 31/03/2013 will be £7.7m (£7.6m 31/03/2012) and that the impaired value of these debts are £15.2m (£9.7m 31/03/2012).

The following table shows receivables analysed by age, and the impaired value after allowing for default and non-collectability. The Council does not write off debt from its Balance Sheet until all options for debt collection have been exhausted, a process that often will take a number of years.

	31 <sup>st</sup> March 2012		31 <sup>st</sup> March 2013	
	Due £000	Impaired Value £000	Due £000	Impaired Value £000
Less than 3 months	8,306	8,069	13,921	13,577
Three to six months	816	612	983	737
Six months to one year	1,555	577	1,183	502
More than one year	6,633	426	6,565	347
<b>Total</b>	<b>17,310</b>	<b>9,684</b>	<b>22,652</b>	<b>15,163</b>

### **Liquidity Risk**

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets upper and lower limits on the proportion of its fixed rate borrowing maturing during specified periods, expressed as a percentage of all such loans.

#### *Upper limits:*

	%
Under 12 months	30
12 months and within 24 months	40
24 months and within 5 years	60
5 years and within 10 years	60
10 years and within 25 years	100
25 years and within 50 years	100
Above 50 years	20

*Lower limits:*

	%
Less than 5 years	0
Over 5 years	60

The maturity analysis of loans (nominal value) is shown in the table below.

	31st March 2012 £m	31st March 2013 £m
Less than one year	12.3	-
Between one and five years	-	-
Between five and ten years	8.6	8.6
Between ten and fifteen years	-	-
Between fifteen and twenty years	-	-
More than 20 years	230.8	230.8

The maturity analysis of all significant financial liabilities and other long-term liabilities is shown in the table below and this includes all principal repayments due under loans, PFI schemes, finance leases and debt managed on behalf of Leicester City Council by Leicestershire County Council.

	31 <sup>st</sup> March 2012 £m	31 <sup>st</sup> March 2013 £m
Less than one year	16.5	2.6
Between one and five years	14.4	15.7
Between five and ten years	22.7	24.3
Between ten and fifteen years	13.9	15.7
Between fifteen and twenty years	14.7	18.2
More than 20 years	252.1	252.8

All trade and other payables are due to be paid in less than one year.

***Interest Rate Risk***

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the liabilities (borrowings) will fall.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit or the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk.

- Its policy is that the nominal amount of fixed interest rate loans should not exceed £270m and that the nominal amount of variable rate loans (net of short term and variable rate investment) should not exceed £60m.
- Where economic circumstances make it favourable, fixed rate loans will be repaid early to reduce the interest paid, and may be replaced with new loans on more advantageous terms.
- The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget forecasts during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

This part of the note illustrates the interest rate risk on the basis of the financial asset and liabilities of the Council as at 31<sup>st</sup> March 2013. If interest rates had been 1% higher with all other variables held constant, the significant impacts over the course of a 12 month period are estimated to be as follows:

- The interest received on variable, short dated investments and interest paying cash equivalents would increase by £1.3m with a similar impact on the Surplus or Deficit on the Provision of Services.
- The fair value of fixed rate borrowing liabilities would have decreased by £40m but with no impact on the Surplus or Deficit on the Provision of Services.

### ***Price Risk***

The Council holds equity shares in companies linked to its service objectives. These are not held for sale and accordingly no estimate is made of the price risk of these holdings.

The Council does not hold any tradable financial instruments.

### ***Foreign Exchange Risk***

The Council has no significant financial assets or liabilities denominated in foreign currencies and thus has no significant exposure to loss arising from movements in exchange rates.

## 51. Heritage Assets

Three year summary of transactions:

	2011/12 £000	2012/13 £000
<b>Cost or valuation at 1<sup>st</sup> April</b>		
Buildings	2,006	2,591
Civic Silver etc.	950	1,111
Museum Exhibits	46,544	46,586
Statues & Monuments	1	1
<b>Total cost or valuation</b>	<b>49,501</b>	<b>50,289</b>
<b>Additions</b>		
Buildings	0	0
Civic Silver etc.	0	0
Museum Exhibits	37	0
Statues & Monuments	0	0
<b>Total additions</b>	<b>37</b>	<b>0</b>
<b>Net Revaluations Increases/(Decreases)</b>		
Buildings	585	0
Civic Silver etc.	161	360
Museum Exhibits	5	24,195
Statues & Monuments	0	0
<b>Total revaluation increases/(decreases)</b>	<b>751</b>	<b>24,555</b>
<b>De-recognition (Disposals)</b>		
Buildings	0	0
Civic Silver etc.	0	0
Museum Exhibits	0	0
Statues & Monuments	0	0
<b>Total disposals</b>	<b>0</b>	<b>0</b>
<b>Net Book Value at 31<sup>st</sup> March</b>	<b>50,289</b>	<b>74,844</b>

### ***Heritage Buildings***

A number of Buildings previously included as Community Assets were reclassified as Heritage Assets as part of the 2011/12 Statement Of Accounts; the land and buildings relating to these assets are included as part of the 5 year revaluation cycle employed by the Council, however, none of these assets are charged depreciation as per our stated accounting policy on Heritage Assets (included in Note 1) in accordance with FRS 30. As at 31<sup>st</sup> March 2013; these buildings had a net book value of £2.591m as agreed by the Council's valuer.

### ***Civic Silver***

The civic silver and other mayoral regalia was previously classified as a Community Asset. It was re-valued during 2012/13 and as at the 31<sup>st</sup> March 2013 had a net book value of £1.471m.

## ***Museum Exhibits***

There are six museums operated by Leicester City Council each with unique characteristics and exhibits that highlight various aspects of the City's history and culture whilst engaging with visitors from all over the world.

Museum Exhibits are included at insurance value which is tendered for insurance purposes every 3 years. These were also re-valued during 2012/13 and as at 31<sup>st</sup> March 2013 are held in the Balance Sheet at £70.781m.

Whilst insurance value provides the best estimate as to the fair value of museum exhibits it does have its limitations as not all of the Council's Heritage Assets may be disclosed. There are (circa) two million heritage assets which are managed in accordance with the policies and procedures that are approved by the Council in line with nationally and internationally agreed standards. A specialist database, Mimsy XG, is used to document the collections, recording each object, what they are, their provenance, their condition and location as well as exhibitions and loans into and out of the museums. However, the Council are still in the process of populating the database although those included the materially significant assets. It is likely that this may result in further revaluation gains for Heritage Assets in future financial years.

The museum sites are Accredited Museums, meaning they meet standards approved by the Arts Council on behalf of DCMS/the government for collections care, visitor experience and organisational health.

The Council accepts on loan items from collections of other museums, institutions and individuals and touring exhibitions which although not included in the Balance Sheet are covered by the Council for insurance purposes. It also occasionally makes available for loan items from its collections to other museums; these remain on the Council's Balance Sheet as it is viewed that the significant risk and rewards of the asset remain with the Council.

There is a small annual budget for collections management costs. This is used to ensure that the collections are stored, displayed, handled, recorded and maintained carefully in order to preserve them for future generations. These costs are charged to the Comprehensive Income and Expenditure Statement.

The Council has a clear Collections Development Policy which sets out areas for addition to the collections and which recognises the Council's responsibility to only acquire items relevant to the museums and their existing collections. The Council does not currently have a budget for purchasing items to add to its collections and relies on funding from the City of Leicester Museums Trust and other charitable bodies such as The Art Fund. Object donations from the public are another key way in which the collections are expanded, but such gifts will only be accepted if they meet the Council's collecting criteria.

Information is provided on the Council's web site [www.leicester.gov.uk/museums](http://www.leicester.gov.uk/museums)

## ***Statues and Monuments***

The Council has responsibility for a number of statues and monuments with information on some of these provided on the Council's web site.

[www.leicester.gov.uk/your-council-services/lc/growth-and-history/statuesandsculpture/](http://www.leicester.gov.uk/your-council-services/lc/growth-and-history/statuesandsculpture/)

A large number of these Assets were not previously included on the Council's Balance Sheet but have now all been accounted for at a nominal value as per our stated accounting policy on Heritage Assets (included within Note 1). As a result a nominal value of £1,000 is held on the Balance Sheet at 31<sup>st</sup> March 2013 as it is impossible to ascertain a true and fair value due to their provenance and the difficulties in replacing such assets.

## **52. Authorisation of Accounts**

**NOTE 52 NOT RELEVANT FOR DRAFT VERSION**

## HOUSING REVENUE ACCOUNT (HRA)

2011/12 (Restated) £000		Note	2012/13 £000
	<b>Income</b>		
70,366	Dwellings Rents	5	74,980
1,192	Non- dwelling Rents	6	1,152
4,629	Service Charges	6	4,796
0	HRA Subsidy	10	269
79	Contributions from General Fund		79
1,628	Exceptional item: Capital Grants & Contributions	17	0
<b>77,894</b>	<b>Total Income</b>		<b>81,276</b>
	<b>Expenditure</b>		
12,555	General Management		12,079
3,402	Special Management	3	5,657
29,280	Repairs & Maintenance		29,826
370	Rent, Rates, Taxes & Other Charges		408
6,756	Negative HRA Subsidy	10	0
306	Contribution to Bad Debt Provision	4	423
21,489	Depreciation and Impairment of Fixed Assets	13	23,603
16	Debt Management Expenses		60
<b>74,174</b>	<b>Total Expenditure</b>		<b>72,056</b>
<b>(3,720)</b>	<b>"Net Cost of HRA Services" as included in the whole authority Comprehensive Income &amp; Expenditure Statement</b>		<b>(9,220)</b>
0	HRA share of Corporate & Democratic Core	16	0
0	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	16	0
<b>(3,720)</b>	<b>"Net Cost of HRA Services"</b>		<b>(9,220)</b>
(8,414)	Exceptional item: Capital Grants & Contributions	17	0
(2,141)	(Gain) or Loss on Sale of HRA Assets		(3,048)
6,352	Loan Charges - Interest		9,895
1,628	Exceptional item: Interest payable & similar charges	17	0
(129)	Investment Interest		(64)
4,475	Pensions - Interest on Liabilities	15	4,207
(4,230)	Pensions - Expected Return on Assets	15	(3,171)
<b>(6,179)</b>	<b>(Surplus) / Deficit for the Year</b>		<b>(1,401)</b>

## STATEMENT ON MOVEMENT OF HRA BALANCE

2011/12 £000			2012/13 £000
(6,179)	<b>(Surplus) /Deficit for the Year (from above)</b>		<b>(1,401)</b>
	<b>Additional items required by Statute and non-statutory proper practices to be taken into account in determining the movement on the Housing Revenue Account Balance</b>		
10,042	Exceptional item: transfers to Capital Receipts Reserve	17	0
1,030	Amounts charged to the HRA for amortisation of Premia and Discounts for the year determined in accordance with statute.		934
(284)	HRA Share of contributions to/ (from) the Pension Reserve	15	(1,103)
2,141	Gain or (Loss) on Sale of HRA Fixed Assets		3,112
(14,719)	Impairment of Fixed Assets	13	(16,879)
0	Capital Expenditure Financed from Revenue Account	11	12,151
1,145	HRA Set-Aside (MRP)		0
(1,628)	Exceptional item: transfers (from) Capital Receipts Reserve	17	0
6,820	Transfers to/(from) the Major Repairs Reserve	14	0
(301)	Transfers to/(from) Employee Benefits Reserve		22
<b>(1,933)</b>	<b>Net Movement on the Housing Revenue Account in Year</b>		<b>(3,164)</b>
(2,647)	Balance Brought Forward		(4,580)
<b>(4,580)</b>	<b>Balance Carried Forward - 31st March</b>		<b>(7,744)</b>



## Notes to the Housing Revenue Account

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### **1. Housing Revenue Account**

The City Council is required by the provisions of the Local Government and Housing Act 1989 to maintain a separate Housing Revenue Account (HRA). The purpose of this account is to record transactions relating to dwellings available to provide accommodation and other properties ancillary to the housing function.

### **2. Changes to accounting practice (and 2011/12 comparative figures)**

The 2011/12 depreciation charge on council dwellings was based on the market value of the properties (which for accounting purposes is a memorandum item only) instead of the lower social housing value that is included in the balance sheet. This 'error' has been rectified in the 2012/13 HRA accounts, and the 2011/12 accounts have been restated to provide full comparability between the years; this has resulted in a reduction of some £12.8m in the 2011/12 depreciation charge although, since there is an exactly compensating adjustment on the 'Transfer to/from the Major Repairs Reserve' line, there is no impact on Balances.

### **3. Special Services**

These include group central heating schemes, caretaking services, security services to high rise complexes, maintenance of shrubberies and grassed areas and communal services.

### **4. Rent Arrears and Provision for Bad Debts**

#### ***Rents and Service Charges***

The provision considered to be necessary at 31 March 2013 in respect of uncollectable debts amounts to £1.048m (£1.067m in 2011/12). This is calculated on a rent and service charge arrears balance of £1.846m (£1.720m in 2011/12).

### **5. Net Rent Income from Dwellings**

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Total Rent income from Dwellings	70,366	74,980
Less Housing benefit	(47,179)	(50,007)
	<b>23,187</b>	<b>24,973</b>

## **6. Non-dwelling Rents and Service Charges**

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

## **7. Housing Stock**

The City Council was responsible for managing a stock of 22,286 dwellings at 31<sup>st</sup> March 2013, of which 13,969 were houses or bungalows and 8,317 were flats. During the year the following movements took place:

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Construction of new dwellings	70,366	74,980
Right To Buy sales	(47,179)	(50,007)
Sales to H.A.s/Losses on Conversions/Others		
<b>Net increase/(Decrease)</b>	<b>23,187</b>	<b>24,973</b>

## **8. Value of HRA Assets**

	<b>31<sup>st</sup> March 2012 £000</b>	<b>31<sup>st</sup> March 2013 £000</b>
<b><u>Operational</u></b>		
Dwellings	606,013	599,730
Other Land & Buildings	14,949	14,953
	<b>620,962</b>	<b>614,683</b>
<b><u>Non-operational</u></b>		
Other Land & Buildings	125	101
<b>Total</b>	<b>621,087</b>	<b>614,784</b>

## **9. Vacant Possession Value of Council Dwellings**

The vacant possession value of council dwellings at 31<sup>st</sup> March 2013 was £1,764m. At the same date the balance sheet value of council dwellings was £600m. The difference of £1,164m 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.

	<b>31<sup>st</sup> March 2012 £000</b>	<b>31<sup>st</sup> March 2013 £000</b>
Vacant Possession values	1,782,391	1,763,912

## 10. HRA Subsidy

2012/13 is the first year of 'self-financing' for the HRA, under which there is no HRA subsidy. Therefore, there is only a small amount of subsidy in the 2012/13 HRA, relating to a prior-year adjustment following the audit of the 2011/12 claim.

	2011/12 £000	2012/13 £000
Management Allowance	16,590	0
Maintenance Allowance	24,522	0
Capital Charges	7,544	0
Interest on Receipts	(1)	0
Guideline Rent Income	(69,088)	0
	<b>(20,433)</b>	<b>0</b>
Prior year adjustments	88	269
Major Repairs Allowance (MRA)	13,589	0
<b>Total HRA Subsidy (negative in 2011/12)</b>	<b>(6,756)</b>	<b>269</b>

## 11. Capital Expenditure

HRA capital expenditure on land, houses and other property in 2012/13 totalled £18.875m, financed as follows:

	2011/12 £000	2012/13 £000
Major Repairs Reserve	16,642	6,724
Use of borrowing	1,614	0
Government grants	193	0
Other grants and contributions	0	0
Usable capital receipts	306	0
Financing from revenue account	0	12,151
<b>Total</b>	<b>18,755</b>	<b>18,875</b>

Under the HRA Subsidy system, which ended in 2011/12, a very large part of the HRA's capital financing was from the Major Repairs Reserve (MRR) since this was initially credited with the Major Repairs Allowance (MRA) element of subsidy, which formed the main constituent of the HRA's capital financing resources. Under the 'self-financing' system, the majority of financing is provided directly from the revenue account with further financing coming from the MRR which is funded by depreciation charges to the HRA revenue account.

## 12. Capital Disposals

HRA capital disposals in 2012/13 were as follows:

	2011/12	2012/13		
	Total Receipt £000	Usable/ Retained £000	Pooled/ Set aside £000	Total Receipt £000
Right to Buy (RTB) sales	5,296	2,876	2,983	5,859
Non-RTB sales	306	1,431	0	1,431
Mortgages	3	0	2	2
<b>Total</b>	<b>5,605</b>	<b>4,307</b>	<b>2,985</b>	<b>7,292</b>

### **13. Depreciation & Impairment of Fixed Assets**

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

	2011/12			2012/13		
	Depreciation £000	Impairment £000	Total £000	Depreciation £000	Impairment £000	Total £000
<b><u>Operational</u></b>						
Dwellings	6,596	13,322	19,918	6,540	16,690	23,230
Other Land & Buildings	174	1,236	1,410	184	188	372
	6,770	14,558	21,328	6,724	16,878	23,602
<b><u>Non-operational</u></b>						
Other Land & Buildings	0	161	161	0	1	1
<b>Total</b>	<b>6,770</b>	<b>14,719</b>	<b>21,489</b>	<b>6,724</b>	<b>16,879</b>	<b>23,603</b>

To be consistent with the format of the dwellings valuation supplied by the authority's external valuers, the dwellings depreciation charge has been calculated by dividing the buildings element of the valuation (on an 'Existing Use Value – Social Housing' basis) by the residual life of the properties.

### **14. Use of the Major Repairs Reserve**

	2011/12 £000	2012/13 £000
<b>Balance at 1<sup>st</sup> April</b>	<b>(4,252)</b>	<b>(1,200)</b>
Depreciation credited	(6,770)	(6,724)
Transfer to HRA	(6,820)	0
Capital expenditure on land, houses and other property within the Council's HRA	16,642	6,724
<b>Balance at 31<sup>st</sup> March</b>	<b>(1,200)</b>	<b>(1,200)</b>

Under the HRA Subsidy system, a transfer was made to or from the HRA revenue account so that the MRA element of subsidy would be available in the MRR for capital financing. This adjustment is not required under the 'self-financing' system applying from 2012/13.

### **15. 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 **xx?** to the core financial statements.

	2011/12 £000	2012/13 £000
<b><u>Pension costs incurred in Net Cost of Service</u></b>		
Current service cost	(39)	(67)
Past service cost	0	0
	<b>(39)</b>	<b>(67)</b>
<b><u>Pension interest cost and expected return on assets</u></b>		
Interest on liabilities	(4,475)	(4,207)
Expected return on assets	4,230	3,171
	<b>(245)</b>	<b>(1,036)</b>
<b>Total Transfer to Pension Reserve</b>	<b>(284)</b>	<b>(1,103)</b>

## **16. Corporate and Democratic Core Costs**

In accordance with established practice, the Authority has not made a specific charge to the HRA for 'Corporate and Democratic Core' or other 'Non-allocated Costs', although such charges are implicitly included in other support service charges that are made to the HRA. Financial activity between HRA and General Fund was reviewed during 2011/12 and did not result in a change to this practice.

## **17. 'Self-financing' Settlement Payments – Exceptional Item**

Exceptional additional entries applied only to the 2011/12 accounts to comply with the recommendations of Local Authority Accounting Panel (LAAP) Bulletin 92. These concerned the 'one-off' settlement payments to or from the Secretary of State in 2011/12 in preparation for the commencement of 'self-financing' for the HRA from 1<sup>st</sup> April 2012. Leicester City Council received a total settlement payment of £10.042m from the Secretary of State, comprising £8.414m for the repayment of HRA debt and £1.628m to reimburse premia incurred on the early redemption of that debt. The entries made in accordance with LAAP 92 recognise that the payment made by the Secretary of State is a capital receipt and then show this being applied for the repayment of debt and the financing of the repayment premia.



**COLLECTION FUND  
INCOME AND EXPENDITURE ACCOUNT**

2011/12 £000		NOTE	2012/13	
			£000	£000
	<b>INCOME</b>			
83,736	Council Tax Collectable	2	87,627	
	Transfers from General Fund:			
29,640	Council Tax Benefits		30,620	
97,511	Income from Business Ratepayers		99,485	
<b>210,887</b>	<b>Total Income</b>			<b>217,732</b>
	<b>EXPENDITURE</b>			
	Precepts and demands:	3		
93,690	Leicester City Council		97,889	
13,398	Leicester Police Authority		13,867	
4,216	Leicester Fire Authority		4,257	116,013
	Business Rates:	4		
95,311	Payments to National Pool		96,979	
16	NNDR Interest Payment		2	
497	Costs of Collection		492	97,473
107	Contributions in respect of previous year's surplus	5		568
	Bad and Doubtful Debts:	6		
2,299	Write-offs		2,986	
408	Increase / (Reduction) to Provision		252	3,238
<b>209,942</b>	<b>Total Expenditure</b>			<b>217,292</b>
(945)	Fund (Surplus) / Deficit for the Year			(440)
457	Fund (Surplus) / Deficit brought forward			(488)
<b>(488)</b>	<b>FUND BALANCE AS AT 31<sup>ST</sup> MARCH</b>	<b>7</b>		<b>(928)</b>

## Notes to the Collection Fund

### Income And Expenditure Account

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#### 1. General

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

#### 2. Council Tax

The Council's Tax Base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Estimated No. of Taxable Properties After Effect of Discount	Ratio	Band D Equivalent Dwellings
-A	161	5/9	90
A	63,217	6/9	42,144
B	21,160	7/9	16,458
C	12,775	8/9	11,356
D	5,354	1	5,354
E	2,741	11/9	3,350
F	1,294	13/9	1,869
G	544	15/9	906
H	29	18/9	58
	<b>107,275</b>		<b>81,585</b>
	Less adjustments for collection rates and for anticipated changes to liability to pay the tax.		(1,835)
			<b>79,750</b>
	<b>Council Tax Base</b>		<b>79,750</b>

The collectable Council Tax for 2012/13 was £118.767m (including sums paid by means of Council Tax Benefit). This figure equates to an average number of Band D dwellings of 81,644. This is a very slight increase from the 81,585 dwellings existing when the 2012/13 budget was prepared due to the net effect of the following:

- 1) Changes in discounts and exemptions allowed
- 2) New properties



### **3. Precepts and Demands**

The following sums were paid from the collection fund:-

	<b>2011/12</b>	<b>2012/13</b>
Leicestershire Police Authority	13,398	13,867
Leicester city Council	93,690	97,889
Leicestershire Fire Authority	4,216	4,257
<b>Total</b>	<b>111,304</b>	<b>116,013</b>

### **4. Income from Business Rates – 2012/13**

Under the national arrangements for business rates, the Council collects rates payable in the city, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool, based on an annual formula grant settlement.

The total non-domestic rateable value at 31 March 2013 was £261,081,682 (£262,509,342 at 31<sup>st</sup> March 2012). The national non-domestic rating multiplier for the year was 45.8p (45.0p), ((43.3p (42.6p) in 2011/12)), with the small business non-domestic rating multiplier for the respective years shown in brackets.

### **5. Contributions to Collection Fund Surpluses and Deficits**

#### ***Share of Surpluses***

##### *Council Tax*

Every January, the Authority has to estimate the surplus for the collection fund at the end of the financial year. This has to be notified to the police and the fire authority, which are entitled to receive a share of any surplus made in respect of Council Tax. This is detailed in the table below.

	<b>City £</b>	<b>Police £</b>	<b>Fire £</b>	<b>Total £</b>
<b>Estimate Jan 2012</b>	478	68	22	<b>568</b>

## **6. Bad and Doubtful Debts**

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

<b>Provisions</b>	<b>Bad Debt Provision</b>			<b>Bad Debt Write-offs In year £000</b>
	<b>Balance at 1<sup>st</sup> April 2012 £000</b>	<b>Increase/ (Decrease) £000</b>	<b>Balance at 31<sup>st</sup> March 2013 £000</b>	
Council Tax	3,703	411	4,113	773
NDR	2,322	(159)	2,163	2,171
Community Charge	-	-	-	42
<b>Total</b>	<b>6,025</b>	<b>252</b>	<b>6,276</b>	<b>2,986</b>

## **7. Collection Fund Surpluses/Deficits**

The Collection Fund account shows a cumulative surplus of £927,726 at 31 March 2013 (£487,156 at 31<sup>st</sup> March 2012).

The surplus arising on the Council Tax during the financial year 2012/13 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.

# Glossary

This Glossary explains terms that may be encountered in discussion of Local Government finance. Definitions are intended to assist a general audience, rather than reflecting exactly the technical sense in which the terms are used.

## **Accountable Body**

An accountable body is an organisation which takes financial responsibility for the management of funds which comprise of contributions from multiple organisations; the fund itself is not a legal entity.

## **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. Accounting policies do not include estimation techniques.

## **Accruals**

The concept that items of income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

## **Actuarial Basis**

The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

## **Amortisation**

The reduction in an amount carried on the Balance Sheet by the regular debiting or crediting to an Income and Expenditure Account.

## **Appropriation**

The process of transferring balances from revenue to reserves and vice versa.

## **Assets**

Right or other access to future economic benefits.

## **Assets Held for Sale**

These are assets which are very likely to be sold within 12 months of the balance sheet date. They are therefore classified as Current Assets.

## **Audit Commission**

The Audit Commission is responsible for appointing external auditors to local authorities and setting standards for those auditors.

## **Balance Sheet**

The Balance Sheet shows the assets and liabilities of the Authority.

## **Bonds**

Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.

## **Budget**

The financial plan reflecting the Council's policies and priorities over a period of time.

## **Capital Expenditure**

Expenditure on the purchase, construction or enhancement of major items which have a lasting value to the authority.

### **Capital Financing**

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.

### **Capital Financing Requirement**

Reflects the authority's level of debt relating to capital expenditure.

### **Capital Programme**

The capital schemes the Authority intends to carry out over a specified time period.

### **Capital Receipts**

Money the Council receives from selling assets (buildings, land etc.). Capital receipts from the sale of housing assets cannot be used entirely to fund new capital expenditure; a proportion must be paid to government.

### **Central Support Services**

The provision of services which include finance, human resources, legal, information technology and property.

### **CIPFA (Chartered Institute of Public Finance and Accountancy)**

The principal accountancy body dealing with local government finance.

### **Code of Practice on Local Authority Accounting (The Code)**

A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts.

### **Collection Fund**

An account kept by the Council into which Council Tax is paid, and through which NNDR payments pass, and which pays out money to fund expenditure from the General Fund, and the precept made by the Police and Fire Authorities.

### **Community Assets**

Assets that the Council intends to hold in perpetuity, that have no determinable useful lives and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **Community schools**

Schools which the Council run, employ the staff and normally owns and maintains the land and buildings (with the exception of PFI schools).

### **Comprehensive Income and Expenditure Statement**

This Statement reports the net cost of all services and functions for which the authority is responsible for.

### **Constitution**

The document that sets out how the Council operates, how decisions are made and the procedures which are followed.

### **Contingent Liabilities**

Liabilities which may or may not occur in the future. They often depend on future events for which the outcome cannot be predicted. Due to their uncertainty they do not appear in the balance sheet.

### **Council**

The Council comprises the City Mayor and all elected Councillors who represent the various electoral divisions.

### **Council Tax**

This is a tax, which is levied on the broad (1990) 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 Leicestershire Fire and Rescue Service from the Council, who are responsible for billing Council Tax.

### **Creditors**

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made by the end of the financial year.

### **Debits and Credits**

A debit represents expenditure against an account and a credit represents income to an account.

### **Debt Charges**

This represents the interest payable on outstanding debt.

### **Debtors**

Amounts due to the Council but unpaid at the end of the financial year.

### **Dedicated Schools Grant**

A ring-fenced grant from the government that has to be used to fund the delegated budget of each school, together with certain items of related central expenditure.

### **Deficit**

Arises when expenditure exceeds income or when expenditure exceeds available budget.

### **Depreciation**

The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed (i.e. wear and tear).

### **Direct Revenue Financing**

The cost of capital projects that is charged against revenue budgets.

### **Equities**

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.

### **Executive**

The City Mayor, Deputy City Mayor and Assistant City Mayors provide the executive function of the Council. The Council's Constitution sets out what matters are reserved to Council and its committees rather than the Executive.

### **Finance Lease**

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

### **Finance Procedure Rules**

These provide the framework within which the Council conducts its financial affairs. Finance Procedure Rules are supplemented by Codes of Practice giving detailed guidance for financial practice in the Council.

### **Financial Instruments**

Financial instruments are formally defined in the Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### **Financial Reporting Standards (FRSs)**

Statements prepared by the Financial Reporting Council. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

### **Formula Grant**

The general grant paid to Local Authorities by the Government to support the day to day costs of running its services.

### **Foundation schools**

Schools run by their own governing body, which employs the staff and sets the admissions criteria. Land and buildings are usually owned by the governing body or a charitable foundation.

### **General Fund**

The Council's main revenue account, covering the net cost of all services other than Council housing.

### **Going Concern**

The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

### **Government Grants**

Payment by Government towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

### **Group Accounts**

Where a council has a controlling interest in another organisation, group accounts have to be produced. These accounts report the financial position of all of the group entities.

### **Housing Benefits**

A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

### **Housing Revenue Account (HRA)**

A separate account to the General Fund which includes the expenditure and income arising with the provision of housing accommodation by the Council. The HRA is ring-fenced: no cross subsidy is allowed between the HRA and the General Fund in either direction.

### **Impairment Loss**

A material reduction in the value of fixed assets outside the normal periodic revaluations.

### **Inflow**

This represents cash coming into the Council.

### **Internal Audit**

An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation.

### **International Financial Reporting Standards (IFRSs)**

These are guidelines for the production of financial statements. Many of these now apply to local authorities and departure from these must be disclosed in the published accounts.

### **International Financial Reporting Interpretations Committee (IFRIC)**

Aims to provide guidance on newly identified financial reporting issues not specifically dealt with in IFRSs.

### **Inventories**

Comprises; goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion, long term contract balances and finished goods.

### **Investments**

An asset which is purchased with a view to making money by providing income, capital appreciation or both.

### **Joint Venture**

An organisation for which the Council has partial control and ownership, but decisions require the consent of all participants.

### **Leasing**

A method of financing the acquisition of assets, notably equipment, vehicles and plant. This is normally for an agreed period of time, up to several years.

### **Levy**

A charge made by an outside organisation, which has to be met from within the Council's overall budget.

### **Liabilities**

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

### **Liquid Resources**

These are resources that the Council can easily access and use, e.g. cash or investments of less than 1 year.

### **LOBO Loans**

Lender Option, Borrower Option loans. This is a loan in which the lender can, at a predetermined time, request to change the interest rate at which the loan is being charged. If the borrower does not agree to the rate change, the borrower then has the option to repay the loan.

### **Local Authority Business Growth Incentive (LABGI)**

Incentive for local authorities to promote economic growth. The scheme allows the retention of a proportion of increases in revenue derived from national non-domestic rates.

### **Long Term Borrowing**

Loans raised to finance capital spending which have to be repaid over a period in excess of one year from the date of the accounts.

### **Materiality**

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

### **Minimum Revenue Provision (MRP)**

A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

### **Movement In Reserves Statement**

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

### **National Challenge Co-operative Trust Schools**

These schools are formed under the previous Government's National Challenge initiative to improve academic achievement. When Trust status is attained all assets normally transfer to the Trust body.

### **National Non-Domestic Rate (NNDR)**

Represents the rate of taxation on business properties. Central Government have the responsibility for setting the rate and Local Authorities are responsible for the billing and collection of the tax.

### **Net Book Value**

The amount at which non-current assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.

### **Net Expenditure / Net Cost of Service**

The actual cost of a service to an organisation after taking account of all income charged for services provided.

### **Non-Current Assets**

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

### **Operating Lease**

A lease where an asset is used only for a small proportion of its economic life.

### **Operational Assets**

Fixed assets held and occupied in the pursuit of strategic or service objectives.

### **Outflow**

This represents cash going out of the Council.

### **Precept**

An amount charged by another authority to the Council's Collection Fund. There are two preceptors on Leicester's collection fund: the Police and Fire Authorities.

### **Prior Period Adjustments**

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

### **Private Finance Initiative**

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

### **PFI Credits**

The financial support provided to Local Authorities to part fund PFI capital projects.

### **Provision**

An amount of money set aside in the budget to meet liabilities that are likely or certain to arise in the future, but which cannot be quantified with certainty.

### **Prudential Borrowing**

This gives local authority's freedom to borrow within prudent, affordable and sustainable limits.

### **Prudential Indicator**

Linked to "Prudential Borrowing" above these are calculations that indicate if borrowing is within prudent, affordable and sustainable limits.

### **Public Works Loan Board (PWLB)**

A government agency providing long and short-term loans to local authorities. Interest rates are generally lower than the private sector, and slightly higher than the rates at which the Government may borrow.

### **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the monetary value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

### **Revaluation Reserve**

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

### **Reserves**

Sums are set aside in reserves for future purposes rather than to fund past events. Earmarked reserves are those established for a specific purpose.

### **Revenue Expenditure**

Represents day-to-day running expenses, e.g. salaries, fuel etc.

### **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

This is expenditure that is classified as capital although it does not result in the creation of a fixed asset belonging to the Council.

### **Royal Institute of Chartered Surveyors (RICS)**

A professional body for land, property, construction and environmental related issues.

### **Service Reporting Code of Practice**

SeRCOP (BVACOP) establishes 'proper practice' for consistent financial reporting, which allows direct comparisons to be made with financial information published by other local authorities.



**Specific Grants**

Grants paid to the Council for a specific purpose, including housing benefit, housing improvement, etc.

**Subsidiary**

An organisation that is under the control of the Council or the Council is the majority share holder.

**Surplus**

Arises when income exceeds expenditure or when expenditure is less than available budget.

**Trading Services**

These are services operated by the Council which largely trade with other departments of the Council, and with external clients.

**Trading Accounts**

A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.

**UK GAAP**

United Kingdom Generally Accepted Accountancy Practice

**Usable Capital Receipts Reserve**

Represents the resources held by the Council that have arisen from the sale of fixed assets that are yet to be spent on other capital projects.

**Voluntary-aided schools**

Schools which are mainly religious or 'faith' schools, the governing body, employs the staff, and sets the admission criteria. Buildings and land are normally owned by a charitable foundation.

**Voluntary-controlled schools**

Schools which the Council run, employ staff, set admission criteria, and maintain land & buildings. But normally are owned by a charity, who appoints members to the governing body