



**Leicester**  
City Council

# **Unaudited Statement of Accounts**

**Year ended 31<sup>st</sup> March 2014**



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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 2013/14. 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 2013/14 of £12.6m. 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 £1.78m.

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

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

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

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

### **3. Supplementary statements**

The **Housing Revenue Account (HRA)** is a statutory ring-fenced account relating to the provision of rented social housing. The HRA Income and Expenditure account shows a surplus of £19.6m. However after adjustments to reflect statutory requirements, the account generated a year-end surplus of £6.7m.

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

Up to 2011/12, the Council prepared group accounts consolidating bodies which were associates or subsidiaries of the Council. From 2012/13, the Council assessed these relationships and judged that the preparation of group accounts did not provide any material benefit to users of the accounts in terms of their understanding of the Council's financial position. This remains the Council's judgement for 2013/14. 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.

In addition to the cuts, major changes were made to the system of local government finance in 2013/14. These included:-

- (a) the previous system of formula grant, under which the Council received £177m in 2012/13, was abolished;
- (b) in its place, the Council is able to retain 49% of its business rates, and receives from the Government a "Business Rates Top-up Grant" and Revenue Support Grant;
- (c) a number of specific grants ceased, and the money was instead distributed as part of the new mainstream funding system described at (b) above;
- (d) the system of council tax benefit was replaced by a new (less generous) system of council tax reductions for people on low income. Government funding for the new scheme is now cash limited, and is also part of the mainstream funding system.

The changes to the system make it difficult to compare the funding available to the Council for different periods. However, it is estimated that Government funding has fallen by some £50m per annum between 2010/11 and 2013/14.

In its budget strategy for 2013/14, the Council made plans to reduce annual expenditure by £11m over 2 years; this came on top of the 2012/13 plans to reduce annual expenditure by £38m over 3 years.

It is therefore pleasing that, given this very difficult context, the Council spent within budget in 2013/14.

2013/14 also saw local government assume responsibility for public health; with staff, services and funding transferred from the National Health Service. The intention behind this move was to maximise the capacity of the public sector to achieve improvement in public health through co-ordination of all relevant services. The Council received a grant of £20m for these services in 2013/14.

Capital spending of £161m was incurred in 2013/14, a significant increase on the previous year's spending of £76m. This increase is largely due to the £77m spent on the Council's "Building Schools for the Future" (BSF) programme to modernise secondary schools. Contracts have now been signed to re-build or refurbish all schools in the programme, and building work is expected to be complete by spring

2015. In addition, new schools at Crown Hills and City of Leicester were built under Private Finance Initiative schemes, and completed buildings were handed over on 28th October 2013. Significant capital schemes also commenced as part of the City Mayor's Economic Action Plan, including a new food workspace, a new city square and gardens (Jubilee Square and Cathedral Gardens), street works and re-development of the City's indoor market. These schemes will complete in 2014/15.

Credit conditions improved in 2013/14, but there remained significant risks in the financial markets and a cautious approach to investment continued to be taken. The Council had investments totalling £123.9m at the end of the year, and only lent money to strong UK banks, other local authorities and the Government's Debt Management Office.

No new borrowing took place during 2013/14.

## **5. Reserves**

The Council's uncommitted reserves stood at £24.9m on 31<sup>st</sup> March 2014, which is a significant increase on the £14m held at the end of 2012/13. This is the consequence of a deliberate strategy to increase reserves in 2013/14 and 2014/15, to help manage the impact of future Government funding cuts. Reserve balances built up will be drawn down to mitigate the impact of cuts in later years. This "Managed Reserves Strategy" was complemented by a "Spending Review Programme", under which 18 areas of service are the subject of detailed analysis. The aim of the Spending Review Programme is to make budget reductions over a sensible timeframe (avoiding the need to make urgent cuts to balance the budget).

The Council holds "earmarked" reserves for specific purposes. These include reserves ringfenced by law, such as schools balances (£21m) which can only be spent by individual schools; and funds committed for future purposes, such as monies required for Building Schools for the Future (£24m). Other funds include monies received from the NHS for joint projects, and money to pay for capital works. Earmarked reserves stand at £152m. It is expected that earmarked reserves will reduce from 2014/15 as the Building Schools for the Future programme is completed.

## **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 (£597m). This represents the difference between expected investment returns and the cost of providing benefits to scheme members which have been earned to



date. The size of the deficit has increased, principally due to the impact of changes in assumptions around future liabilities being greater than the impact of returns on investment. The deficit has no immediate impact on the revenue budget, but will be a factor in calculating employers' contributions from 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>

Technical changes to the accounting for pensions under the IAS19 standard have come into force this year, requiring the Council to restate the 2012/13 comparative figures on the same basis. This restatement has no impact on the overall Balance Sheet or General Fund position.

## **7. Future issues**

2014/15 and later years will see the continuation of substantial Government grant cuts. Following the introduction of the Business Rates Retention Scheme, all cuts made to mainstream funding are now given effect by reducing Revenue Support Grant. Grant figures have been announced as far ahead as 2015/16, and Revenue Support Grant will fall from £133m in 2013/14 to £77m in 2015/16.

The system of local government funding has, with the introduction of business rates retention, seen a significant shift away from needs based funding. This shift did not take place in 2013/14 (funding was still based on an assessment of need), but from 2014/15 each authority's Revenue Support Grant will be cut proportionally in order to meet predetermined national funding allocations. Such proportional cuts mean that the budgets of authorities serving the least affluent areas of the country will be disproportionately affected.

The Government's fiscal strategy would see reductions in public spending until at least 2018/19, but the impact of these further reductions on local government is not yet known.

The Council is unlikely to need to borrow money in the medium term, and will actively seek opportunities to use investment balances to reduce holdings of debt.

## **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 2013/14.



## 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.

**To be signed by the Chair of the Audit & Risk Committee meeting approving the final audited accounts in September 2014**

### **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 2014.



**A Greenhill CPFA  
Director of Finance**

**30<sup>th</sup> June 2014**

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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	Ear-marked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31st March 2013 brought forward</b>	(24,163)	(154,261)	(7,744)	(1,200)	(20,119)	-	(207,487)	(985,613)	(1,193,100)
<b>Movement in reserves during 2013/14</b> (Surplus) or deficit on provision of services	(62,125)	-	(19,616)	-	-	-	(81,741)	-	(81,741)
Other Comprehensive Expenditure and Income							-	94,344	94,344
<b>Total Comprehensive Expenditure and Income</b>	<b>(62,125)</b>	<b>-</b>	<b>(19,616)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(81,741)</b>	<b>94,344</b>	<b>12,603</b>
Adjustments between accounting basis & Funding basis under regulation	56,567	-	12,891	-	(8,927)	(57,538)	2,993	(2,993)	-
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>	<b>(5,558)</b>	<b>-</b>	<b>(6,725)</b>	<b>-</b>	<b>(8,927)</b>	<b>(57,538)</b>	<b>(78,748)</b>	<b>91,351</b>	<b>12,603</b>
Transfers to/(from) Earmarked Reserves	3,781	1,767	-	-	-	-	5,548	(5,548)	-
<b>(Increase)/Decrease in year</b>	<b>(1,777)</b>	<b>1,767</b>	<b>(6,725)</b>	<b>-</b>	<b>(8,927)</b>	<b>(57,538)</b>	<b>(73,200)</b>	<b>85,803</b>	<b>12,603</b>
<b>Balance at 31st March 2014 carried forward</b>	<b>(25,940)</b>	<b>(152,494)</b>	<b>(14,469)</b>	<b>(1,200)</b>	<b>(29,046)</b>	<b>(57,538)</b>	<b>(280,687)</b>	<b>(899,810)</b>	<b>(1,180,497)</b>

Restated 2012/13	General Fund Balance	Ear-marked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31st March 2012 brought 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>
<b>Movement in reserves during 2012/13</b> (Surplus) or deficit on provision of services	9,607	-	(1,401)	-	-	<b>8,206</b>	386	<b>8,592</b>
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	49,184	<b>49,184</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>9,607</b>	-	<b>(1,401)</b>	-	-	<b>8,206</b>	<b>49,570</b>	<b>57,776</b>
Adjustments between accounting basis & Funding basis under regulation	(39,851)	-	(1,763)	1	(16,600)	<b>(58,213)</b>	58,213	-
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>	<b>(30,244)</b>	-	<b>(3,164)</b>	<b>1</b>	<b>(16,600)</b>	<b>(50,007)</b>	<b>107,783</b>	<b>57,776</b>
Transfers to/(from) Earmarked Reserves	29,632	(22,818)	-	-	-	<b>6,814</b>	(6,814)	-
<b>(Increase)/Decrease in year</b>	<b>(612)</b>	<b>(22,818)</b>	<b>(3,164)</b>	<b>1</b>	<b>(16,600)</b>	<b>(43,193)</b>	<b>100,969</b>	<b>57,776</b>
<b>Balance at 31st March 2013 carried forward</b>	<b>(24,163)</b>	<b>(154,261)</b>	<b>(7,744)</b>	<b>(1,200)</b>	<b>(20,119)</b>	<b>(207,487)</b>	<b>(985,613)</b>	<b>(1,193,100)</b>



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated 2012/13				2013/14			
Gross Exp £000	Income £000	Net Exp £000		Note	Gross Exp £000	Income £000	Net Exp £000
34,130	(32,408)	1,722	Central Services to the Public		13,679	(8,906)	4,773
46,199	(17,212)	28,987	Cultural and Related Services		43,587	(11,703)	31,884
33,732	(15,931)	17,801	Environmental and Regulatory Services		30,954	(10,202)	20,752
39,918	(19,055)	20,863	Planning and Development Services		14,171	(12,424)	1,747
406,985	(321,964)	85,021	Education and Children's Services		417,993	(327,146)	90,847
38,579	(11,842)	26,737	Highways and Transport Services		37,290	(11,774)	25,516
72,056	(81,276)	(9,220)	Local Authority Housing (HRA)		62,193	(89,867)	(27,674)
170,689	(152,397)	18,292	Other Housing Services		152,684	(143,654)	9,030
147,323	(62,837)	84,486	Adult Social Care		142,538	(42,642)	99,896
-	-	-	Public Health		23,756	(20,521)	3,235
20,421	(14,048)	6,373	Corporate and Democratic Core		15,733	(1,869)	13,864
1,643	(1,710)	(67)	Non Distributed Costs		23,347	(358)	22,989
<b>1,011,675</b>	<b>(730,680)</b>	<b>280,995</b>	<b>Cost of Services</b>	<b>28</b>	<b>977,925</b>	<b>(681,066)</b>	<b>296,859</b>
		5,105	Other Operating Expenditure	9			(10,503)
		34,722	Financing and Investment Income and Expenditure	10			37,381
		-	Surplus or Deficit of Discontinued Operations				-
		(312,616)	Taxation and Non-Specific Grant Income	11			(405,478)
		<b>8,206</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>(81,741)</b>
		386	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>8,592</b>	<b>(Surplus) or Deficit including Associates &amp; Joint Ventures</b>				<b>(81,741)</b>
		(30,692)	Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets	24			(42,259)
		-	Surplus or Deficit on Revaluation of Available for Sale Financial Assets				-
		79,876	Remeasurement of the Net Defined Benefit Liability	47			136,603
		-	Other Gains/Losses				-
		<b>49,184</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>94,344</b>
		<b>57,776</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>12,603</b>



## BALANCE SHEET

31st March 2012 £000	31st March 2013 £000		Note	31st March 2014 £000
1,896,900	1,873,738	Property, Plant & Equipment	12	1,959,745
50,289	74,844	Heritage Assets	51	80,806
1,101	1,258	Intangible Assets	14	1,691
8,274	8,274	Long Term Investments	15	7,785
307	359	Long Term Debtors	18	2,780
<b>1,956,871</b>	<b>1,958,473</b>	<b>Long Term Assets</b>		<b>2,052,807</b>
50,106	104,365	Short Term Investments	15	116,159
14,775	4,312	Assets Held For Sale (<1 year)	20	19,359
3,809	3,423	Inventories	16	2,953
49,919	56,814	Short Term Debtors	18	53,436
59,586	41,550	Cash and Cash Equivalents	19	85,445
<b>178,195</b>	<b>210,464</b>	<b>Current Assets</b>		<b>277,352</b>
(41,208)	(29,544)	Bank Overdraft	19	(18,329)
(16,853)	(3,611)	Short Term Borrowing	15	(3,510)
(120,223)	(119,458)	Short Term Creditors	21	(125,254)
(4,270)	(4,609)	Provisions (<1 year)	22	(6,003)
<b>(182,554)</b>	<b>(157,222)</b>	<b>Current Liabilities</b>		<b>(153,096)</b>
(9,504)	(10,259)	Provisions (<1 year)	22	(13,361)
(245,135)	(244,314)	Long Term Borrowing	15	(243,108)
(415,256)	(520,568)	Other Long Term Liabilities	15	(722,217)
(31,743)	(43,474)	Capital Grants Receipts in Advance	38	(17,880)
<b>(701,638)</b>	<b>(818,615)</b>	<b>Long Term Liabilities</b>		<b>(996,566)</b>
<b>1,250,874</b>	<b>1,193,100</b>	<b>Net Assets</b>		<b>1,180,497</b>
164,293	207,487	<u>Represented by:</u> Usable Reserves	23	280,687
1,086,581	985,613	Unusable Reserves	24	899,810
<b>1,250,874</b>	<b>1,193,100</b>	<b>Total Reserves</b>		<b>1,180,497</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.

2012/13 £000		Note	2013/14 £000
(4,637)	Net surplus or (deficit) on the provision of services		81,741
126,141	Adjustments to net surplus or deficit on the provision of services for non-cash movements		123,130
(66,063)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities		(151,195)
<b>55,441</b>	<b>Net cash flows from Operating Activities</b>	<b>25</b>	<b>53,676</b>
(45,454)	Net cash flows from Investing Activities	26	8,544
(16,359)	Net cash flows from Financing Activities	27	(7,110)
<b>(6,372)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>55,110</b>
18,378	Cash (in hand) and cash equivalents at the beginning of the reporting period		12,006
<b>12,006</b>	<b>Cash (in hand) and cash equivalents at the end of the reporting period</b>	<b>19</b>	<b>67,116</b>



## **NOTES TO THE ACCOUNTS**

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

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

The Statement of Accounts summarises the City Council's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

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

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

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

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

readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

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

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

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

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

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

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

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

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



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

## **vii) Employee Benefits**

### **Benefits Payable during employment**

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

### **Termination Benefits**

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

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

### **Post-employment Benefits**

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

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

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

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

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

- The liabilities of the Leicestershire County Council Pension Scheme attributable to Leicester City Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3%. This discount rate is calculated by the actuary based on the yield curve of a basket of high-quality corporate bonds with maturity dates and the weighted average duration of the benefit obligation for the Council.
- The assets of the Leicestershire County Council Pension fund attributable to Leicester City Council are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value
- The change in the net pensions liability between Balance Sheet dates is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the CI&ES to the revenue accounts of services for which the employees worked.
  - Past service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the CI&ES as part of Non-Distributed Costs.
  - Net interest on the defined benefit liability – the net of the expected increase in the present value of liabilities over the year arising from the passage of time and the expected return on scheme assets discounted at the discount rate used for the liabilities. This is part of Financing & Investment Income & Expenditure.
  - Gains/losses on settlements and curtailments – the results of actions to relieve the Council of liabilities or events that reduce the expected future service or

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

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

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

### **Discretionary Benefits**

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

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

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

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

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

## **ix) Financial Instruments**

### **Financial Assets**

Financial assets are classified into two types:

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

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

### **Loans and Receivables**

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

### **Soft Loans**

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

### **Impairment**

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

### **Financial Liabilities**

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

## **Repurchase of Borrowing**

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

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

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

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

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

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

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

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

## **xi) Intangible Assets**

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

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

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

In 2012-13 the Council reviewed its relationship with these other organisations and has concluded that the preparation of Group Accounts gives no material benefit to users of the Statement of Accounts in terms of their understanding of the Council's financial position. This remains the case in 2013/14.

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

## **xiii) Inventories**

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

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

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

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 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

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

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

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

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

##### *Recognition:*

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

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

##### *Measurement:*

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



Expenditure line of the CIES, and reversed out to the Revaluation Reserve in the Movement in Reserves Statement.

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

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

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 non-current assets is fully provided for under separate arrangements for capital

financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

*Depreciation:*

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

Depreciation is calculated on the following bases:

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

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

*Schools:*

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 Trust and Free 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 – lease payments that increase or decrease as a result of changes in factors occurring subsequent to the inception of the lease, other than the passage of time.
- Payment towards the liability – applied to the Balance Sheet Liability.
- Lifecycle Costs – additional expenditure on assets either added as prepayment for the asset or to the Service lines where not material, when the relevant work is carried out.

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

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

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

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

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

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

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

#### **xxi) Reserves**

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

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

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

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

#### **xxiii) VAT**

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

## **2. Prior Period Adjustments, Changes in Accounting Policies Since 2013/14 & Accounting Standards Issued but not Adopted**

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

The 2013/14 Code of Practice introduced changes to the requirements for accounting for defined benefit pension schemes, reflecting changes to the underlying IAS19 standard.

The change relates to the permitted assumptions around future returns on assets within the pension fund and the presentation of these in the Comprehensive Income & Expenditure Statement (CI&ES). These changes have no impact on the Council's Balance Sheet position but in order for comparative information to be meaningful, the 2012/13 CI&ES and Movement in Reserves Statement (MIRS) have been restated incorporating the amendments. This note details the restatement and explains the reasons behind it.

All information on which pension disclosures are based is derived from actuarial reports supplied by the Council's actuary, Hymans Robertson LLP, who prepare their reports based on information supplied by the Council and the Leicestershire Local Government Pension Fund.

Up to 2012/13, the figure for Pensions Interest & Expected Return on Assets (within Financing & Investment Income & Expenditure – Note 10) was based on expected returns from assets including higher assumptions for different asset classes such as equities. From 2013/14, this figure is based on a discount rate derived from returns on high-quality (i.e. low-risk) corporate bonds. Other re-measurements of the value of plan assets are now included within Other Comprehensive Income & Expenditure.

Comparative information in certain supporting notes to the accounts has also been amended to incorporate the restated values. These are Notes 7, 10, 24 & 47.

Note 47 has also been amended to include a more detailed breakdown of pension scheme assets than has previously been provided. 2012/13 comparative information is included in these accounts, although this was not available at the time of preparing the 2012/13 Statement of Accounts.

### ***Changes to the 2012/13 Comprehensive Income & Expenditure Statement***

	2012/13 Original	Restatement	2012/13 Final
	£000	£000	£000
Cost of Services	281,639	(644)	280,995
Financing & Investment Income & Expenditure	30,509	4,213	34,722
Surplus / Deficit on Provision of Services	4,637	3,569	8,206
Re-measurements on the net defined pensions liability (was: Actuarial gain/loss on pension assets/liabilities)	83,445	(3,569)	79,876
Other Comprehensive Income & Expenditure	52,753	(3,569)	49,184
Total Comprehensive Income & Expenditure	57,776	-	57,776

### ***Changes to the 2012/13 Movement in Reserves Statement***

	<b>Usable Reserves</b>	<b>Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 31<sup>st</sup> March 2012</b>	<b>(164,294)</b>	<b>(1,086,582)</b>
Original Surplus or Deficit on Provision of Services	4,637	-
Original Other Comprehensive Income & Expenditure	-	52,753
Restatement	3,569	(3,569)
<b>Restated Surplus or Deficit on Provision of Services</b>	<b>8,206</b>	<b>49,184</b>
<b>Restated Other Comprehensive Income &amp; Expenditure</b>		
Original adjustments between accounting basis and funding basis under regulations	(54,644)	54,644
Restatement	(3,569)	3,569
<b>Restated adjustments between accounting basis and funding basis under regulations</b>	<b>(58,213)</b>	<b>58,213</b>
Transfers to/from earmarked reserves (unaffected by restatement)	6,814	(6,814)
<b>Restated Balance at 31<sup>st</sup> March 2013 (no overall change due to restatement)</b>	<b>(207,487)</b>	<b>(985,613)</b>

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

The accounting policies have been updated to reflect changes to the IAS19 accounting standard covering retirement benefits adopted in the 2013/14 Code of Practice. The impact of these changes is explained in Note 1 and Note 47.

The accounting policies have also been amended to formalise the Council's practice of applying a de minimis limit of £10k to the recognition of property, plant and equipment. Items of capital expenditure below this level are charged to revenue.

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

A number of accounting standards have been issued but will not be adopted under the Code of Practice for Local Authority Accounting until 1 April 2014. If these had been adopted in 2013/14, there would not have been any material impact on the accounts.

Standards relating to accounting for consolidation, joint arrangements and disclosure of involvement in other entities:

- IFRS 10 Consolidated Financial Statements (May 2011)
- IFRS 11 Joint Arrangements (May 2011)
- IFRS 12 Disclosures of Interests in Other Entities (May 2011)
- IAS 27 Separate Financial Statements (as amended May 2011)



- IAS 28 Investments in Associates and Joint Ventures (as amended May 2011)

Standards relating to the presentation of the Statement of Accounts:

- IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities(as amended December 2011)
- IAS 1 Presentation of Financial Statements (as amended May 2011), regarding comparative figures from prior periods

In accordance with the requirements of the Code of Practice for Local Authority Accounting, the adoption of IFRS 13 Fair Value Measurement has been deferred and is now expected to be adopted in the financial year 2015/16.

### **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 2013/14, 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.

### **Business rate appeals**

The authority has applied judgement in calculating the provision for business rate appeals based on data from the Valuation Office Agency (VOA) regarding outstanding appeals where estimates of the likelihood of success, the amount of the reduction and the backdating of the appeal have been based upon averages of historic settled appeals data. Different averages have been calculated for the different types of appeal.

The Council has judged that it should disclose a contingent liability for future appeals against business rates for 2013/14 and prior years. It has judged that it is not possible to estimate the value of future appeals with sufficient reliability to recognise a provision, but has also judged, with reference to reports by rating consultants, that any such liability may be material enough to disclose as a contingent liability.

### **Group Accounts**

From 2012/13 the Council judged that continued preparation of Group Accounts was not necessary under the Code of Practice and was of no material benefit to users of the Statement of Accounts in understanding the Council's financial position. This remains the Council's judgement in 2013/14. Details of associated organisations can be found in Note 39.

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

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

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

The items in the Council's Balance Sheet at 31 March 2014 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.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by approximately £0.5m for every year that useful lives had to be reduced.</p>
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 10% increase to the employers liability amounting to approximately £149m. A one year increase in member life expectancy would mean a 3% increase in employers liability amounting to approximately £43m. A 0.5% increase in the Pension Increase Rate would mean a 7% increase to the employers liability amounting to £96m. A 0.5% increase in the projected rate of salary increased would lead to an increased liability of 4% or £51m.
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**

These draft accounts were authorised for issue by the Director of Finance on 30<sup>th</sup> June 2014, at which time there have been no material events after the reporting date to be disclosed in these financial statements.

## 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.

2013/14	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movemt in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:</b>						
Charges for depreciation, impairment and amortisation of non-current assets	(77,998)	(306)		(7,262)		85,566
Revaluation losses on Property Plant and Equipment	(7,330)					7,330
Movements in the market value of Investment Property						
HRA Settlement						
Capital grants and contributions applied	45,395					(45,395)
Capital expenditure funded from revenue	41	199				(240)
Revenue expenditure funded from capital under statute	(6,505)					6,505
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,046)	(1,905)				3,951
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:</b>						
Statutory provision for the financing of capital investment	12,049					(12,049)
Voluntary provision for the financing of capital expenditure	6,005		2,101			(8,106)
Capital expenditure charged against the General Fund and HRA balances	44,033	18,481				(62,514)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,021	6,795	(12,498)			682
Use of the Capital Receipts Reserve to finance new capital expenditure						
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		(1,480)	1,480			

2013/14 continued	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movemt in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(10)			10
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	62					(62)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA						
Use of the Major Repairs Reserve to finance new capital expenditure		(7,262)		7,262		
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	57,538				(57,538)	
Use of the Major Repairs Reserve to finance new capital expenditure						
<b>Adjustments primarily involving the Financial Instruments Adjustments Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(819)	903				(84)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(55,750)	(5,606)				61,356
Employer's pensions contributions and direct payments to pensioners payable in the year	32,212	2,997				(35,209)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	704					(704)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in	5,260	75				(5,335)
<b>Adjustment primarily involving the ESPO Reserve:</b>						
Reversal of items relating to ESPO debited or credited to the Comprehensive Income and Expenditure Statement	(1,305)					1,305
<b>Total Adjustments</b>	<b>56,567</b>	<b>12,891</b>	<b>(8,927)</b>	<b>-</b>	<b>(57,538)</b>	<b>(2,993)</b>

Restated 2012/13 Comparative Information	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Movemt in Unusable Reserves
	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:</b>					
Charges for depreciation, impairment and amortisation of non-current assets	(45,186)	(18,717)		(6,723)	70,626
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)
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		
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>					
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					

Restated 2012/13 Comparative Information continued	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Movemt in Unusable Reserves
	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Major Repairs Reserve:</b>					
Reversal of Major Repairs Allowance credited to the HRA					
Use of the Major Repairs Reserve to finance new capital expenditure				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	(46,694)	(1,103)			47,797
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 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>(39,851)</b>	<b>(1,763)</b>	<b>(16,600)</b>	<b>1</b>	<b>58,213</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.

2013/14	Balance at 31st March 2013 £000	Transfers In 2013/14 £000	Transfers Out 2013/14 £000	Balance at 31st March 2014 £000
<b>General Fund Earmarked Reserves:</b>				
Building Schools for the Future - Financing	37,027	1,506	(14,967)	23,566
School Balances	24,651	1,881	(5,131)	21,401
Capital Reserve	25,957	42,037	(48,767)	19,227
Children's Services Funds	8,055	9,550	(556)	17,049
NHS Joint Working Projects	12,957	3,031	(2,472)	13,516
Severence Fund	9,271	6,500	(2,424)	13,347
Insurance Fund	5,382	8,793	(6,767)	7,408
Schools Capital Fund	5,449	1,826	(2,730)	4,545
Public Health	3,313	-	-	3,313
Welfare Reform Reserve	-	3,176	(186)	2,990
City Development & Neighbourhoods	2,874	1,635	(1,520)	2,989
Service Transformation Fund	-	2,747	-	2,747
Connexions Closure	1,797	390	-	2,187
Financial Services Divisional Reserve	1,720	922	(1,057)	1,585
Energy Reduction Reserve	312	1,050	-	1,362
Looked After Children Placements	-	1,330	-	1,330
Schools Buy Back	1,136	2,080	(1,940)	1,276
Job Evaluation (inc Schools Catering)	1,225	-	-	1,225
Social Care Replacement IT System	2,099	1,602	(2,483)	1,218
Economic Action Plan	1,129	897	(858)	1,168
IT Reserves	2,050	686	(1,640)	1,096
Strategic Initiatives	1,043	286	(286)	1,043
Preventing Homelessness	936	-	-	936
HR Divisional Reserve	701	-	(24)	677
Housing Divisional Reserve	401	450	(200)	651
Highways Maintenance	418	-	-	418
Legal Services Divisional Reserve	380	27	(27)	380
Delivery Communications & Political Governance	300	38	-	338
Individual Electronic Registration	-	380	-	380
Housing-related Support Reserve	609	70	(348)	331
City Council Elections	100	200	-	300
Other - Miscellaneous Reserves	2,969	3,797	(4,271)	2,495
<b>Total General Fund Earmarked Reserves</b>	<b>154,261</b>	<b>96,887</b>	<b>(98,654)</b>	<b>152,494</b>
<b>Housing Revenue Account Earmarked Reserve:</b>				
Housing Maintenance	-	-	-	-
<b>Total HRA Earmarked Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Earmarked Reserves</b>	<b>154,261</b>	<b>96,887</b>	<b>(98,654)</b>	<b>152,494</b>

<b>2012/13 Comparative Information</b>	<b>Balance at 1st April 2012 £000</b>	<b>Transfers In 2012/13 £000</b>	<b>Transfers Out 2012/13 £000</b>	<b>Balance at 31st March 2013 £000</b>
<b>General Fund Earmarked Reserves:</b>				
Building Schools for the Future - Financing	31,279	6,067	(319)	37,027
Capital Reserve	17,182	15,689	(6,914)	25,957
School Balances	21,535	5,898	(2,782)	24,651
NHS Joint Working Projects	10,337	3,750	(1,130)	12,957
Severence Fund	5,042	6,500	(2,271)	9,271
Children's Services Funds	8,151	2,828	(2,924)	8,055
Schools Capital Fund	4,776	993	(320)	5,449
Insurance Fund	5,823	9,146	(9,587)	5,382
Public Health	2,752	2,113	(1,552)	3,313
City Development & Neighbourhoods	751	2,166	(43)	2,874
Social Care Replacement IT System	1,650	551	(102)	2,099
IT Reserves	1,555	560	(65)	2,050
Connexions Closure	2,000	508	(711)	1,797
Financial Services Divisional Reserve	130	1,590	-	1,720
Job Evaluation (inc Schools Catering)	3,072	5,160	(7,007)	1,225
Economic Action Plan	6,220	-	(5,091)	1,129
Schools Buy Back	1,028	135	(27)	1,136
Strategic Initiatives	2,236	1,173	(2,366)	1,043
Preventing Homelessness	882	54	-	936
Adult Social Care	695	577	(356)	916
HR Divisional Reserve	-	701	-	701
Housing-related Support Reserve	679	-	(70)	609
Hamilton Development - Bond	-	475	-	475
Highways Maintenance	408	10	-	418
Housing Divisional Reserve	131	270	-	401
Legal Services Divisional Reserve	-	380	-	380
Energy Reduction Reserve	-	312	-	312
Delivery Communications & Political Governance	379	300	(379)	300
Other - Miscellaneous Reserves	2,750	9,383	(10,455)	1,678
<b>Total General Fund Earmarked Reserves</b>	<b>131,443</b>	<b>77,289</b>	<b>(54,471)</b>	<b>154,261</b>
<b>Housing Revenue Account Earmarked Reserve:</b>				
Housing Maintenance	-	-	-	-
<b>Total HRA Earmarked Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Earmarked Reserves</b>	<b>131,443</b>	<b>77,289</b>	<b>(54,471)</b>	<b>154,261</b>

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

The amount of money held in this reserve has decreased from £24.7m to £21.4m 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 £23.4m.

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

This amount comprises £14.6m 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 £2.3m of reserves, which are held for commitments with regard to Building Schools for the Future and Leicester's Raising Achievement Plan (£0.1m).

### **Capital Reserve**

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

### **NHS Joint Working Projects**

This reserve was set up in 2011/12 and stands at £13.5m as at year end. The Government is increasingly providing money (via the NHS) for joint working between adult social care and the NHS. The use of this funding has to be agreed with the NHS and will be used for on-going projects. All funds directed in this way are subject to section 256 agreements which need to be signed by both parties.

### **Severance Fund**

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

## **9. Other Operating Expenditure**

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Levies	81	74
Payments to the government Housing Capital Receipts Pool	1,198	1,480
Total gains/losses on the disposal of non-current assets	2,735	(8,667)
Costs of sale – assets held for sale	(364)	682
Other operating income and expenditure	1,455	(4,072)
<b>Total</b>	<b>5,105</b>	<b>(10,503)</b>

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

	<b>2012/13 Restated £000</b>	<b>2013/14 £000</b>
Interest payable and similar charges	18,767	19,197
Pensions interest cost and expected return on pensions assets	15,184	19,661
Other investment income	127	(1,477)
<b>Total</b>	<b>34,078</b>	<b>37,381</b>

## 11. Taxation and Non-Specific Grant Income

	2012/13 £000	2013/14 £000
Council Tax income	(98,734)	(78,968)
Non domestic rates	(176,295)	(88,183)
Non-ringfenced government grants	(3,417)	(134,794)
Capital grants and contributions	(34,170)	(103,533)
<b>Total</b>	<b>(312,616)</b>	<b>(405,478)</b>

## 12. Property, Plant & Equipment

Movements in Balances 2013/14	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1st April 2013	606,271	972,080	71,510	230,065	1,127	93,293	2,236	1,976,582	65,057
Additions	17,494	103,905	3,307	12,997	224	2,395	22,476	162,798	44,598
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(4)	29,008	-	1,790	688	1,047	-	32,529	-
Revaluation Decreases / Increases not recognised in the Revaluation Reserve	(6,857)	(55,821)	(82)	(291)	(254)	(2,708)	-	(66,013)	-
De-recognition – disposals	(1,905)	(63)	(21)	-	-	(1,317)	-	(3,306)	-
Assets reclassified (to) / from Held for Sale	-	(8,973)	-	-	-	(6,303)	-	(15,276)	-
Asset reclassified (other)	-	5,391	-	-	-	64	(5,455)	-	-
Other movements in cost or valuation	-	(1,999)	(130)	-	-	(132)	-	(2,261)	-
<b>As at 31st March 2014</b>	<b>614,999</b>	<b>1,043,528</b>	<b>74,584</b>	<b>244,561</b>	<b>1,785</b>	<b>86,339</b>	<b>19,257</b>	<b>2,085,053</b>	<b>109,655</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1st April 2013	(6,540)	(33,642)	(31,715)	(30,874)	-	(73)	-	(102,844)	(4,108)
Depreciation Charge	(6,645)	(15,176)	(8,291)	(5,733)	-	(46)	-	(35,891)	(2,933)
Depreciation written out to Revaluation Reserve	(3)	2,374	-	-	-	8	-	2,379	-
Depreciation written out to the Surplus/Deficit on the provision of services	6,542	3,952	-	-	-	1	-	10,495	-
De-recognition – disposals	-	543	3	-	-	7	-	553	-
<b>As at 31st March 2014</b>	<b>(6,646)</b>	<b>(41,949)</b>	<b>(40,003)</b>	<b>(36,607)</b>	<b>-</b>	<b>(103)</b>	<b>-</b>	<b>(125,308)</b>	<b>(7,041)</b>
<b>Net Book Value as at 31st March 2014</b>	<b>608,353</b>	<b>1,001,579</b>	<b>34,581</b>	<b>207,954</b>	<b>1,785</b>	<b>86,236</b>	<b>19,257</b>	<b>1,959,745</b>	<b>102,614</b>
As at 1st April 2013	599,731	938,438	39,795	199,191	1,127	93,220	2,236	1,873,738	60,949

<b>2012/13 Comparative Movements</b>	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1st April 2012	625,414	976,656	52,746	223,846	2,393	106,688	1,624	<b>1,989,367</b>	50,736
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	(19,410)	6,404	-	(76)	(71)	(3,014)	-	<b>(16,167)</b>	-
Revaluation Decreases / Increases not recognised in the Revaluation Reserve	(15,278)	(31,906)	(92)	(1,395)	(165)	(382)	-	<b>(49,218)</b>	-
De-recognition – disposals	(1,615)	(13,110)	(90)	-	-	(19,838)	-	<b>(34,653)</b>	-
Assets reclassified (to) / from Held for Sale	123	-	-	-	-	8,021	-	<b>8,144</b>	-
Asset reclassified (other)	-	2,457	-	-	(1,030)	197	(1,624)	-	-
Other movements in cost or valuation	-	(624)	(513)	-	-	-	-	<b>(1,137)</b>	-
<b>As at 31st March 2013</b>	<b>606,271</b>	<b>972,080</b>	<b>71,510</b>	<b>230,065</b>	<b>1,127</b>	<b>93,293</b>	<b>2,236</b>	<b>1,976,582</b>	<b>65,057</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1st April 2012	(19,401)	(24,392)	(23,310)	(25,304)	-	(59)	-	<b>(92,466)</b>	(1,642)
Depreciation Charge	(6,540)	(14,724)	(8,855)	(5,570)	-	(23)	-	<b>(35,712)</b>	(2,466)
Depreciation written out to Revaluation Reserve	19,401	2,488	-	-	-	7	-	<b>21,896</b>	-
Depreciation written out to the Surplus/Deficit on the provision of services	-	2,986	450	-	-	2	-	<b>3,438</b>	-
De-recognition – disposals	-	-	-	-	-	-	-	-	-
<b>As at 31st March 2013</b>	<b>(6,540)</b>	<b>(33,642)</b>	<b>(31,715)</b>	<b>(30,874)</b>	<b>-</b>	<b>(73)</b>	<b>-</b>	<b>(102,844)</b>	<b>(4,108)</b>
<b>Net Book Value as at 31st March 2013</b>	<b>599,731</b>	<b>938,438</b>	<b>39,795</b>	<b>199,191</b>	<b>1,127</b>	<b>93,220</b>	<b>2,236</b>	<b>1,873,738</b>	<b>60,949</b>
As at 31st March 2012	606,013	952,264	29,436	198,542	2,393	106,629	1,624	<b>1,896,901</b>	49,094

### **Capital Commitments**

At 31<sup>st</sup> March 2014, 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 2013 were £146.3m. The major commitments are:

<b>Contract for Capital Investment</b>	<b>Period</b>	<b>£000</b>
Housing - Electrical rewire & upgrades	2016/17	10,700
Street Lighting	2016/17	10,630
Administrative buildings	2015/16	9,122
Housing - Materials for kitchens & bathrooms	2015/16	9,000
Hamilton & Netherhall - BSF New Build & ICT**	2015/16	8,624
Lancaster - BSF New Build & ICT**	2014/15	7,620
English Martyrs - BSF New Build & ICT**	2014/15	6,688
Babington - BSF New Build & ICT**	2015/16	5,577
Moat - BSF New Build & ICT**	2014/15	5,351
St Pauls - BSF New Build & ICT**	2014/15	4,757
Sir Jonathan North- BSF New Build & ICT**	2015/16	3,962
Food Park	2014/15	3,921
Ellesmere - BSF New Build & ICT**	2014/15	3,785
Westgate - BSF New Build & ICT**	2014/15	3,522
New College - BSF New Build & ICT**	2014/15	3,486
Braunstone Frith Junior	2014/15	2,815
King Richard III Visitor Centre	2014/15	2,655
Housing - Structural works and repairs	2015/16	2,250
Ashfield - BSF New Build & ICT**	2014/15	1,980
Housing - Kitchens & bathrooms refurbishment	2014/15	1,962
Market redevelopment - Phase 1	2014/15	1,711
Housing - Roofing	2016/17	1,660
Cathedral Gardens	2014/15	1,339
Housing - Roofing repairs	2016/17	1,300
Housing - Electrical repairs	2016/17	1,300
Catherine Junior	2014/15	1,151
Housing - replacement of soffits and fascias	2015/16	1,000
Eyres Monsell Primary	2014/15	955
Keyham Lodge - BSF New Build & ICT**	2014/15	930
Jubilee Square	2014/15	874
Housing - Boiler replacements	2014/15	562
Housing - Fire alarms - install and maintain	2015/16	365
Housing - Framland House refurbishment	2014/15	339
Mowmacre Hill Primary	2014/15	330
Housing - supply and fit windows and doors	2015/16	229
Millgate - BSF New Build & ICT**	2014/15	111
<b>Total</b>		<b>122,563</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 outgoing 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.

2013/14 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	-	46,538	27,850	205,098	40	201	19,257	298,984
Valued @ 31st March 2014	608,353	-	-	-	-	-	-	608,353
Valued at fair or nominal value as at:	-	-	-	-	-	-	-	-
Pre 1st April 2009	-	1,009	-	-	156	560	-	1,725
1st April 2009	-	119,822	-	549	583	1,184	-	122,138
1st April 2010	-	307,097	-	-	-	3,832	-	310,929
1st April 2011	-	300,694	6,731	-	10	973	-	308,408
1st April 2012	-	124,142	-	517	202	52,991	-	177,852
1st April 2013	-	102,277	-	1,790	794	26,495	-	131,356
<b>Total</b>	<b>608,353</b>	<b>1,001,579</b>	<b>34,581</b>	<b>207,954</b>	<b>1,785</b>	<b>86,236</b>	<b>19,257</b>	<b>1,959,745</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>2012/13 £000</b>	<b>2013/14 £000</b>
<b>Balance at 1st April</b>		
Gross Carrying Amounts	1,403	1,794
Accumulated Amortisation	(301)	(536)
<b>Net carrying amount at start of year</b>	<b>1,102</b>	<b>1,258</b>
Additions		
Purchases	674	807
Change in LCC ESPO share	(33)	-
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(250)	(43)
Amortisation Applied in Year	(235)	(331)
<b>Gross Carrying Amount at 31st March</b>	<b>1,794</b>	<b>2,558</b>
Accumulated Amortisation	(536)	(867)
<b>Net Carrying Amount at 31st March</b>	<b>1,258</b>	<b>1,691</b>



## 15. Financial Instruments

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

	Long Term		Current		Total	
	2013	2014	2013	2014	2013	2014
	£000	£000	£000	£000	£000	£000
Investments	8,274	7,785	104,365	116,159	112,639	123,944
Receivables (Debtors)	358	323	23,066	19,713	23,424	20,036
Receivables (Other)	-	-	26,974	31,326	26,974	31,326
<b>Investments &amp; Receivables</b>	<b>8,632</b>	<b>8,108</b>	<b>154,405</b>	<b>167,198</b>	<b>163,037</b>	<b>175,306</b>
Loans	244,314	243,108	3,611	3,510	247,925	246,618
Payables (Creditors)	-	-	119,620	122,455	119,620	122,455
<b>Loans &amp; Payables</b>	<b>244,314</b>	<b>243,108</b>	<b>123,231</b>	<b>125,965</b>	<b>367,545</b>	<b>369,073</b>
<b>Other Long Term Liabilities</b>						
Leicestershire County Council	29,887	28,642	-	-	29,887	28,642
PFI and finance lease liabilities	56,639	96,308	2,797	4,449	59,436	100,757
<b>Total Other Long Term Liabilities</b>	<b>86,526</b>	<b>124,950</b>	<b>2,797</b>	<b>4,449</b>	<b>89,323</b>	<b>129,399</b>
<b>Total Loans, Payables and Other Long Term Liabilities</b>	<b>330,840</b>	<b>368,058</b>	<b>126,028</b>	<b>130,414</b>	<b>456,868</b>	<b>498,472</b>

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

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

	Balance at 31st March 2013 £000	Balance at 31st March 2014 £000
Long term element of Other Long Term Liabilities shown in above table	86,526	124,950
Long term pension liability	434,042	596,792
Performance Bond - Hamilton Partnership	-	475
<b>Investments &amp; Receivables</b>	<b>520,568</b>	<b>722,217</b>

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

	2012/13			2013/14		
	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	18,592	-	18,592	19,745	-	19,745
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>18,592</b>	<b>-</b>	<b>18,592</b>	<b>19,745</b>	<b>-</b>	<b>19,745</b>
Interest Income	-	(272)	(272)	-	(812)	(812)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(272)</b>	<b>(272)</b>	<b>-</b>	<b>-</b>	<b>(812)</b>
<b>Net gain/(loss) for the Year</b>	<b>18,592</b>	<b>(272)</b>	<b>18,320</b>	<b>19,745</b>	<b>-</b>	<b>18,933</b>

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

The following table discloses the fair value of financial instruments:

	31st March 2013		31st March 2014	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Assets</b>				
Loans	104,365	104,365	116,159	116,159
Investments - deposits	8,274	8,274	7,785	7,785
Payables	50,399	50,399	51,362	51,362
<b>Total Assets</b>	<b>163,038</b>	<b>163,038</b>	<b>175,306</b>	<b>175,306</b>
<b>Liabilities</b>				
Loans	247,925	293,539	246,618	261,264
Other Long Term Liabilities	89,323	89,323	129,399	129,399
Payables	119,621	119,621	122,455	122,455
<b>Total Liabilities</b>	<b>456,869</b>	<b>502,483</b>	<b>498,472</b>	<b>513,118</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 2014 and at 31<sup>st</sup> March 2013.

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

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

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

	Fair Value of Loans as at 31st March 2013		
	PWLB £	Market £	Stock £
Nominal Value at 31st March 2013	134,491	96,300	8,567
Accrued interest	1,253	836	108
Equated interest adjustment	-	3,780	-
<b>Carrying Value at 31st March 2013</b>	<b>135,744</b>	<b>100,916</b>	<b>8,675</b>
<b>Fair Value at 31st March 2013</b>	<b>135,744</b>	<b>100,916</b>	<b>8,675</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%

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

The long term investments included in the first table of this note have a carrying amount of £7.8m at 31/03/2014 (£8.3m at 31/03/2013) and reflect grants which are repayable in the event that qualifying conditions cease to apply. The value of such

investments is difficult to assess but is expected to at least equal the carrying amount, and on this basis the fair value is estimated to be the carrying amount.

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

## **16. Inventories**

The value of inventories as at 31st March 2014 is shown in the table below:

	<b>Balance at 31st March 2013 £000</b>	<b>Balance at 31st March 2014 £000</b>
Consumable Stores	994	341
Maintenance Materials	1,916	2,093
Short-term deposits with local authorities - PSR element	513	519
<b>Total</b>	<b>3,423</b>	<b>2,953</b>

## **17. Construction Contracts**

At 31<sup>st</sup> March 2014 the City Council had no significant construction contracts (contracts being managed on behalf of other parties) in progress.

## **18. Debtors**

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

	<b>Balance at 31st March 2013 £000</b>	<b>Balance at 31st March 2014 £000</b>
Mortgages	52	41
Car Loans to Employees	200	119
PFI (CHP)	107	2,620
<b>Total</b>	<b>359</b>	<b>2,780</b>

## Short-Term Debtors

	Balance at 31st March 2013 £000	Balance at 31st March 2014 £000
Central Government bodies	10,386	16,085
Other Local Authorities	4,537	2,307
NHS bodies	5,915	5,381
Public Corporations and Trading Funds	13	-
Other Entities and Individuals	24,542	23,196
Payments in Advance	5,352	5,859
Capital Debtors	6,069	608
<b>Total</b>	<b>56,814</b>	<b>53,436</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:

	Balance at 31st March 2013 £000	Balance at 31st March 2014 £000
<b>Cash and cash equivalents:</b>		
Cash held by the Council	222	215
Bank	27,224	17,992
Short-term deposits with local authorities - Investment	13,499	67,238
Short-term deposits with local authorities - PSR element	605	-
<b>Total Cash and Cash Equivalents</b>	<b>41,550</b>	<b>85,445</b>
Overdraft	(29,544)	(18,329)
<b>Total Cash and Cash Equivalents</b>	<b>12,006</b>	<b>67,116</b>

## 20. Assets Held for Sale

	2012/13 £000	2013/14 £000
<b>Balance outstanding at start of year</b>	<b>14,775</b>	<b>4,312</b>
Property, Plant and Equipment newly classified as Held for Sale	-	16,129
Property, Plant and Equipment declassified	(8,144)	(1,396)
Assets Sold	-	(166)
Other Adjustments	(2,319)	480
<b>Balance outstanding at end of year</b>	<b>4,312</b>	<b>19,359</b>

As at the 31<sup>st</sup> March 2014 the Council had a total of £19.4m 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

	Balance at 31st March 2013 £000	Balance at 31st March 2014 £000
Central Government bodies	34,608	22,464
Other Local Authorities	8,778	6,857
NHS bodies	628	889
Public Corporations and Trading Funds	215	168
Other Entities and Individuals	47,749	55,423
Payments in Advance	24,342	26,192
Capital Debtors	3,138	13,261
<b>Total</b>	<b>119,458</b>	<b>125,254</b>

## 22. Provisions

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

	Insurance £000	Housing Benefits £000	Equal Pay £000	Sec 117 Mental Health Act £000	Housing DSO Stock & Dilapidation £000	Business Rate Appeals £000	Total £000
<b>Balance at 1st April 2012</b>	<b>5,650</b>	<b>4,742</b>	<b>1,766</b>	<b>700</b>	<b>916</b>	<b>-</b>	<b>13,774</b>
Net Movement (additions less amounts used)	140	967	(33)	-	20	-	1,094
<b>Balance at 1st April 2013</b>	<b>5,790</b>	<b>5,709</b>	<b>1,733</b>	<b>700</b>	<b>936</b>	<b>-</b>	<b>14,868</b>
Additional provisions made in 2013/14	-	2,753	-	-	29	3,553	6,335
Amounts used in 2013/14	(478)	(1,245)	(69)	(25)	(22)	-	(1,839)
<b>Balance at 31st March 2014</b>	<b>5,312</b>	<b>7,217</b>	<b>1,664</b>	<b>675</b>	<b>943</b>	<b>3,553</b>	<b>19,364</b>

These provisions are described in more detail below.

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

The Authority holds funds to meet the costs of insurance claims, for both claims received but not yet settled and claims that will be received in the future. The sum of £5.3m is held as a provision, being the amount estimated by the Council's actuaries that will be required to meet claims already received. A further sum of £7.4m 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 2011/12, 2011/12 and 2013/14 benefit subsidy grant claims are outstanding. This could potentially result in a claw back of subsidy from the City

Council by the Department of Work and Pensions. Accordingly, provisions totalling £7.2m have been established within the accounts.

***Equal Pay***

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

***Section 117 Mental Health Act***

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

***Housing DSO Stock***

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

***Business Rate appeals***

Along with the introduction of local management of business rates, authorities are expected to finance backdated appeals made in respect of rateable values as, defined by the Valuation Office (VOA), outstanding as at 31 March 2014. Therefore a provision has been charged to the collection fund calculated at a total of £7.251m (Council share of £3.553m).

**23. Usable Reserves**

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

	<b>Opening Balance £000</b>	<b>Movement £000</b>	<b>Closing Balance £000</b>	<b>Supporting Note</b>
General Fund	(24,163)	(1,777)	(25,940)	MIRS and Explanatory Foreword
Earmarked Reserves	(154,261)	1,767	(152,494)	Note 8 and Explanatory Foreword
Housing Revenue Account	(7,744)	(6,725)	(14,469)	HRA Statement
Major Repairs Reserve	(1,200)	-	(1,200)	Note 7 and HRA Note 14
Capital Receipts Reserve	(20,119)	(8,927)	(29,046)	Note 7 and Note 40
Capital Grants Unapplied Reserve	-	(57,538)	(57,538)	Note 7
<b>Total Usable Reserves</b>	<b>(207,487)</b>	<b>(73,200)</b>	<b>(280,687)</b>	

## 24. Unusable Reserves

	31st March 2013 £000	31st March 2014 £000
Revaluation Reserve	(365,195)	(392,158)
Capital Adjustment Account	(1,064,436)	(1,109,549)
Financial Instruments Adjustment Account	(1,863)	(1,947)
Deferred Capital Receipts Reserve	(52)	(103)
Pensions Reserve	434,042	596,792
Collection Fund Adjustment Account	(783)	(1,487)
Accumulated Absences Account	13,979	8,642
ESPO	(1,305)	-
<b>Total Unusable Reserves</b>	<b>(985,613)</b>	<b>(899,810)</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.

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>(361,677)</b>	<b>(365,195)</b>
Upward revaluation of assets	(53,699)	(56,058)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	23,007	13,799
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(30,692)</b>	<b>(42,259)</b>
Difference between fair value depreciation and historical cost depreciation	3,965	4,067
Accumulated gains on assets sold or scrapped	23,209	11,229
<b>Balance at 31st March</b>	<b>(365,195)</b>	<b>(392,158)</b>

### **Capital Adjustment Account**

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



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

The Account contains revaluation gains accumulated on property, Plant and Equipment before 1 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.

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>(1,075,105)</b>	<b>(1,064,436)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation & impairment	70,393	85,227
Revaluation losses on Property, Plant and Equipment	15,004	7,330
Amortisation of intangible assets	235	332
Revenue expenditure funded from capital under statute	1,203	6,505
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	34,568	3,951
Transfer of Assets Held For Sale	(314)	158
	<b>(954,016)</b>	<b>(960,933)</b>
Adjusting amounts written out of the Revaluation Reserve	(27,174)	(14,764)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(981,190)</b>	<b>(975,697)</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,883)	-
Use of the Major Repairs Reserve to finance new capital expenditure	(6,724)	(7,262)
Capital Grants & Contributions credited to the Income and Expenditure Statement that have been applied to capital financing	(34,169)	(45,395)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(20,505)	(20,180)
Capital expenditure charged against the General Fund and HRA balances	(18,965)	(61,015)
<b>Balance at 31st March</b>	<b>(1,064,436)</b>	<b>(1,109,549)</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 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.

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>(1,757)</b>	<b>(1,863)</b>
Adjustment made between the Financial Instruments Adjustment Account and the Capital Adjustment Account	-	-
Premiums and discount incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(1,644)	(1,531)
Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	1,538	1,447
<b>Balance at 31st March</b>	<b>(1,863)</b>	<b>(1,947)</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	(106)	(84)

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

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. For the Council these amounts relate to mortgage loans made in respect of the purchase of Council Dwellings and to properties leased out under finance leases. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When mortgage and lease payments are made the principal repayment element of these amounts are transferred to the Capital Receipts Reserve.

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>(63)</b>	<b>(52)</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	11	11
Write-off of debt (re-possession)	-	-
Other	-	(62)
<b>Balance at 31st March</b>	<b>(52)</b>	<b>(103)</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.

Comparative figures for 2012/13 have been restated as set out in Note 2.

	2012/13 Restated £000	2013/14 £000
<b>Balance at 1st April</b>	<b>339,528</b>	<b>434,042</b>
Remeasurement of the Net Defined Benefit Liability	79,876	136,603
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	47,796	61,356
Employer's pensions contributions and direct payments to pensioners payable in the year	(33,158)	(35,209)
<b>Balance at 31st March</b>	<b>434,042</b>	<b>596,792</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.

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	(416)	(783)
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)	(704)
<b>Balance at 31st March</b>	<b>(783)</b>	<b>(1,487)</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.

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>14,600</b>	<b>13,979</b>
Settlement or cancellation of accrual made at the end of the preceding year	(14,600)	(13,979)
Amounts accrued at the end of the current year	13,979	8,642
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	(621)	(5,337)
<b>Balance at 31st March</b>	<b>13,979</b>	<b>8,642</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.

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>(1,691)</b>	<b>(1,305)</b>
Net Movement in Year	386	1,305
<b>Balance at 31st March</b>	<b>(1,305)</b>	<b>-</b>

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

	2012/13 £000	2013/14 £000
Interest received	394	812
Interest paid	(18,918)	(19,745)

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

	2012/13 £000	2013/14 £000
Depreciation	70,394	85,226
Impairment and downward valuations	15,004	7,330
Amortisation	234	332
Increase / (decrease) in creditors	(2,406)	(7,175)
Increase / (decrease) in debtors	(4,275)	2,276
Increase / (decrease) in inventories	386	470
Movement in pension liability	11,070	26,147
Contributions to/(from) Provisions	1,094	4,496
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	34,253	4,109
Other non-cash items charged to the net surplus or deficit on the provision of services	387	(81)
	<b>126,141</b>	<b>123,130</b>

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

	2012/13 £000	2013/14 £000
Capital Grants credited to surplus or deficit on the provision of services	(45,582)	(138,933)
Net adjustment from the sale of short and long term investments	190	489
Proceeds from the sale of property plant and equipment, investment property	(20,671)	(12,751)
	<b>(66,063)</b>	<b>(151,195)</b>

## 26. Cash Flow Statement – Investing Activities

	2012/13 £000	2013/14 £000
Purchase of property, plant and equipment and intangible assets	(64,133)	(109,391)
Purchase of short-term and long-term investments	(1,613,972)	(376,810)
Other payments for investing activities	(107)	(2,451)
Proceeds from sale of property, plant and equipment and int assets	15,973	18,160
Proceeds from short-term and long-term investments	1,559,472	363,812
Other receipts from investing activities	57,313	115,224
<b>Net Cash Flows from Investing Activities</b>	<b>(45,454)</b>	<b>8,544</b>

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

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Cash receipts of short and long-term borrowing	-	17
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	(3,305)	(2,988)
Repayments of short and long-term borrowing	(15,157)	(1,245)
Other payments for financing activities	2,103	(2,894)
<b>Net Cash Flows from Financing Activities</b>	<b>(16,359)</b>	<b>(7,110)</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**

2013/14	Education & Children's Services	Adult Social Care, Health & Housing	City Development & Neighbourhoods	Corporate & Resources Support	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(16,969)	(21,444)	(36,780)	(205,161)	<b>(280,354)</b>
Government & non-Gov Grants	(80,022)	(52,673)	(8,084)	(151,963)	<b>(292,742)</b>
<b>Total Income</b>	<b>(96,991)</b>	<b>(74,117)</b>	<b>(44,864)</b>	<b>(357,124)</b>	<b>(573,096)</b>
Employee Expenses	64,106	45,751	54,177	39,975	<b>204,009</b>
Other service expenses	94,681	126,029	96,806	404,284	<b>721,800</b>
Support service recharges	(2,875)	(2,615)	(34,449)	(16,811)	<b>(56,750)</b>
<b>Total Expenditure</b>	<b>155,912</b>	<b>169,165</b>	<b>116,534</b>	<b>427,448</b>	<b>869,059</b>
<b>Net Expenditure</b>	<b>58,921</b>	<b>95,048</b>	<b>71,670</b>	<b>70,324</b>	<b>295,963</b>

2012/13 Comparative Information	Education & Children's Services	Adult Social Care, Health & Housing	City Development & Neighbourhoods	Corporate & Resources Support	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(30,223)	(118,535)	(76,109)	(24,760)	<b>(249,627)</b>
Government & non-Gov Grants	(287,293)	(204,471)	(6,915)	(8,311)	<b>(506,990)</b>
<b>Total Income</b>	<b>(317,516)</b>	<b>(323,006)</b>	<b>(83,024)</b>	<b>(33,071)</b>	<b>(756,617)</b>
Employee Expenses	235,973	67,555	55,971	38,151	<b>397,650</b>
Other service expenses	131,647	329,748	99,865	42,740	<b>604,000</b>
Support service recharges	546	7,581	(511)	17,741	<b>25,357</b>
<b>Total Expenditure</b>	<b>368,166</b>	<b>404,884</b>	<b>155,325</b>	<b>98,632</b>	<b>1,027,007</b>
<b>Net Expenditure</b>	<b>50,650</b>	<b>81,878</b>	<b>72,301</b>	<b>65,561</b>	<b>270,390</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>2012/13 £000</b>	<b>2013/14 £000</b>
Net expenditure in the Departmental Analysis	270,390	295,963
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	56,066	75,698
	<b>326,456</b>	<b>371,661</b>
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(45,461)	(74,802)
Allocation of Recharges	-	-
<b>Cost of services in Comprehensive Income and Expenditure Statement</b>	<b>280,995</b>	<b>296,859</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.

2013/14	Departmental Analysis	Amounts not Reported to Management for Decision Making	Amounts not included in the I&E Statement	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(280,354)	(2,780)	-	-	(283,134)	(88,870)	(372,004)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	(1,477)	(1,477)
Income from Council Tax	-	-	-	-	-	(78,968)	(78,968)
Government grants & contributions	(292,741)	(232,494)	-	-	(525,235)	(313,991)	(839,226)
<b>Total Income</b>	<b>(573,095)</b>	<b>(235,274)</b>	<b>-</b>	<b>-</b>	<b>(808,369)</b>	<b>(483,306)</b>	<b>(1,291,675)</b>
Employee Expenses	204,009	209,654	-	-	413,663	-	413,663
Other Service Expenses	721,800	(61,706)	(39,107)	-	620,987	85,508	706,495
Support Service Recharges	(56,751)	-	-	56,751	-	-	-
Depreciation, Amortisation and Impairments	-	77,692	-	-	77,692	-	77,692
Interest Payments	-	-	-	-	-	19,197	19,197
Precepts and Levies	-	74	-	-	74	-	74
Payments to Housing Capital Receipts Pool	-	1,480	-	-	1,480	-	1,480
Gain or Loss on Disposal of Fixed Assets	-	(8,667)	-	-	(8,667)	-	(8,667)
<b>Total Expenditure</b>	<b>869,058</b>	<b>218,527</b>	<b>(39,107)</b>	<b>56,751</b>	<b>1,105,229</b>	<b>104,705</b>	<b>1,209,934</b>
<b>Net Expenditure</b>	<b>295,963</b>	<b>(16,747)</b>	<b>(39,107)</b>	<b>56,751</b>	<b>296,860</b>	<b>(378,601)</b>	<b>(81,741)</b>

2012/13 Restated	Departmental Analysis	Amounts not Reported to Management for Decision Making	Amounts not included in the I&E Statement	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(249,627)	(1,664)	-	46,117	(205,174)	(18,580)	(223,754)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	(235)	(235)
Income from Council Tax	-	-	-	-	-	(98,734)	(98,734)
Government grants & contributions	(506,990)	-	-	-	(506,990)	(213,882)	(720,872)
HRA transfer to/from Reserves	-	-	-	-	-	-	-
<b>Total Income</b>	<b>(756,617)</b>	<b>(1,664)</b>	<b>-</b>	<b>46,117</b>	<b>(712,164)</b>	<b>(331,431)</b>	<b>(1,043,595)</b>
Employee Expenses	397,650	(621)	-	-	397,029	-	397,029
Other Service Expenses	604,000	(2,111)	(45,461)	(46,117)	510,311	34,406	544,717
Support Service Recharges	25,357	-	-	-	25,357	-	25,357
Depreciation, Amortisation and Impairments	-	60,462	-	-	60,462	1,455	61,917
Interest Payments	-	-	-	-	-	18,767	18,767
Precepts and Levies	-	-	-	-	-	81	81
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	3,933	3,933
HRA transfer to/from Reserves	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>1,027,007</b>	<b>57,730</b>	<b>(45,461)</b>	<b>(46,117)</b>	<b>993,159</b>	<b>58,642</b>	<b>1,051,801</b>
<b>Net Expenditure</b>	<b>270,390</b>	<b>56,066</b>	<b>(45,461)</b>	<b>-</b>	<b>280,995</b>	<b>(272,789)</b>	<b>8,206</b>

## **29. Acquired & Discounted Operations**

From 1<sup>st</sup> April 2013, responsibility for public health in England transferred from the NHS to local government under the Health & Social Care Act 2012.

The transfer involved 23 staff moving from the NHS to the Council. A new Public Health grant of £19.95m in 2013/14 was also paid to the Council. Outstanding assets and liabilities were transferred from the outgoing NHS bodies to the Council, but these were minimal in value.

Public Health activities are shown on a separate line within the Council's Income & Expenditure account.

There were no discontinued operations in 2013/14.

## **30. Trading Operations**

The net surpluses and deficits of the City Council's trading operations are shown in the Comprehensive Income and Expenditure Statement. This note provides a more detailed breakdown of the financial performance of these trading activities. The City Council manages 6 trading operations which provide internal support to front line services.

	2012/13			2013/14		
	Turnover	Expenditure	(Surplus)/ Deficit	Turnover	Expenditure	(Surplus)/ Deficit
	£000	£000	£000	£000	£000	£000
City Catering	(7,814)	7,818	4	(7,713)	7,713	-
City Highways	(7,795)	7,786	(9)	(9,658)	9,587	(71)
City Transport Fleet	(7,194)	6,508	(686)	(7,091)	6,447	(644)
Passenger and Transport	(6,915)	6,798	(117)	(7,540)	7,428	(112)
I.T. Services	(2,023)	1,911	(112)	(1,831)	1,684	(147)
Temporary Staffing Agency*	(133)	158	25	-	-	-
<b>Total</b>	<b>(31,874)</b>	<b>30,979</b>	<b>(895)</b>	<b>(33,833)</b>	<b>32,859</b>	<b>(974)</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. 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. It also provides Technical Education Support and as such trades with schools accordingly. Expenditure in 2013/14 increased due to additional schools spend, particularly at year end, and the subsequent need for additional technical staff. Stock is now controlled through RMS to a range of core ICT products although the increased surplus reflects stock being carried for the LYNC roll-out and PC replacement, both of which are allied to the timetables for the on-going accommodation moves. The trading objective is to provide an income through increased trading with schools and EMPSN savings.

### ***Temporary Staffing Agency***

The TSA existed to provide customers, across the Council, with an efficient solution to their short-term temporary requirements for administrative staff. It ceased trading during 2013/14.

## **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:

	2012/13 £000	2013/14 £000
Expenditure incurred in providing payroll services to Samworth Enterprise Academy	3.0	3.0
Amount charged to Samworth Enterprise Academy	(3.0)	(3.0)
<b>Net Surplus</b>	-	-

	2012/13 £000	2013/14 £000
Expenditure incurred in providing payroll services to Harborough District Council	14.4	13.3
Amount charged to Harborough District Council	(14.4)	(13.3)
<b>Net Surplus</b>	-	-

	2012/13 £000	2013/14 £000
Expenditure incurred in providing payroll services to Krishna-Avanti Primary School	3.4	1.4
Amount charged to Krishna-Avanti Primary School	(3.4)	(1.4)
<b>Net Surplus</b>	-	-

	2012/13 £000	2013/14 £000
Expenditure incurred in providing payroll services to Ash Field Academy	4.5	4.7
Amount charged to Ash Field Academy	(4.5)	(4.7)
<b>Net Surplus</b>	-	-

	2012/13 £000	2013/14 £000
Expenditure incurred in providing payroll services to Sacred Heart Catholic Voluntary Academy	3.4	2.3
Amount charged to Sacred Heart Catholic Voluntary Academy	(3.4)	(2.3)
<b>Net Surplus</b>	-	-

	2012/13 £000	2013/14 £000
Expenditure incurred in providing payroll services to St. Joseph's Catholic Voluntary Academy	3.4	3.2
Amount charged to St. Joseph's Catholic Voluntary Academy	(3.4)	(3.2)
<b>Net Surplus</b>	-	-

	2012/13 £000	2013/14 £000
Expenditure incurred in providing payroll services to St. Thomas More Catholic Voluntary Academy	3.4	3.1
Amount charged to St. Thomas More Catholic Voluntary Academy	(3.4)	(3.2)
<b>Net Surplus</b>	-	(0.1)

	2012/13 £000	2013/14 £000
Expenditure incurred in providing payroll services to Humberstone Academy	-	2.1
Amount charged to Humberstone Academy	-	(2.1)
<b>Net Surplus</b>	-	-

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

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

### **33. Pooled Budgets**

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

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

This is an arrangement for the supply of community equipment with Leicestershire County Council, Rutland County Council and the three Clinical Commissioning Group's (CCG's) in the areas covered by the councils. Leicester City Council acts as the host partner. The City Council contributed £0.7m (Adult Social Care contribution of £0.6m and Education contribution of £0.1m) to the pool during 2013/14 (£0.5m in 2012/13) and this expenditure is also included in the Adult Social Care line and the Education of the Comprehensive Income and Expenditure Statement.

	2012/13 £000	2013/14 £000
<b>Funding provided to the pooled budget:</b>		
Leicester City Council	547	714
Leicestershire County Council	1,243	1,342
Rutland County Council	94	72
Leicestershire County and Rutland Primary Care Trust	2,545	-
Leicester Primary Care Trust	1,135	-
Leicester City CCG	-	1,340
East Leicestershire and Rutland CCG	-	1,655
West West Leicestershire CCG	-	1,881
<b>Total Funding provided to the pooled budget</b>	<b>5,564</b>	<b>7,004</b>
<b>Expenditure met from the pooled budget:</b>		
Leicester City Council	547	714
Leicestershire County Council	1,243	1,342
Rutland County Council	94	72
Leicestershire County and Rutland Primary Care Trust	2,545	-
Leicester Primary Care Trust	1,135	-
Leicester City CCG	-	1,340
East Leicestershire and Rutland CCG	-	1,655
West West Leicestershire CCG	-	1,881
<b>Total expenditure met from the pooled budget</b>	<b>5,564</b>	<b>7,004</b>
<b>Net surplus arising on the pooled budget during the year</b>	-	-
<b>Leicester City Council's share of the net surplus arising on the pooled budget during the year</b>	-	-

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

This is an arrangement for the implementation of the 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 £6.3m (Adult Social Care contribution of £0.7m and Public Health contribution of £5.6m) to the pool during 2013/14 (£0.3m in 2012/13. Note, in 2012/13 Public Health contribution was part of the PCT) and this expenditure is also included in the Adult Social Care line and the Public Health line of the Comprehensive Income and Expenditure Statement.

	2012/13 £000	2013/14 £000
<b>Funding provided to the pooled budget:</b>		
Leicester City Council	347	656
Leicester City Council - Public Health	-	5,644
Leicestershire County Council - Public Health	-	888
Rutland County Council - Public Health	-	46
Leicestershire Police and Crime Commissioner	-	520
NHS England	-	488
Leicester Primary Care Trust	6,646	-
<b>Total Funding provided to the pooled budget</b>	<b>6,994</b>	<b>8,240</b>
<b>Expenditure met from the pooled budget:</b>		
Leicester City Council	347	656
Leicester City Council - Public Health	-	5,644
Leicestershire County Council - Public Health	-	888
Rutland County Council - Public Health	-	46
Leicestershire Police and Crime Commissioner	-	520
NHS England	-	488
Leicester Primary Care Trust	6,646	-
<b>Total expenditure met from the pooled budget</b>	<b>6,994</b>	<b>8,240</b>
<b>Net surplus arising on the pooled budget during the year</b>	-	-
<b>Leicester City Council's share of the net surplus arising on the pooled budget during the year</b>	-	-

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

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

	2012/13 £	2013/14 £
Basic Allowance Payments	540,117	539,536
Special Responsibility Payments	339,335	346,061
General Expense Payments	77,339	78,482
<b>Total</b>	<b>956,791</b>	<b>964,079</b>

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

This note comprises two sections. The first discloses the remuneration of the Council's senior officers. The second section discloses the total number of 'higher paid' Council officers whose remuneration exceeded £50k during 2013/14, shown in bands and excluding those senior officers in the first section.

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

The table shows the amounts paid to the holders of senior posts in 2013/14 with comparative data from 2012/13 where applicable. Senior officers are defined as certain statutory chief officer posts (including the head of paid service), those earning over £150k per annum and those earning less than this sum but reporting directly to the head of paid service (Chief Operating Officer).

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

Post	Financial Year	Salary, Fees and Allowances	Expenses	Pension Contributions	Total
		£000	£000	£000	£000
Chief Operating Officer (Head of Paid Service)	2013/14	137,560	18	21,353	<b>158,931</b>
	2012/13	140,234	963	12,621	<b>153,818</b>
Director Delivery, Communications & Political Governance	2013/14	96,304	-	18,009	<b>114,313</b>
	2012/13	102,382	-	17,847	<b>120,229</b>
Director of Finance (appointed 18th June 2012)	2013/14	79,674	-	14,899	<b>94,573</b>
	2012/13	60,314	8	10,857	<b>71,179</b>
City Barrister & Head of Standards (appointed 1st May 2012)	2013/14	80,619	-	15,076	<b>95,695</b>
	2012/13	75,741	-	13,633	<b>89,374</b>
Strategic Director Children (left 2nd June 2013)	2013/14	21,223	-	3,969	<b>25,192</b>
	2012/13	123,231	-	22,182	<b>145,413</b>
Director of Housing	2013/14	85,575	-	16,002	<b>101,577</b>
	2012/13	85,575	-	15,404	<b>100,979</b>
Strategic Director Adult Social Care & Health (became Council employee 1st April 2013)	2013/14	109,789	-	15,360	<b>125,149</b>
	2012/13	-	-	-	-
Strategic Director City Development & Neighbourhoods (appointed 2nd July 2012)	2013/14	114,735	-	21,455	<b>136,190</b>
	2012/13	82,566	-	14,862	<b>97,428</b>
Director Information & Customer Access	2013/14	85,575	-	16,002	<b>101,577</b>
	2012/13	85,575	-	15,404	<b>100,979</b>

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

The Council's other employees receiving more than £50,000 remuneration for the year are shown in the table below. These figures include teaching and other staff within the Council's maintained schools. In addition, five staff who receive higher remuneration joined the Council as part of the transfer of responsibilities for public health to local government from the NHS on 1<sup>st</sup> April 2013.



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

The table does include compensation for loss of office, so employees who left in the year may appear in a higher band than the equivalent role would appear in based on a normal year's salary. Equally, some posts would not normally be included in the table based on a normal year's salary, but are included because of payments for compensation for loss of office.

There were 14 employees who received remuneration in excess of £50k in 2013/14 as a result of payments relating to loss of office. There were nine such employees in 2012/13.

Excluding compensation for loss of office, the Council had 323 staff paid in these bands in 2013/14. Of these, 38 are included in this table for the first time due to receiving either an incremental pay increase or a 1% pay award during the year.

Remuneration Band £	Number of employees	
	2012/13	2013/14
50,000 – 54,999	114	110
55,000 – 59,999	83	81
60,000 – 64,999	46	63
65,000 – 69,999	32	31
70,000 – 74,999	14	13
75,000 – 79,999	3	6
80,000 – 84,999	7	9
85,000 – 89,999	7	11
90,000 – 94,999	4	2
95,000 – 99,999	4	3
100,000 – 104,999	2	1
105,000 – 109,999	1	5
110,000 – 114,999	1	-
115,000 – 119,999	-	1
120,000 – 124,999	-	1
125,000 – 129,999	-	-
130,000 – 134,999	1	-
<b>Total</b>	<b>319</b>	<b>337</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:

	2012/13 £000	2013/14 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	194	194
Fees payable for the certification of grant claims and returns for the year	235	89
Fees payable in respect of other services provided during the year	2	2
<b>Total</b>	<b>431</b>	<b>285</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 2013/14 are as follows:

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

2012/13 Comparative Information	Capital Expenditure £000	Individual Schools Budget £000	Total £000
<b>Final DSG for 2012/13 before Academy recoupment</b> Academy figure recouped for 2012/13			<b>247,639</b> (6,762)
<b>Total DSG after Academy recoupment for 2012/13</b> Brought forward from 2011/12 Carry forward to 2013/14 agreed in advance			<b>240,877</b> 4,992 -
<b>Agreed initial budgeted distribution in 2012/13</b> In year adjustments	<b>39,117</b> (4,896)	<b>206,752</b> 4,896	<b>245,869</b> -
<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>34,221</b> (27,613) - -	<b>211,648</b> - (211,648) -	<b>245,869</b> (27,613) (211,648) -
<b>Carry forward to 2013/14</b>	<b>6,608</b>	-	<b>6,608</b>

### 38. Grant Income

The Council received the following revenue and capital grants in 2013/14. 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**

	2012/13 £000	2013/14 £000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
Building Schools for the Future	17,089	35,548
Community Capacity Grant	-	1,674
DFT Maintenance Grant	2,139	2,599
DFT Bus Pinch Point	-	2,400
DFT Integrated Transport Grant	3,532	3,957
DFT Better Bus and other contributions to RTI	-	784
European Regional Development Fund	1,108	2,469
Heritage Lottery Fund	-	98
Football Foundation Grant & Other Partner Contributions	790	-
DFE Capital Maintenance	694	11,812
DFE Basic Need	3,361	27,305
DFE Two Year Old Entitlement	-	794
DFT Local Sustainable Transport Fund	452	651
Working Neighbourhood Fund	-	167
Sustrans Grant	-	550
Aiming High for Disabled Children Grant	249	-
Arts Council	334	114
DEFRA	43	71
HCA	294	-
Growing Places	423	7,450
S106 Contributions	-	89
Leicestershire County Council	-	150
PCT Capital Contribution	-	600
DCLG Household Waste	-	118
Others	3,662	4,135
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>34,170</b>	<b>103,535</b>

	2012/13 £000	2013/14 £000
<b>Credited to Services (All REFCUS related)</b>		
Disabled Facilities Grant	1,067	848
PCT Disabled Facilities Grant Contribution	-	500
DFT Integrated Transport Grant	23	-
DFT Local Sustainable Transport Fund	8	-
DFT Cleaner Bus Technology	-	530
Growing Places	423	4,094
Regional Growth Fund	-	1,296
DFE Capital Maintenance	783	-
Devolved Formula Capital	2,970	1,056
Building Schools for the Future	6,927	27,191
HCA Empty Homes Leasing	-	98
Repayable Home Repair Grants	-	311
Aiming High for Disabled Children Grant	16	-
Others	42	77
<b>Total Credited to Services</b>	<b>12,259</b>	<b>36,001</b>

### Revenue Grants

	2012/13 £000	2013/14 £000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
Revenue Support Grant	3,417	135,495
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>3,417</b>	<b>135,495</b>
<b>Credited to Services</b>		
<b><u>Children's and Education Services</u></b>		
Early Intervention	19,440	-
Pupil Premium	9,665	15,271
Dedicated Schools Grant (see note 37)	239,280	244,800
Other Education	18,908	26,492
<b><u>Adults and Housing</u></b>		
Learning Disability & Health Reform Grant	10,347	-
Drug Intervention Programme	1,687	1,053
Adult Pooled Treatment	3,243	2,681
Housing Benefit Subsidies	167,992	131,992
Dementia-friendly Environment Improvements	-	642
Right to Control Grant	-	542
Other Adults and Housing	21,202	21,005
<b><u>Public Health</u></b>		
Public Health Grant	-	19,995
<b><u>City Development and Neighbourhoods</u></b>		
Future Jobs Fund	85	-
Waste PFI	2,148	2,088
Other City Development and Neighbourhoods	4,682	2,861
<b><u>Corporate and Resources</u></b>		
Local Services Support Grant	1,207	171
Housing Benefit & Council Tax benefit Admin Grant	3,428	3,421
New Homes Bonus Scheme	2,982	4,618
Other Corporate and Resources	694	286
<b>Total Credited to Services</b>	<b>506,990</b>	<b>477,918</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:

### ***Capital Receipts in Advance***

	<b>2013/14 £000</b>
<b>Capital Grants Receipts in Advance</b>	
Homes and Communities Agency	28
DFE Targetted Basic Need	1,020
Devolved Formula Capital	4,077
DFT Cleaner Bus Monies	54
DFT Severe Weather Capital Maintenance Allocation	92
DCLG Household Waste	901
Building Schools for the Future	11,229
DFT Local Sustainable Transport Fund	332
Others	147
<b>Total Received in Advance</b>	<b>17,880</b>

### ***Revenue Receipts in Advance***

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
<b>Receipts in Advance</b>		
<b><u>Children's and Education Services</u></b>		
Early Intervention Grant	2,687	2,915
Dedicated Schools Grant (see note 37)	6,608	-
Other Education	3,141	5,428
<b><u>Adults and Housing</u></b>		
Social Care Reform	1,070	826
Adult Pooled Treatment	197	-
Other Adults and Housing	856	915
<b><u>City Development and Neighbourhoods</u></b>		
Urban Congestion Grant	302	-
Environmental Crime	144	-
Smarticketing	451	-
Other City Development and Neighbourhoods	2,264	766
<b><u>Corporate and Resources</u></b>		
Corporate and Resources	10	-
<b>Total Receipts in Advance</b>	<b>17,730</b>	<b>10,850</b>

### **39. Related Parties**

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

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

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

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

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

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

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

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

Members and officers are also required to disclose any other arrangements giving rise to related party interests. A close family member of Cllr Vi Dempster is a substantial shareholder in MK Fabrications, a metal fabrication business which rents commercial premises from the Council. Transactions totalled £7,260 in 2013/14, which was a market rental value for the property.

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

##### ***Leicester Theatre Trust***

The Leicester Theatre Trust owns and operates the Curve theatre in Leicester. The Council appoints two out of fourteen board members, currently Cllr Piara Singh Clair and Liz Blyth, the Council's Director of Culture and Neighbourhoods. The Council provided grant funding and payments for services for the Trust totalling £711k in 2013/14.

### ***Leicester Arts Centre Ltd***

This is the not-for-profit holding company for the Phoenix Arts Centre in Leicester. The Council appoints two out of ten members of the board, currently Cllr Bill Shelton and Frank Jordan, the Council's Strategic Director of City Development & Neighbourhoods. The Council provided grant funding and payment for services totalling £331k in 2013/14.

### ***Leicester Council of Faiths***

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

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

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

### ***Homecome Ltd***

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

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

### ***Leicester BSF Holding Company 1 and Leicester BSF Holding Company 2***

In financial year 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. The programme is resulting in over £300m of investment to transform secondary education in the City.

The partnership involved the Council taking a stake in two companies which form the vehicles for delivering the programme. The Council owned 1% of BSF1 and 10% of BSF2.

During 2013/14 the Council opted to dispose of its interests in these companies for a total consideration of £1.26m – this represented a gain of £771k on the investments' book value of £489k. The Council retains certain residual interests in the company structure that supported the programme, but this stake is immaterial.

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

The City Council 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 (other local authorities) and others; together with the provision of a central warehouse for the supply of items in common use.

The Council previously recognised net assets of £1.3m in relation to ESPO, offset by amounts in an unusable reserve. In 2013/14 the Council took the decision to remove its interest in ESPO from the Balance Sheet in line with correct accounting practice. The Council has given notice of its resignation from membership of ESPO in 2014/15.

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

These two companies provided the Connexions advice service for young people prior to the service being brought back in-house by the city and county councils in 2012/13.

Neither company had any live contracts at 31<sup>st</sup> March 2014. Both companies are to be put into members' voluntary liquidation in 2014/15 with any remaining assets distributed between the City and County Councils. Connexions Leicester Shire Service Ltd made a distribution of resources to the two Councils in 2013/14 in anticipation of this liquidation, totalling £390k

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

The Council appoints two directors to the board of this trust, which will administer the King Richard III Visitor Centre. At 31<sup>st</sup> March 2014, the trust was in existence but had not commenced any significant operations.

The directors are Frank Jordan, the Strategic Director of City Development & Neighbourhoods and Liz Blyth, Director of Culture and Neighbourhoods Services.

## **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.



	2012/13 £000	2013/14 £000
<b>Opening Capital Financing Requirement</b>	<b>534,558</b>	<b>533,573</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	80,246	162,798
Intangible Assets	674	807
Long Term Investment	-	(2,290)
Revenue Expenditure Funded Under Capital Statute	13,462	42,506
<b>Sources of Finance</b>		
Capital Receipts	(2,883)	-
Government Grants & Other Contributions	(53,153)	(81,396)
Sums set aside from revenue:	(18,827)	(49,443)
Direct Revenue Contributions	-	(18,481)
(MRP/Loans Fund Principal)	(20,504)	(20,179)
Repayment of PWLB Loans for HRA	-	-
Correction for HRA Premia	-	-
<b>Closing Capital Financing Requirement</b>	<b>533,573</b>	<b>567,895</b>
Increase/Decrease in underlying need to borrowing (unsupported by government financial assistance)	(15,946)	(10,276)
HRA CFR adjustment	-	-
Assets acquired under Finance Leases	640	-
Assets acquired under PFI/PPP contracts	14,321	44,598
<b>Increase/(Decrease) in CFR</b>	<b>(985)</b>	<b>34,322</b>

## 41. Leases

### **Council as Lessee**

#### *Finance Leases*

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

	31st March 2013 £000	31st March 2014 £000
Other Land and Buildings	1,722	1,629
Vehicles, Plant and Equipment	853	635
<b>Total</b>	<b>2,575</b>	<b>2,264</b>

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

	31st March 2013 £000	31st March 2014 £000
Finance lease liabilities	1,346	1,057
Finance costs payable in future years	686	548
<b>Total minimum lease payments</b>	<b>2,032</b>	<b>1,605</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000
Within one year	428	356	290	244
Within 2 to 5 years	988	809	620	498
Later than 5 years	627	439	437	314
<b>Total</b>	<b>2,043</b>	<b>1,604</b>	<b>1,347</b>	<b>1,056</b>

#### *Operating Leases*

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

	Vehicles £000	Buildings £000	Total £000
Not later than one year	-	1,076	1,076
Later than one year and not later than 5 years	-	2,809	2,809
Later than 5 years	-	4,147	4,147
<b>Total</b>	<b>-</b>	<b>8,032</b>	<b>8,032</b>

## **Council as Lessor**

### *Finance Leases*

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

	<b>31st March 2014</b>
	<b>£000</b>
<b>Finance lease debtor</b>	
Current	1
Non-current	64
<b>Unearned Finance Income</b>	306
<b>Gross Investment in the lease</b>	<b>372</b>

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

<b>Minimum Lease Payments</b>	<b>31st March 2014</b>
	<b>£000</b>
Within one year	1
Within 2 to 5 years	12
Later than 5 years	358
	<b>372</b>

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

### *Operating Leases*

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

	<b>31st March 2013</b>	<b>31st March 2014</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	4,126	3,780
Later than one year and not later than 5 years	11,329	10,311
Later than 5 years	68,407	68,272
<b>Total</b>	<b>83,862</b>	<b>82,363</b>

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

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

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

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

2013/14 was the eleventh year of the operation of the contract, costing £13.287m (£13.007m in 2012/13).

### ***Property Plant and Equipment***

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

	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Total £000</b>
Balance at 1st April 2013	13,433	5,839	19,272
Depreciation	(709)	(1,157)	(1,866)
Additions	-	-	-
<b>Balance at 31st March 2014</b>	<b>12,724</b>	<b>4,682</b>	<b>17,406</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 2014 (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	6,502	1,949	934	9,385
Within 2 to 5 years	26,098	7,895	3,489	37,482
Within 6 to 10 years	33,057	10,108	3,131	46,296
Within 11 to 15 years	27,507	8,067	1,421	36,995
Within 16 to 20 years	-	-	-	-
<b>Total</b>	<b>93,164</b>	<b>28,019</b>	<b>8,975</b>	<b>130,158</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:

	2012/13 £000	2013/14 £000
Balance outstanding at 1st April	12,627	14,744
Payments during the year	(2,006)	(1,963)
Additions	4,123	-
<b>Balance at 31st March</b>	<b>14,744</b>	<b>12,781</b>

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

In December 2007, the Council entered into a 25-year contract with Leicester Miller Education Company Limited under a PFI scheme. The contractor was to design, build, finance and operate, on the existing sites, replacement buildings for two community colleges – Judgemeadow and Soar Valley – valued at £34.9m (on completion of the rebuild in 2009). The Council own 10% of the shares in the company with the remaining 90% in private hands. At the end of the contract, all assets will revert to Council control. The rebuild was completed in 2009, and 2013/14 was therefore the fifth year of the operation of the contract costing £6.35m.

#### *Property Plant and Equipment*

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

	Vehicles, Plant & Equipment £000
Balance at 1st April 2013	31,477
Depreciation	(642)
<b>Balance at 31st March 2014</b>	<b>30,835</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 2014 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Within 1 year	1,709	1,021	2,936	5,666
Within 2 to 5 years	8,183	3,704	10,781	22,668
Within 6 to 10 years	11,326	5,279	11,730	28,335
Within 11 to 15 years	11,322	8,263	8,749	28,334
Within 16 to 20 years	10,171	13,769	4,395	28,335
Within 21 to 25 years	264	666	15	945
<b>Total</b>	<b>42,975</b>	<b>32,702</b>	<b>38,606</b>	<b>114,283</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:

	2012/13 £000	2013/14 £000
Balance outstanding at 1st April	34,224	33,227
Payments during the year	(997)	(525)
<b>Balance at 31st March</b>	<b>33,227</b>	<b>32,702</b>

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

On 31<sup>st</sup> March 2012 the City Council committed to a new joint PFI project scheme for the re-building of Crown Hills and City of Leicester Community Colleges. This is a design, build, finance and operate on existing sites contract with Leicester Miller Education Company Limited for 25 years. The new schools became operational at the end of October 2013 with construction costs of £44.6m. At the end of the contract, as things stand, all assets will revert to City Council control.

#### *Property Plant and Equipment*

The assets used to provide the service are recognised on the Council's Balance Sheet. The value of fixed assets is shown below:

	Vehicles, Plant & Equipment £000
<b>Balance at 31st March 2014</b>	<b>44,598</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 2014 are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Lifecycle Capital Replacement Costs £000	Total £000
Within 1 year	1,969	1,179	3,033	46	6,227
Within 2 to 5 years	7,876	5,071	11,296	665	24,908
Within 6 to 10 years	9,844	6,617	12,077	2,596	31,134
Within 11 to 15 years	9,844	7,422	9,818	4,050	31,134
Within 16 to 20 years	9,844	10,547	6,809	3,935	31,135
Within 21 to 25 years	9,026	13,333	2,593	3,594	28,546
<b>Total</b>	<b>48,403</b>	<b>44,169</b>	<b>45,626</b>	<b>14,886</b>	<b>153,084</b>

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

	<b>2013/14 £000</b>
Commencing Values	44,598
Payments during the year	(427)
<b>Balance at 31st March</b>	<b>44,171</b>

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

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

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

The scheme came on stream during 2012/13 although one phase (Aikman Avenue) has yet to be completed.

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

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

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

### ***Property Plant and Equipment***

The assets used to provide the service and directly attributable to the City Council are recognised on the Council's Balance Sheet. The value of fixed assets attributable to the Council and operational as at 31<sup>st</sup> March 2014, are shown below:

	<b>Vehicles, Plant &amp; Equipment £000</b>
<b>Balance at 31st March 2014</b>	<b>9,773</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 2014 (excluding future inflation increases but including the final phase due to become operational during 2014/15) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Lifecycle Capital Replacement Costs £000	Total £000
Within 1 year	1,735	55	958	215	2,963
Within 2 to 5 years	6,941	608	3,834	860	12,243
Within 6 to 10 years	8,676	1,165	4,388	1,076	15,305
Within 11 to 15 years	8,676	1,866	3,687	1,076	15,305
Within 16 to 20 years	8,676	2,989	2,564	1,076	15,305
Within 21 to 25 years	5,925	3,254	772	724	10,675
Within 26 - 30 years	98	30	1	0	129
<b>Total</b>	<b>40,727</b>	<b>9,967</b>	<b>16,204</b>	<b>5,027</b>	<b>71,925</b>

#### *Liability*

The liability outstanding to the contractor for capital expenditure incurred up to 31<sup>st</sup> March 2014 is as per the following table:

	2013/14 £000
Liability for capital expenditure incurred for operational phases	9,438
Payments during the year	(22)
<b>Balance at 31st March</b>	<b>9,416</b>

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

Under the agreement the Council has granted to LDEC Ltd licence to exercise rights to use the heat network to supply heat to any third party consumer. Any such supply agreements will be co-terminus with or less than the scheme term.

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

There were no material impairments of assets during the year.

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

The Council has not capitalised any of its borrowing costs during 2013/14.



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

The Council terminated the contracts of a number of employees in 2013/14 incurring liabilities of £3,827k (£3,938k in 2012/13). Of this £2,752k (£2,751k in 2012/13) was for redundancy and other departure costs, and £1,074k (£1,183k in 2012/13) 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 of officer remuneration can be found in Note 35. In 2013/14 the Council approved 115 compulsory redundancies. Payments arising from these in 2013/14 are included in the figures below:

	<b>Total number of exit packages by cost band 2012/13 revised</b>	<b>Total cost of exit packages 2012/13 revised £</b>	<b>Total number of exit packages by cost band 2013/14</b>	<b>Total cost of exit packages 2013/14 £</b>
0 - 20,000	194	1,635,600	271	1,806,281
20,001 - 40,000	47	1,333,395	38	1,003,936
40,001 - 60,000	10	490,063	8	381,392
60,001 - 80,000	4	271,006	7	453,663
80,001 - 100,000	1	83,785	2	181,588
100,001 - 150,000	1	124,127	-	-
<b>Total</b>	<b>257</b>	<b>3,937,976</b>	<b>326</b>	<b>3,826,860</b>

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

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

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

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

##### ***Public Health***

Public Health employees who were compulsorily transferred from the PCT's to the Council who had access to the NHS Pension Scheme on 31<sup>st</sup> March 2013 retained access to that scheme on transfer at 1<sup>st</sup> April 2013. The scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the

costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013/14, the Council paid £0.1m to the NHS Pension Scheme in respect of former NHS Staff retirement benefits representing 14% of pensionable pay.

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

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

As part of the terms and conditions of employment of its officers the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in three post-employment pension schemes:

- Teachers' Pensions Scheme –see Note 46 for further information
- NHS Pension Scheme –see Note 46 for further information
- The Local Government Pension Scheme, (LGPS) administered locally by the Leicestershire County Council – this is a funded defined benefit 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.

Hymans Robertson, an independent firm of actuaries, has valued the Council's fund asset share and liabilities for the Local Government Pension Scheme

##### ***Transactions relating to post-employment benefits (LGPS)***

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

	2012/13 Restated £000	2013/14 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>		
<b>Cost of Services</b>		
Current service cost	31,660	41,165
Past service cost	1,953	809
Settlements and curtailments	(2,063)	(278)
<b>Total Service Cost</b>	<b>31,550</b>	<b>41,696</b>
<b>Financing and Investment Income and Expenditure</b>		
Expected return on scheme assets	(32,618)	(35,542)
Interest cost	48,864	55,203
<b>Net Interest Cost</b>	<b>16,246</b>	<b>19,661</b>
<b>Total Post-employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>47,796</b>	<b>61,357</b>
<b>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
Return on plan assets excluding amounts included in net interest	(64,400)	5,619
Actuarial losses arising from changes in demographic assumptions	-	30,038
Actuarial losses arising from changes in financial assumptions	143,047	37,472
Other Experience adjustments	585	63,474
Effect of business combinations & disposals	644	-
<b>Total remeasurements recognised in other comprehensive income and expenditure statement</b>	<b>79,876</b>	<b>136,603</b>
<b>Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement</b>	<b>127,672</b>	<b>197,960</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	14,638	26,147
<b>Actual amount charged against the General Fund Balance for Employer's contributions payable to the scheme</b>	<b>(33,158)</b>	<b>(35,209)</b>

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

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

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>1,012,589</b>	<b>1,218,801</b>
Current service cost	31,660	41,165
Past service costs (including curtailments)	1,953	809
Effect of settlements	(4,164)	(657)
Interest cost	48,864	55,203
Contributions by scheme participants	10,633	10,910
Benefits paid	(30,299)	(34,239)
Remeasurements arising from changes in assumptions	143,632	130,984
Effect of business combinations and disposals	3,933	-
<b>Balance at 31st March</b>	<b>1,218,801</b>	<b>1,422,976</b>

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

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>673,061</b>	<b>784,759</b>
Interest income	32,618	35,542
Effect of settlements	(2,101)	(378)
Contributions by scheme participants	10,633	10,910
Employer contributions	33,158	35,209
Benefits paid	(30,299)	(34,239)
Effect of business combinations and disposals	3,289	-
Return on plan assets excluding amounts included in net interest	64,400	(5,619)
<b>Balance at 31st March</b>	<b>784,759</b>	<b>826,184</b>

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

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

### ***Scheme History***

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Present value of funded obligations	(1,157,032)	(848,312)	(962,314)	(1,165,624)	(1,369,228)
Present value of unfunded obligations	(56,095)	(47,765)	(50,275)	(53,177)	(53,748)
Fair value of assets in the scheme	651,088	654,805	673,061	784,759	826,184
<b>Surplus/(deficit) in the scheme</b>	<b>(562,039)</b>	<b>(241,272)</b>	<b>(339,528)</b>	<b>(434,042)</b>	<b>(596,792)</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).

### ***Impact on future cash flows***

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £1,423.0m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £596.8m. 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> 2015 is £33.9m.

The maturity profile is as follows:

	<b>Liability Split</b>	<b>Weighted Average Duration</b>
Active members	54.4%	23.7
Deferred members	16.7%	22.9
Pensioner members	28.9%	11.7
<b>Total</b>	<b>100.0%</b>	<b>19.5</b>

### ***Basis for Estimating Assets and Liabilities***

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, based on the latest full valuation of the scheme as at March 31<sup>st</sup> 2013.

The principal assumptions used by the actuary have been:

<b>Local Government Pension Scheme</b>	<b>2012/13</b>	<b>2013/14</b>
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	20.9	22.2
Women	23.3	24.3
Longevity at 65 for future pensioners:		
Men	23.3	24.2
Women	25.6	26.6
Rate of increase in salaries	5.1%	4.6%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting scheme liabilities	4.5%	4.3%
Take-up of option to convert annual pension into retirement lump-sum – relating to service pre April 2008	50.0%	50.0%
Take-up of option to convert annual pension into retirement lump-sum – relating to service post April 2008	75.0%	75.0%

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

A breakdown is shown below:

	2012/13		2013/14	
	Bid Values £000	Percentage of Total Assets	Bid Values £000	Percentage of Total Assets
<b>Equity</b>				
Consumer	-	0%	-	0%
Manufacturing	-	0%	-	0%
Energy and Utilities	-	0%	-	0%
Financial Institutions	-	0%	-	0%
Health and Care	-	0%	-	0%
Information Technology	-	0%	-	0%
Other	28,831	4%	30,353	4%
<b>Debt Securities</b>				
UK Government	9,710	1%	10,223	1%
Other	56,104	7%	59,065	7%
<b>Private Equity</b>				
All	30,795	4%	32,421	4%
<b>Real Estate</b>				
UK Property	73,363	9%	77,235	9%
<b>Investment Fund and Unit Trusts</b>				
Equities	395,662	51%	416,548	51%
Bonds	51,640	7%	54,366	7%
Hedge Funds	26,810	3%	28,225	3%
Commodities	35,545	5%	37,421	5%
Infrastructure	17,806	2%	18,745	2%
Other	40,687	5%	42,835	5%
<b>Cash and Cash Equivalents</b>				
All	17,807	2%	18,747	2%
<b>Total</b>	<b>784,760</b>	<b>100%</b>	<b>826,184</b>	<b>100%</b>

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

##### **Future Business Rates Appeals**

The Council has a contingent liability in respect of future successful business rates appeals pertaining to 2013/14 and previous years.

Where appeals have been lodged at the Balance Sheet date, appropriate provision against loss to the Council is made in line with accounting practice. However, there is also the possibility that appeals in respect of material change of circumstances, reconstitutions and deletions that have taken place before the Balance Sheet date have not yet been lodged.

It is not possible to reliably estimate if or when these will be lodged, whether they will be successful, and the amount of business rates liability that will be reduced. The contingent liability relates to the fact that the authority will be obliged to refund businesses in respect of successful appeals (in some cases backdated to 2010) as a result of the rateable value assessments made in 2013/14 and previous years.

### **MIRA Business Park**

The City Council is the accountable body for the Leicester and Leicestershire Enterprise Partnership (LLEP). As part of that role the Council entered into a formal agreement with Hinckley and Bosworth Borough Council (HBBC) on the 17th July 2013 to provide a guarantee relating to the future costs of maintaining highway improvements carried out to the A5 road near to the MIRA Technology Park development.

These works are the subject of a s278 agreement with the Secretary Of State for Transport and require MIRA to pay a commuted lump sum based on the expected development of the Technology Park.

HBBC will assume liability for the payment of any commuted lump sum that remains outstanding ten years after the completion of the works. The guarantee indemnifies HBBC in the event that the development does not proceed as projected, effectively passing the risk to the LLEP and thus the Council as accountable body.

The Council judges that it is more likely than not that this guarantee will not be called upon – as such it is disclosed as a contingent liability only.

### **49. Contingent Assets**

The Council is party to legal action against Her Majesty's Revenue & Customs in respect of a claim for compound interest on refunds of over-declared VAT. A test case involving Littlewoods is presently being contested in the courts and the result of this case could result in a materially significant gain for the Council.

### **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 as at the balance sheet date 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.

The maximum sum to be deposited with other local Councils is £20m although there is no limit in respect of investments with 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 £24m (as at 31<sup>st</sup> March 2014) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at 31 March 2014 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 £141.0m as at 31 March 2014, and in relation to investments in the UK Government £18.1M. 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 2014 was £19.7m (£23.1m 31/03/2013). The following matrix is used for both 2012/13 and 2013/14 to estimate the non-collectible proportion of these receivables.

<b>Age of Receivable</b>	<b>Estimated Non-Collection Rate</b>
Less than one year	0%
One month to three months	10%
Three months to six months	25%
Six months to nine months	50%
Nine months to one year	75%
One year to two years	80%
Over two year	100%

On this basis it is estimated that the uncollectable amount on commercial and personal debts outstanding at 31/03/2014 will be £8.1m (£7.7m 31/03/2013) and that the impaired value of these debts are £11.6m (£15.3m 31/03/2013).

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.

	<b>31st March 2013</b>		<b>31st March 2014</b>	
	<b>Due £000</b>	<b>Impaired Value £000</b>	<b>Due £000</b>	<b>Impaired Value £000</b>
Less than three months	14,058	13,710	9,929	9,765
Three to six months	1,001	751	1,643	756
Six months to one year	1,229	522	1,007	613
More than one year	6,778	356	7,292	445
<b>Total Assets less Liabilities</b>	<b>23,066</b>	<b>15,339</b>	<b>19,871</b>	<b>11,579</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 2013 £m	31st March 2014 £m
Less than one year	-	-
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.

	31st March 2013 £m	31st March 2014 £m
Less than one year	2.6	4.2
Between one and five years	15.7	19.5
Between five and ten years	24.3	30.6
Between ten and fifteen years	15.7	23.4
Between fifteen and twenty years	18.2	44.9
More than 20 years	252.8	248.1

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

***Interest Rate Risk***

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

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

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

The Council's policy had a number of strategies for managing interest rate risk as at the balance sheet date.

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

This part of the note illustrates the interest rate risk on the basis of the financial asset and liabilities of the Council as at 31<sup>st</sup> March 2014. 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 £1.8m 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 £31m 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 in which it has a beneficial interest and thus has no significant exposure to loss arising from movements in exchange rates.

## **51. Heritage Assets**

Three year summary of transactions:

	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>
<b>Cost or valuation at 1st April</b>			
Buildings	2,006	2,591	2,591
Civic Silver etc.	950	1,111	1,471
Museum Exhibits	46,544	46,586	70,781
Statues & Monuments	1	1	1
<b>Total cost or valuation</b>	<b>49,501</b>	<b>50,289</b>	<b>74,844</b>
<b>Additions</b>			
Buildings	-	-	-
Civic Silver etc.	-	-	-
Museum Exhibits	37	-	21
Statues & Monuments	-	-	-
<b>Total additions</b>	<b>37</b>	<b>-</b>	<b>21</b>
<b>Net Revaluation Increases/(Decreases)</b>			
Buildings	585	-	66
Civic Silver etc.	161	360	-
Museum Exhibits	5	24,195	-
Statues & Monuments	-	-	5,875
<b>Total revaluation Increases/(Decreases)</b>	<b>751</b>	<b>24,555</b>	<b>5,941</b>
<b>De-recognition (Disposals)</b>			
Buildings	-	-	-
Civic Silver etc.	-	-	-
Museum Exhibits	-	-	-
Statues & Monuments	-	-	-
<b>Total disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value at 31st March</b>	<b>50,289</b>	<b>74,844</b>	<b>80,806</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 2014; these buildings had a net book value of £2.657m as agreed by the Council's valuer.

## ***Civic Silver***

The civic silver and other mayoral regalia was previously classified as a Community Asset. It was re-valued during 2012/13 and as at the 31<sup>st</sup> March 2014 had a net book value of £1.471m.

## ***Museum Exhibits***

There are five 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 2014 are held in the Balance Sheet at £70.805m.

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. A number were valued during 2012/13 and are included at their insurance value. The rest are included at a nominal value as per our stated accounting policy on Heritage Assets (included within Note 1). As a result a total value of £5.874m is held on the Balance Sheet at 31<sup>st</sup> March 2014.

### **52. Authorisation of Accounts**

**NOTE 52 NOT RELEVANT FOR DRAFT VERSION**

## HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT

2012/13 (Restated) £000		Note	2013/14 £000
	<b>Income</b>		
74,980	Dwelling Rents	5	76,542
1,152	Non-dwelling Rents	6	1,309
4,796	Service Charges	6	4,962
269	HRA Subsidy	10	-
79	Contributions from General Fund		80
-	Exceptional item: Capital Grants & Contributions	17	-
<b>81,276</b>	<b>Total Income</b>		<b>82,893</b>
	<b>Expenditure</b>		
12,079	General Management		11,758
5,657	Special Management	3	5,740
29,826	Repairs & Maintenance		27,776
408	Rent, Rates, Taxes & Other Charges		748
-	Negative HRA Subsidy	10	-
423	Contribution to Bad Debt Provision	4	671
23,603	Depreciation & Impairment of Fixed Assets	13	8,526
60	Debt Management Expenses		60
<b>72,056</b>	<b>Total Expenditure</b>		<b>55,279</b>
<b>(9,220)</b>	<b>"Net Cost of HRA Services" as included in the whole authority Comprehensive Income &amp; Expenditure Statement</b>		<b>(27,614)</b>
-	HRA share of Corporate & Democratic Core	16	-
-	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	16	-
<b>(9,220)</b>	<b>"Net Cost of HRA Services"</b>		<b>(27,614)</b>
-	Exceptional item: Capital Grants & Contributions	17	-
(3,048)	(Gain) or Loss on Sale of HRA Assets		(3,409)
9,895	Loan Charges - Interest		9,637
-	Exceptional item: Interest Payable & Similar Charges	17	-
(64)	Investment Interest		(68)
4,207	Pensions - Interest on Liabilities	15	5,161
(3,171)	Pensions - Expected Return on Assets	15	(3,323)
<b>(1,401)</b>	<b>(Surplus) / Deficit for the Year</b>		<b>(19,616)</b>

## STATEMENT ON MOVEMENT OF HRA BALANCE

£000		Note	2013/14 £000
(1,401)	<b>(Surplus) / Deficit for the Year (from above)</b>		<b>(19,616)</b>
	<b>Additional items required by Statute and non-statutory proper practices to be taken into account in determining the movement on the Housing Revenue Account Balance</b>		
-	Exceptional item: transfers to Capital Receipts Reserve	17	-
934	Amounts charged to the HRA for amortisation of Premia and Discounts for the year determined in accordance with statute		903
(1,103)	HRA share of contributions to/(from) the Pension Reserve	15	(2,609)
3,112	Gain of (Loss) on Sale of HRA Fixed Assets		3,409
(16,879)	Impairment of Fixed Assets	13	(306)
12,151	Capital Expenditure Financed from Revenue Account	11	11,417
-	HRA Set-Aside (MRP)		-
-	Exceptional item: transfers (from) Capital Receipts Reserve	17	-
-	Transfers to/(from) the Major Repairs Reserve	14	-
22	Transfers to/(from) the Employee Benefits Reserve		75
<b>(1,763)</b>	<b>Net Movement on the Housing Revenue Account in Year</b>		<b>12,889</b>
(4,580)	<b>Balance Brought Forward</b>		(7,744)
<b>(7,744)</b>	<b>Balance Carried Forward - 31st March</b>		<b>(14,471)</b>



## Notes to the Housing Revenue Account

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### 1. Housing Revenue Account

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

### 2. Changes to Accounting Practice (and 2011/12 comparative figures)

There has been no change in accounting practice

### 3. Special Services

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

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

#### *Rents and Service Charges*

The bad debt provision for rents and service charges at 31<sup>st</sup> March 2013 was £1.375m (£1.048m in 2012/13). This is calculated on a rent and service charge arrears balance of £2.312m (£1.846m in 2012/13).

### 5. Net Rent Income from Dwellings

	2012/13 £000	2013/14 £000
Total Rent income from Dwellings	74,980	76,542
Less Housing Benefit	(50,007)	(47,341)
<b>Total</b>	<b>24,973</b>	<b>29,201</b>

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

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

## 7. Housing Stock

The Council was responsible for managing a stock of 21,956 dwellings at 31<sup>st</sup> March 2014, of which 13,704 were houses or bungalows and 8,252 were flats. During the year the following movements took place:

	2012/13	2013/14
Construction of new dwellings	-	-
Right to Buy sales	(148)	(174)
Sales to H.A.s/Losses on Conversions/Other	1	(9)
<b>Net Increase/(Decrease)</b>	<b>(147)</b>	<b>(183)</b>

## 8. Value of HRA Assets

	31st March 2013 £000	31st March 2014 £000
<b><u>Operational</u></b>		
Dwellings	599,730	608,352
Other Land & Buildings	14,953	24,543
	<b>614,683</b>	<b>632,895</b>
<b><u>Non-operational</u></b>		
Other Land & Buildings	101	1,628
<b>Total</b>	<b>614,784</b>	<b>634,523</b>

## 9. Vacant Possession Value of Council Dwellings

The vacant possession value of council dwellings at 31<sup>st</sup> March 2014 was £1,789m. At the same date the balance sheet value of council dwellings was £608m. The difference of £1,181m reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. The value placed on operational assets in a commercial environment will reflect the required economic rate of return in relation to the income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for council housing will be reduced.

	31st March 2013 £000	31st March 2014 £000
Vacant possession values	1,763,912	1,789,272

## 10. HRA Subsidy

2012/13 was the first year of 'self-financing' for the HRA, under which there is no HRA subsidy. In 2012/13 HRA, there was a small adjustment to the 2011/12 subsidy.

	2012/13 £000	2013/14 £000
Management Allowance	-	-
Maintenance Allowance	-	-
Capital Charges	-	-
Interest on Receipts	-	-
Guideline Rent Income	-	-
Prior year adjustments	269	-
Major Repairs Allowance (MRA)	-	-
<b>Total HRA Subsidy</b>	<b>269</b>	<b>-</b>

## 11. Capital Expenditure

HRA capital expenditure on land, houses and other property in 2013/14 totalled £21.786m, financed as follows:

	2012/13 £000	2013/14 £000
Major Repairs Reserve	6,724	7,262
Use of borrowing	-	3,306
Government grants	-	-
Other grants and contributions	-	-
Usable capital receipts	-	-
Financing from revenue account	12,151	11,218
<b>Total</b>	<b>18,875</b>	<b>21,786</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 2013/14 were as follows:

	2012/13	2013/14		
	Total Receipt £000	Usable/ Retained £000	Pooled/ Set aside £000	Total Receipt £000
Right to Buy (RTB) sales	5,859	3,227	3,568	6,795
Non-RTB sales	1,431	380	-	380
Mortgages	2	-	-	-
<b>Total</b>	<b>7,292</b>	<b>3,607</b>	<b>3,568</b>	<b>7,175</b>

## 13. Depreciation & Impairment of Fixed Assets

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

	2012/13			2013/14		
	Depreciation 2012/13	Impairment 2012/13	Total 2012/13	Depreciation 2013/14	Impairment 2013/14	Total 2013/14
<b><u>Operational</u></b>						
Dwellings	6,540	16,690	23,230	6,645	(298)	6,347
Other Land & Buildings	184	188	372	617	(8)	609
	<b>6,724</b>	<b>16,878</b>	<b>23,602</b>	<b>7,262</b>	<b>(306)</b>	<b>6,956</b>
<b><u>Non-operational</u></b>						
Other Land & Buildings	-	1	1	-	-	-
<b>Total</b>	<b>6,724</b>	<b>16,879</b>	<b>23,603</b>	<b>7,262</b>	<b>(306)</b>	<b>6,956</b>

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

## 14. Use of the Major Repairs Reserve

	2012/13 £000	2013/14 £000
<b>Balance at 1st April</b>	<b>(1,200)</b>	<b>(1,200)</b>
Depreciation credited	(6,724)	(7,262)
Transfer to HRA	-	-
Capital expenditure on land, houses and other property	6,724	7,262
<b>Balance at 31st March</b>	<b>(1,200)</b>	<b>(1,200)</b>

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

## **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 46 to the core financial statements.

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
<b><u>Pension costs incurred in Net Cost of Services</u></b>		
Current service cost	(67)	(771)
Past service cost	-	-
	<b>(67)</b>	<b>(771)</b>
<b><u>Pension interest cost and expected return on assets</u></b>		
Interest on liabilities	(4,207)	(5,161)
Expected return on assets	3,171	3,325
	<b>(1,036)</b>	<b>(1,836)</b>
<b>Total Transfer to Pension Reserve</b>	<b>(1,103)</b>	<b>(2,607)</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.



## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2012/13 £000		Note	2013/14		
			Council Tax £000	Business Rates £000	Total £000
	<b>Income</b>				
87,627	Council Tax Collectable	2	97,928		97,928
	Transfers from General Fund:				
30,620	Council Tax Benefits		-		-
99,483	Income from Business Ratepayers			100,309	100,309
<b>217,730</b>	<b>Total Income</b>				<b>198,237</b>
	<b>Expenditure</b>				
	Precepts and Demands:	3			
97,889	Leicester City Council		77,690		77,690
13,867	Leicester Police Authority		10,792		10,792
4,257	Leicester Fire Authority		3,623		3,623
					92,105
	Business Rates:	4			
96,979	Payments to National Pool			-	-
-	Payments to Government			46,915	46,915
-	Payments to Fire			938	938
-	Payments to Leicester City Council			45,976	45,976
492	Costs of Collection			489	489
					94,318
568	Contributions in respect of previous year's surplus	5	680		680
	Bad and Doubtful Debts:	6			
2,986	Write-offs		1,229	1,021	2,250
252	Increase / (Reduction) to provision		1,360	681	2,041
-	Provision for appeals			7,251	7,251
					11,542
<b>217,290</b>	<b>Total Expenditure</b>				<b>198,645</b>
(440)	Fund (Surplus) / Deficit for the Year		(2,554)	2,962	408
(488)	Fund (Surplus) / Deficit brought forward		(928)	-	(928)
<b>(928)</b>	<b>Fund Balance as at 31st March</b>	<b>7</b>	<b>(3,482)</b>	<b>2,962</b>	<b>(520)</b>

## Notes to the Collection Fund

### Income And Expenditure Account

#### 1. General

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

#### 2. Council Tax

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

Band	Estimated No. of Taxable Properties After Effect of Discount	Ratio	Band D Equivalent Dwellings	Less Band D Equivalent LCTR Scheme Dwellings	Net Band D Equivalent Dwellings
-A	169	5/9	94	-	94
A	63,365	6/9	42,243	13,786	28,457
B	21,391	7/9	16,637	2,663	13,974
C	12,905	8/9	11,471	1,396	10,075
D	5,479	1	5,479	398	5,081
E	2,773	11/9	3,389	151	3,238
F	1,319	13/9	1,905	56	1,849
G	546	15/9	910	9	901
H	28	18/9	56	-	56
	<b>107,975</b>		<b>82,184</b>	<b>18,459</b>	<b>63,725</b>
Plus adjustments for changes to empty property discounts and exemptions					1,533
Provision					(3,188)
<b>Council Tax Base</b>					<b>62,070</b>

The collectable Council Tax for 2013/14 was £124.256m (including sums paid under the Local Council Tax Reduction Scheme). After taking into account the total amount of this reduction (£25.886m), the average number of Band D dwellings equates to 66,292. This is an increase from the 62,070 dwellings existing when the 2013/14 budget was prepared due to the net effect of the following:

- 1) Changes in discounts and exemptions allowed;
- 2) New properties;
- 3) Lower total amounts of local council tax reduction granted than expected.



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

The following sums were paid from the collection fund:

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Leicestershire Police Authority	13,867	10,792
Leicester City Council	97,889	77,690
Leicestershire Fire Authority	4,257	3,623
<b>Total</b>	<b>116,013</b>	<b>92,105</b>

### **4. Income from Business Rates – 2013/14**

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. With the introduction of the rates retention scheme from April 2013, the total amount less certain reliefs and other deductions is shared between Central Government (50%), Leicestershire & Rutland Combined Fire Authority (1%) and the Council (49%).

The total non-domestic rateable value at 31 March 2014 was £263,464,847 (£261,081,682 at 31<sup>st</sup> March 2013). The national non-domestic rating multiplier for the year was 47.1p (46.2p), ((45.8p (45.0p) in 2012/13)), 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 £000</b>	<b>Police £000</b>	<b>Fire £000</b>	<b>Total £000</b>
<b>Estimate Jan 2013</b>	574	81	25	<b>680</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.

	Bad Debt Provision			Bad Debt Write-offs in year £000
	Balance at 1st April 2013 £000	Increase/ (Decrease) £000	Balance at 31st March 2014 £000	
Council Tax	4,113	1,360	5,473	1,229
NNDR	2,163	681	2,844	1,021
<b>Total</b>	<b>6,276</b>	<b>2,041</b>	<b>8,317</b>	<b>2,250</b>

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

The Collection Fund account shows a cumulative surplus of £519,772 at 31 March 2014 (£927,726 at 31<sup>st</sup> March 2013).

The surplus arising on the Council Tax during the financial year 2013/14 will be distributed between Leicester City Council, the Police & Crime Commissioner for Leicestershire and the Leicester, Leicestershire & Rutland Combined Fire Authority in proportion to the respective precepts and demands.

The deficit arising on the Business Rates during the financial year 2013/14 will be shared between Leicester City Council (49%), Central Government (50%) and the Leicester, Leicestershire & Rutland Combined Fire Authority (1%).

# **LEICESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT 2013/14**

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The AGS will be included in the final audited statement of accounts.



# Glossary

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

## **Accountable Body**

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

## **Accounting Policies**

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

## **Accruals**

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

## **Actuarial Basis**

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

## **Amortisation**

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

## **Appropriation**

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

## **Assets**

Right or other access to future economic benefits.

## **Assets Held for Sale**

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

## **Audit of Financial Statements**

An audit is an examination by an independent expert of the authority's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

## **Balance Sheet**

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

## **Bonds**

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

## **Budget**

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

## **Capital Expenditure**

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

## **Capital Financing**

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

capital receipts, capital grants, capital contributions and revenue reserves.

### **Capital Financing Requirement**

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

### **Capital Programme**

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

### **Capital Receipts**

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

### **Central Support Services**

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

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

The principal accountancy body dealing with local government finance.

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

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

### **Collection Fund**

A separate fund recording the expenditure and income relating to Council Tax and NNDR.

### **Community Assets**

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

### **Community schools**

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

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

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

### **Constitution**

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

### **Contingent Liabilities**

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

### **Council**

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

### **Council Tax**

This is a tax, which is levied on the broad capital value of domestic properties, and charged to the resident or owner of the property.

### **Council Tax Base**

This is a figure that expresses the total band D equivalent properties. The amount to be funded by Council Tax is divided by this, and charges for all other bands of property are based on this charge.

### **Council Tax Precept**

The amount of income due to Leicestershire Police Authority and Leicester, Leicestershire and Rutland Combined Fire Authority from the Council, who are responsible for billing Council Tax.

### **Creditors**

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

### **Debits and Credits**

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

### **Debt Charges**

This represents the interest payable on outstanding debt.

### **Debtors**

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

### **Dedicated Schools Grant**

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

### **Deficit**

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

### **Depreciation**

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

### **Direct Revenue Financing**

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

### **Equities**

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

### **Executive**

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

### **Finance Lease**

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

### **Finance Procedure Rules**

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

### **Financial Instruments**

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

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

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

### **Foundation schools**

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

### **General Fund**

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

### **Going Concern**

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

### **Government Grants**

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

### **Housing Benefits**

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

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

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

### **Impairment Loss**

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

### **Inflow**

This represents cash coming into the Council.

### **Internal Audit**

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

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

These are guidelines for the production of financial statements. Many of these now apply to local authorities and departure

from these must be disclosed in the published accounts.

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

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

### **Inventories**

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

### **Investments**

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

### **Joint Venture**

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

### **Leasing**

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

### **Levy**

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

### **Liabilities**

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

### **Liquid Resources**

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



### **LOBO Loans**

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

### **Long Term Borrowing**

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

### **Materiality**

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

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

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

### **Movement In Reserves Statement**

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

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

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

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

Represents the rate of taxation on business properties. Central Government have the responsibility for setting the rate

and Local Authorities are responsible for the billing and collection of the tax.

### **Net Book Value**

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

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

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

### **Non-Current Assets**

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

### **Operating Lease**

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

### **Operational Assets**

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

### **Outflow**

This represents cash going out of the Council.

### **Precept**

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

### **Prior Period Adjustments**

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

### **Private Finance Initiative**

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

### **PFI Credits**

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

### **Provision**

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

### **Prudential Borrowing**

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

### **Prudential Indicator**

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

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

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

### **Remuneration**

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

### **Revaluation Reserve**

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

### **Reserves**

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

### **Revenue Expenditure**

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

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

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

### **Revenue Support Grant**

A non-ring-fenced government grant which can be used by the authority to finance revenue expenditure on any service.

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

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

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

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

### **Specific Grants**

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

### **Subsidiary**

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

### **Surplus**

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

### **Trading Services**

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

### **Trading Accounts**

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

### **Usable Capital Receipts Reserve**

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

### **Voluntary-aided schools**

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

### **Voluntary-controlled schools**

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