

**Leicester**  
City Council

# **Audited Statement of Accounts**

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



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## FOREWORD

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### 1. Introduction

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

### 2. Core Statements

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

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

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

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

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

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

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

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

### **3. Supplementary statements**

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

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

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

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

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

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

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

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

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

## **5. Reserves**

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

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

## **6. Pensions**

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

## **7. Future issues**

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

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

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

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



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

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

The Council is required to:

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

These accounts were approved at a meeting of the Audit & Risk Committee on ..... 2015.

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

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

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

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

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

The Director of Finance has also:

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

I certify that the Statement of Accounts has been prepared in accordance with proper practices and presents a true and fair view of the financial position of the City Council and its income and expenditure for the year ended 31<sup>st</sup> March 2015.

**Signed:**

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

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

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

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

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

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

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

## **Opinion on financial statements**

In our opinion the financial statements:

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

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

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

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

We have nothing to report in respect of these matters.

## **Conclusion on Leicester City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

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

to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

### **Basis for qualified conclusion**

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

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

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

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

### **Qualified conclusion**

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

### **Certificate**

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

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

*Date:*

## MOVEMENT IN RESERVES STATEMENT

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

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

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

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

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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



## BALANCE SHEET

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

## CASH FLOW STATEMENT

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

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

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **vii) Employee Benefits**

### **Benefits Payable during employment**

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

### **Termination Benefits**

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

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

### **Post-employment Benefits**

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

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

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

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

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

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

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

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

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

### **Discretionary Benefits**

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

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

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

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

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

## **ix) Financial Instruments**

### **Financial Assets**

Financial assets are classified into two types:

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

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

### **Loans and Receivables**

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

### **Soft Loans**

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

### **Impairment**

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

### **Financial Liabilities**

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



## **Repurchase of Borrowing**

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

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

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

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

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

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

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

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

## **xi) Intangible Assets**

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

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

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

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

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

## **xiii) Inventories**

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

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

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

## **xv) Leases**

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

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

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

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

#### *Council as Lessor*

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

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

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

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

#### *Council as Lessee*

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

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

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

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

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

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

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

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

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

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

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

##### *Recognition:*

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

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

##### *Measurement:*

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

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

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

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

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

*Impairment:*

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

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

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

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

*Disposals:*

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

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

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

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

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

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

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

### *Depreciation:*

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

Depreciation is calculated on the following bases:

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

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

### Schools:

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

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

## **xviii) Heritage Assets**

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

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

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

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

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

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

## **xix) Private Finance Initiatives**

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



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

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

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

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

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

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

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

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

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

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

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

#### **xxi) Reserves**

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

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

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

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

#### **xxiii) VAT**

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **IFRIC 21 – Levies**

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

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

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

The critical judgements made in the Statement of Accounts are:

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

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

#### **Classification of Leases**

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

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

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

#### **Investment Properties**

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

## Group Accounts

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

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

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

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

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by approximately £0.5m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Local Government Pension Scheme, administered by Leicestershire County Council with expert advice about the assumptions to be applied.	The effects of the net pension liability of changes in individual assumptions can be measured. The actuaries have advised that a 0.5% decrease in the Real Discount Rate would mean an 11% increase to the employers liability amounting to approximately £192m. A one year increase in member life expectancy would mean a 3% increase in employers liability amounting to approximately £52m. A 0.5% increase in the Pension Increase Rate would mean a 7% increase to the employers liability amounting to £120m. A 0.5% increase in the projected rate of salary increased would lead to an increased liability of 4% or £67m.

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

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

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

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

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

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

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

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

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



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

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

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

## 8. Earmarked Reserves

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

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

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

### **Schools' Revenue Balances**

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

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

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

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

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

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

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

### ***Capital Reserve***

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

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

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

### ***Severance Fund***

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

## **9. Other Operating Expenditure**

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

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

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

## 11. Taxation and Non-Specific Grant Income

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

## 12. Property, Plant & Equipment

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

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

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

### Capital Commitments

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

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

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

### ***Revaluations***

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

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

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

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



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

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

The valuations have been made on the following assumptions:

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

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

### **13. Investment Properties**

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

### **14. Intangible Assets**

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

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

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

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

## 15. Financial Instruments

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

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

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

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

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

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

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

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

The following table discloses the fair value of financial instruments:

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

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

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

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

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

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

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

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

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

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

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

## **16. Inventories**

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

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

## **17. Construction Contracts**

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

## **18. Debtors**

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

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

### **Short-Term Debtors**

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

Each line item is presented net of impairment.

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

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

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

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

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

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

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

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

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

## 21. Creditors

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

## 22. Provisions

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

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

These provisions are described in more detail below.

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

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



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

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

### ***Equal Pay***

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

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

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

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

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

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

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

## **23. Usable Reserves**

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

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

## 24. Unusable Reserves

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

### **Revaluation Reserve**

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

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

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

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

### **Capital Adjustment Account**

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

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

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

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

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

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

### **Financial Instruments Adjustment Account**

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

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

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

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

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

### **Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. For the Council these amounts relate to mortgage loans made in respect of the purchase of Council Dwellings and to properties leased out under finance leases. Under statutory arrangements, the Council does not treat these gains as usable for financing new

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

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

### ***Pensions Reserve***

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

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

	2013/14 £000	2014/15 £000
<b>Balance at 1st April</b>	<b>434,042</b>	<b>596,792</b>
Remeasurement of the Net Defined Benefit Liability	136,603	137,863
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	61,356	68,749
Employer's pensions contributions and direct payments to pensioners payable in the year	(35,209)	(38,976)
<b>Balance at 31st March</b>	<b>596,792</b>	<b>764,428</b>

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

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

	2013/14 £000	2014/15 £000
<b>Balance at 1st April</b>	(783)	(1,487)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(704)	1,411
<b>Balance at 31st March</b>	<b>(1,487)</b>	<b>(76)</b>

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

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

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

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

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

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

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

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

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

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

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

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

## 26. Cash Flow Statement – Investing Activities

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

## 27. Cash Flow Statement – Financing Activities

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

## 28. Amounts Reported for Resource Allocation Decisions

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

- No charges are made in relation to capital expenditure (whereas the impact of depreciation, revaluations and impairments and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows paid in the year rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted centrally

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

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



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

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

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

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

## Reconciliation to Subjective Analysis

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

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

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

## 29. Acquired & Discounted Operations

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

## 30. Trading Operations

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

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

### ***City Catering***

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

### ***City Highways***

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

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

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

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

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

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

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

## **31. Agency Services**

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

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

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

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

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

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

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

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

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

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

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

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

### **33. Pooled Budgets**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

Notes:

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

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

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

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

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

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

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

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

### 36. External Audit Costs

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

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

### 37. Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2014/15 are as follows:

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

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

### **38. Grant Income**

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

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

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

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

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

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

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

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

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

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

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

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

### **39. Related Parties**

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

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

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

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

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

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

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

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

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

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

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

#### ***Leicester Community Sports Arena Ltd***

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

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

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

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

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

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

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

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

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



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

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

### ***Homecome Ltd***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 41. Leases

### **Council as Lessee**

#### *Finance Leases*

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

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

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

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

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

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

#### *Operating Leases*

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

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

## **Council as Lessor**

### *Finance Leases*

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

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

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

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

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

### *Operating Leases*

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

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

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

## 42. Private Finance Initiatives and Service Concession Arrangements

### *Integrated Waste Management Service*

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

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

### *Property Plant and Equipment*

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

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

### *Payments*

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

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

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

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

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

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

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

#### *Property Plant and Equipment*

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

	Vehicles, Plant & Equipment £000
Balance at 1st April 2014	30,835
Depreciation	(642)
<b>Balance at 31st March 2015</b>	<b>30,193</b>

#### *Payments*

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

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Within 1 year	1,651	1,171	2,845	5,667
Within 2 to 5 years	8,990	3,230	10,448	22,668
Within 6 to 10 years	11,081	5,998	11,256	28,335
Within 11 to 15 years	11,692	8,636	8,007	28,335
Within 16 to 20 years	7,853	12,646	3,114	23,613
Within 21 to 25 years	-	-	-	-
<b>Total</b>	<b>41,267</b>	<b>31,681</b>	<b>35,670</b>	<b>108,618</b>

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

	2013/14 £000	2014/15 £000
Balance outstanding at 1st April	33,227	32,702
Payments during the year	(525)	(1,021)
<b>Balance at 31st March</b>	<b>32,702</b>	<b>31,681</b>

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

On 31<sup>st</sup> March 2012 the City Council committed to a new joint PFI project scheme for the re-building of Crown Hills and City of Leicester Community Colleges. This is a design, build, finance and operate on existing sites contract with Leicester Miller Education Company Limited for 25 years. The new schools became operational at the end of October 2013 with construction costs of £44.6m. At the end of the contract, as things stand, all assets will revert to City Council control. 2014/15 was the second year of the operation of the contract costing £6.5m.

#### *Property Plant and Equipment*

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

	Other Land & Buildings £000
Balance at 1st April 2014	44,598
Depreciation	(910)
Revaluations/Impairment	(10,746)
<b>Balance at 31 March 2015</b>	<b>32,942</b>

#### *Payments*

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

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Lifecycle Capital Replacement £000	Total £000
Within 1 year	1,969	1,198	2,952	107	6,226
Within 2 to 5 years	7,876	5,178	10,948	906	24,908
Within 6 to 10 years	9,844	6,686	11,622	2,982	31,134
Within 11 to 15 years	9,844	7,711	9,308	4,271	31,134
Within 16 to 20 years	9,844	11,464	6,084	3,742	31,134
Within 21 to 25 years	7,057	10,755	1,677	2,831	22,320
<b>Total</b>	<b>46,434</b>	<b>42,992</b>	<b>42,591</b>	<b>14,839</b>	<b>146,856</b>

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

	2014/15 £000
Commencing values	44,171
Payments during the year	(1,179)
<b>Balance at 31st March</b>	<b>42,992</b>

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

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

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

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

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

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

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



### *Property Plant and Equipment*

The assets used to provide the service and directly attributable to the City Council are recognised on the Council's Balance Sheet. The value of fixed assets attributable to the Council and operational as at 31<sup>st</sup> March 2015, are shown below:

	<b>Vehicles, Plant &amp; Equipment £000</b>
Balance at 1st April 2014	9,773
Depreciation	(425)
<b>Balance at 31st March 2015</b>	<b>9,348</b>

### *Payments*

The Council will make payments each year which will be increased by inflation (based on a number of inflation measures) and can be reduced if the contractor fails to meet performance standards. Payments (substantially based on assumed levels of energy consumption) scheduled to be made under the contract at 31<sup>st</sup> March 2015 (excluding future inflation increases but including the final phase due to become operational during 2015/16) are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Lifecycle Capital Replacement £000</b>	<b>Total £000</b>
Within 1 year	1,317	112	927	215	2,571
Within 2 to 5 years	6,941	646	3,796	860	12,243
Within 6 to 10 years	8,676	1,246	4,307	1,076	15,305
Within 11 to 15 years	8,676	2,010	3,543	1,076	15,305
Within 16 to 20 years	8,676	3,242	2,311	1,076	15,305
Within 21 to 25 years	4,619	2,470	477	538	8,104
Within 26 - 30 years	418	67	3	-	488
<b>Total</b>	<b>39,323</b>	<b>9,793</b>	<b>15,364</b>	<b>4,841</b>	<b>69,321</b>

### *Liability*

The liability outstanding to the contractor for capital expenditure incurred up to 31<sup>st</sup> March 2015 is as per the following table:

	<b>2014/15 £000</b>
Liability for capital expenditure incurred for operational phases	9,416
Payments during the year	(173)
<b>Balance at 31st March</b>	<b>9,243</b>

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

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

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

There were no material impairments of assets during the year.

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

The Council has not capitalised any of its borrowing costs during 2014/15.

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

The Council terminated the contracts of a number of employees in 2014/15 incurring liabilities of £3,273k (£3,827k in 2013/14). Of this £2,213k (£2,752k in 2013/14) was for redundancy and other departure costs, and £1,060k (£1,074k in 2013/14) was the cost arising from the early release of pension benefits as required by the regulations of the Local Government Pension Scheme (LGPS).

The number of exit packages with total cost per band and total cost of the exit packages are set out in the table below. In 2014/15 the Council approved 73 compulsory redundancies. Payments arising from these in 2014/15 are included in the figures below:

<b>Band</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages 2013/14</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages 2014/15</b>
<b>£</b>	<b>2013/14</b>	<b>£</b>	<b>2014/15</b>	<b>£</b>
0 - 20,000	271	1,806,281	189	1,293,411
20,001 - 40,000	38	1,003,936	40	1,102,739
40,001 - 60,000	8	381,392	8	382,760
60,001 - 80,000	7	453,663	6	408,596
80,001 - 100,000	2	181,588	1	85,973
100,001 - 150,000	-	-	-	-
<b>Total</b>	<b>326</b>	<b>3,826,860</b>	<b>244</b>	<b>3,273,479</b>

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

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

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

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

In 2014/15, the council paid £13.9m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £13.6m and 14.1%. The cost of teacher's retirement benefits for 2015/16 are expected to remain at a similar level to those in 2014/15.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

### ***Public Health***

Public Health employees who were compulsorily transferred from the PCTs to the Council who had access to the NHS Pension Scheme on 31<sup>st</sup> March 2013 retained access to that scheme on transfer at 1<sup>st</sup> April 2013. The scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

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

In 2014/15, the Council paid £0.1m to the NHS Pension Scheme in respect of former NHS Staff retirement benefits representing 14% of pensionable pay.

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

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

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

The Council participates in three post-employment pension schemes:

- Teachers' Pensions Scheme –see Note 46 for further information
- NHS Pension Scheme –see Note 46 for further information

- The Local Government Pension Scheme, (LGPS) administered locally by the Leicestershire County Council – this is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

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

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

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

	2013/14 £000	2014/15 £000
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
<b>Cost of Services</b>		
Current service cost	41,165	42,916
Past service cost	809	435
Settlements and curtailments	(278)	(331)
<b>Total Service Cost</b>	<b>41,696</b>	<b>43,020</b>
<b><u>Financing and Investment Income and Expenditure</u></b>		
Expected return on scheme assets	(35,542)	(35,723)
Interest cost	55,203	61,452
<b>Net Interest Cost</b>	<b>19,661</b>	<b>25,729</b>
<b>Total Post-employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>61,357</b>	<b>68,749</b>
<b><u>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</u></b>		
Return on plan assets excluding amounts included in net interest	5,619	(96,627)
Actuarial losses arising from changes in demographic assumptions	30,038	-
Actuarial losses arising from changes in financial assumptions	37,472	242,858
Other Experience adjustments	63,474	(8,368)
Effect of business combinations & disposals	-	
<b>Total remeasurements recognised in other comprehensive income and expenditure statement</b>	<b>136,603</b>	<b>137,863</b>
<b>Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement</b>	<b>197,960</b>	<b>206,612</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	26,147	29,773
<b>Actual amount charged against the General Fund Balance for Employer's contributions payable to the scheme</b>	<b>(35,209)</b>	<b>(38,976)</b>

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

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

	2013/14 £000	2014/15 £000
<b>Balance at 1st April</b>	<b>1,218,801</b>	<b>1,422,976</b>
Current service cost	41,165	42,916
Past service costs (including curtailments)	809	435
Effect of settlements	(657)	(710)
Interest cost	55,203	61,452
Contributions by scheme participants	10,910	11,233
Benefits paid	(34,239)	(39,345)
Remeasurements arising from changes in assumptions	130,984	234,490
Effect of business combinations and disposals	-	-
<b>Balance at 31st March</b>	<b>1,422,976</b>	<b>1,733,447</b>

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

	2013/14 £000	2014/15 £000
<b>Balance at 1st April</b>	<b>784,759</b>	<b>826,184</b>
Interest income	35,542	35,723
Effect of settlements	(378)	(379)
Contributions by scheme participants	10,910	11,233
Employer contributions	35,209	38,976
Benefits paid	(34,239)	(39,345)
Effect of business combinations and disposals	-	-
Return on plan assets excluding amounts included in net interest	(5,619)	96,627
<b>Balance at 31st March</b>	<b>826,184</b>	<b>969,019</b>

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

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

### **Scheme History**

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Present value of funded obligations	(848,312)	(962,314)	(1,165,624)	(1,369,228)	(1,676,690)
Present value of unfunded obligations	(47,765)	(50,275)	(53,177)	(53,748)	(56,757)
Fair value of assets in the scheme	654,805	673,061	784,759	826,184	969,019
<b>Surplus/(deficit) in the scheme</b>	<b>(241,272)</b>	<b>(339,528)</b>	<b>(434,042)</b>	<b>(596,792)</b>	<b>(764,428)</b>

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

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

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £1,733.4m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £764.4m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31<sup>st</sup> March 2016 is £37.1m.

The maturity profile is as follows:

	<b>Liability Split</b>	<b>Weighted Average Duration</b>
Active members	59.1%	23.7
Deferred members	16.4%	22.9
Pensioner members	24.5%	11.7
<b>Total</b>	<b>100.0%</b>	<b>19.5</b>

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

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

The principal assumptions used by the actuary have been:

<b>Local Government Pension Scheme</b>	<b>2013/14</b>	<b>2014/15</b>
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	22.2	22.2
Women	24.3	24.3
Longevity at 65 for future pensioners:		
Men	24.2	24.2
Women	26.6	26.6
Rate of increase in salaries	4.6%	4.3%
Rate of increase in pensions	2.8%	2.4%
Rate for discounting scheme liabilities	4.3%	3.2%
Take-up of option to convert annual pension into retirement lump-sum – relating to service pre April 2008	50.0%	50.0%
Take-up of option to convert annual pension into retirement lump-sum – relating to service post April 2008	75.0%	75.0%

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

	2013/14		2014/15	
	Bid Values £000	Percentage of Total Assets	Bid Values £000	Percentage of Total Assets
<b>Equity</b>				
Consumer	-	0%	-	0%
Manufacturing	-	0%	-	0%
Energy and Utilities	-	0%	-	0%
Financial Institutions	-	0%	-	0%
Health and Care	-	0%	-	0%
Information Technology	-	0%	-	0%
Other	30,353	4%	30,070	3%
<b>Debt Securities</b>				
UK Government	10,223	1%	53,162	5%
Other	59,065	7%	39,846	4%
<b>Private Equity</b>				
All	32,421	4%	36,767	4%
<b>Real Estate</b>				
UK Property	77,235	9%	91,827	10%
<b>Investment Fund and Unit Trusts</b>				
Equities	416,548	51%	488,577	51%
Bonds	54,366	7%	90,262	9%
Hedge Funds	28,225	3%	42,051	4%
Commodities	37,421	5%	40,707	4%
Infrastructure	18,745	2%	22,843	2%
Other	42,835	5%	17,778	2%
<b>Derivatives</b>				
Interest Rate	-	0%	5,417	1%
<b>Cash and Cash Equivalent</b>				
All	18,747	2%	9,712	1%
<b>Total</b>	<b>826,184</b>	<b>100%</b>	<b>969,019</b>	<b>100%</b>

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

##### **MIRA Business Park**

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

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

HBBC will assume liability for the payment of any commuted lump sum that remains outstanding ten years after the completion of the works. The guarantee indemnifies

HBBC in the event that the development does not proceed as projected, effectively passing the risk to the LLEP and thus the Council as accountable body.

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

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

The Council has not recognised any contingent assets at 31<sup>st</sup> March 2015.

#### **50. Nature and Extent of Risks arising from Financial Instruments**

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

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

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

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

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by leading credit rating agencies. Investments are also made in unrated building societies considered to be of equivalent credit worthiness.

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

<b>Investment Type</b>	<b>Maximum Investment Period</b>	<b>Minimum Credit Rating</b>	<b>Individual Lending Limit</b>	<b>Limit for Investment Type</b>
Deposits	1 year	A long term rating of A and a short term rating of F1	£10m, £1m for unrated building societies.	£80m in the sector as a whole of which no more than



	6 months	A long term rating of A- and a short term rating of F2	£10m, £1m for unrated building societies.	£10m may be invested in unrated building societies.
Covered Bonds	5 years	A long term rating of AA	£20m	

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

<b>Investment Type</b>	<b>Counterparty</b>	<b>Maximum Investment Period</b>	<b>Individual Lending Limit</b>	<b>Limit for Investment Type</b>
Deposits	Local authority	2 Years	£20m	£100M (all local authority investments)
Deposits and Treasury Bills	UK Government	Unlimited	Unlimited	Unlimited
Money Market Funds and Money Market Plus Funds	Various Fund Managers	Non specified	£20M	£60M

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

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

The Council's maximum exposure to credit risk in relation to its investments in commercial institutions (banks and building societies) of £60m at 31<sup>st</sup> March 2015 (£24m 31<sup>st</sup> March 2014) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at 31<sup>st</sup> March 2015 or subsequently that this was likely to crystallise.

The Council's exposure to credit risk in relation to its investments in other local authorities is £88m (£141m as at 31<sup>st</sup> March 2014), and in relation to investments in the UK Government £17m (£18m as at 31<sup>st</sup> March 2014). Such investments are assessed to be risk free.

The following analysis summarises the Council's potential maximum exposure to credit risk on receivables classified as financial instruments, based on experience of

default and levels of collectability over the last five financial years, adjusted to reflect current market conditions.

The value of receivables classified as financial instruments on the Balance Sheet as at 31<sup>st</sup> March 2015 was £20m (£20m as at 31<sup>st</sup> March 2014). The following matrix is used for both 2013/14 and 2014/15 to estimate the non-collectible proportion of these receivables.

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

On this basis it is estimated that the uncollectable amount on commercial and personal debts outstanding at 31<sup>st</sup> March 2015 will be £8.7m (£8.1m as at 31<sup>st</sup> March 2014) and that the impaired value of these debts are £11.2m (£11.6m as at 31<sup>st</sup> March 2014).

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

	<b>31st March 2014</b>		<b>31st March 2015</b>	
	<b>Due £000</b>	<b>Impaired Value £000</b>	<b>Due £000</b>	<b>Impaired Value £000</b>
Less than three months	9,929	9,765	8,972	8,557
Three to six months	1,643	756	2,038	1,529
Six months to one year	1,007	613	1,556	671
More than one year	7,292	445	7,338	405
<b>Total Assets less Liabilities</b>	<b>19,871</b>	<b>11,579</b>	<b>19,904</b>	<b>11,162</b>

### ***Liquidity Risk***

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

*Upper limits:*

	<b>%</b>
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:*

	<b>%</b>
Less than 5 years	0
Over 5 years	60

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

	<b>31st March 2014</b>	<b>31st March 2015</b>
	<b>£m</b>	<b>£m</b>
Under 12 months	-	-
Between 1 and 5 years	-	8.6
Between 5 and 10 years	8.6	-
Between 10 and 15 years	-	-
Between 15 and 20 years	-	-
More than 20 years	230.8	230.8

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

	<b>31st March 2014</b>	<b>31st March 2015</b>
	<b>£m</b>	<b>£m</b>
Under 12 months	4.2	4.2
Between 1 and 5 years	19.5	27.2
Between 5 and 10 years	30.6	22.3
Between 10 and 15 years	23.4	23.9
Between 15 and 20 years	44.9	43.8
More than 20 years	248.1	244.1

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

***Interest Rate Risk***

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

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

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

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

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

This part of the note illustrates the interest rate risk on the basis of the financial asset and liabilities of the Council as at 31<sup>st</sup> March 2015. If interest rates had been 1% higher with all other variables held constant, the significant impacts over the course of a 12 month period are estimated to be as follows:

- The interest received on variable, short dated investments and interest paying cash equivalents would increase by £1.7m with a similar impact on the Surplus or Deficit on the Provision of Services.
- The fair value of fixed rate borrowing liabilities would have decreased by £45m but with no impact on the Surplus or Deficit on the Provision of Services.

### ***Price Risk***

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

The Council holds tradable financial instruments in the form of highly credit rated certificates of deposits and UK Government Treasury Bills. The exposure to the price risk of these investments is judged to be immaterial.

## **Foreign Exchange Risk**

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

## **51. Heritage Assets**

Four year summary of transactions:

	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation at 1st April</b>				
Buildings	2,006	2,591	2,591	2,657
Civic Silver etc.	950	1,111	1,471	1,471
Museum Exhibits	46,544	46,586	70,781	70,802
Statues & Monuments	1	1	1	5,876
<b>Total cost or valuation</b>	<b>49,501</b>	<b>50,289</b>	<b>74,844</b>	<b>80,806</b>
<b>Additions</b>				
Buildings	-	-	-	-
Civic Silver etc.	-	-	-	-
Museum Exhibits	37	-	21	472
Statues & Monuments	-	-	-	-
<b>Total additions</b>	<b>37</b>	<b>-</b>	<b>21</b>	<b>472</b>
<b>Net Revaluation Increases/(Decreases)</b>				
Buildings	585	-	66	-
Civic Silver etc.	161	360	-	-
Museum Exhibits	5	24,195	-	117
Statues & Monuments	-	-	5,875	-
<b>Total revaluation Increases/(Decreases)</b>	<b>751</b>	<b>24,555</b>	<b>5,941</b>	<b>117</b>
<b>De-recognition (Disposals)</b>				
Buildings	-	-	-	-
Civic Silver etc.	-	-	-	-
Museum Exhibits	-	-	-	-
Statues & Monuments	-	-	-	-
<b>Total disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value at 31st March</b>	<b>50,289</b>	<b>74,844</b>	<b>80,806</b>	<b>81,395</b>

Note that information for 2010/11 is unavailable but the above analysis will in future cover a five year period.

## **Heritage Buildings**

A number of Buildings previously included as Community Assets were reclassified as Heritage Assets as part of the 2011/12 Statement Of Accounts; the land and buildings relating to these assets are included as part of the 5 year revaluation cycle employed by the Council, however, none of these assets are charged depreciation as per our stated accounting policy on Heritage Assets (included in Note 1) in

accordance with FRS 30. As at 31<sup>st</sup> March 2015 these buildings had a net book value of £2.657m as agreed by the Council's valuer.

### ***Civic Silver***

The civic silver and other mayoral regalia was previously classified as a Community Asset. It was re-valued during 2012/13 and as at the 31<sup>st</sup> March 2015 had a net book value of £1.471m.

### ***Museum Exhibits***

Leicester City Council manages a family of five complimentary museums in the City. Museum exhibits are included in the Balance Sheet at insurance value which is tendered for insurance purposes every 3 years. In July 2014 the new King Richard III visitor centre opened. It includes exhibits that belong to the City Council's museum exhibits collection, and these form part of the overall valuation included in the Balance Sheet.

Museums exhibits were re-valued during 2012/13 and, together with more recent acquisitions (valued at historic cost), are included in the Balance Sheet as at 31<sup>st</sup> March 2015 at £71.4m

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

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

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

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

The Council's latest Collections Development Policy covers the period 2014-16. It presents an overview of the collections held and sets out priorities for future collecting as well explaining the policy for rationalising and disposing of any items or collections where this is appropriate. Leicester Museums have a dedicated charity, the Friends of the Museum Fund for the City of Leicester, referred to as the City of Leicester Trust, which oversees money collected through museum donation boxes and other sources and uses it to present exhibits and items for the collections.

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

### ***Statues and Monuments***

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

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

A large number of these assets were not previously included on the Council's Balance Sheet but have now all been accounted for. A number were valued during 2012/13 and are included at their insurance value. The rest are included at a nominal value as per our stated accounting policy on Heritage Assets (included within Note 1). As a result a total value of £5.876m is held on the Balance Sheet at 31<sup>st</sup> March 2015.

## **52. Authorisation of Accounts**

This Statement of Accounts was authorised for presentation on the 29<sup>th</sup> September 2015 by Alison Greenhill CPFA, Director of Finance and s151 Officer. All events up to and including 29<sup>th</sup> September 2015 have been considered in these accounts.

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

2013/14 £000		Note	2014/15 £000
	<b>Income</b>		
76,542	Dwelling Rents	5	78,736
1,309	Non-dwelling Rents	6	1,154
4,962	Service Charges	6	4,735
-	HRA Subsidy		-
80	Contributions from General Fund		82
<b>82,893</b>	<b>Total Income</b>		<b>84,707</b>
	<b>Expenditure</b>		
11,758	General Management		9,592
5,740	Special Management	3	6,570
27,776	Repairs & Maintenance		32,693
748	Rent, Rates, Taxes & Other Charges		547
-	Negative HRA Subsidy		-
671	Contribution to Bad Debt Provision	4	243
8,526	Depreciation & Impairment of Fixed Assets	12	10,956
60	Debt Management Expenses		60
<b>55,279</b>	<b>Total Expenditure</b>		<b>60,661</b>
<b>(27,614)</b>	<b>"Net Cost of HRA Services" as included in the whole authority Comprehensive Income &amp; Expenditure Statement</b>		<b>(24,046)</b>
-	HRA share of Corporate & Democratic Core	15	566
-	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	15	-
<b>(27,614)</b>	<b>"Net Cost of HRA Services"</b>		<b>(23,480)</b>
-	Exceptional item: Capital Grants & Contributions		-
(3,409)	(Gain) or Loss on Sale of HRA Assets		(1,270)
9,637	Loan Charges - Interest		9,714
(68)	Investment Interest		(75)
5,161	Pensions - Interest on Liabilities	14	5,807
(3,323)	Pensions - Expected Return on Assets	14	(3,376)
<b>(19,616)</b>	<b>(Surplus) / Deficit for the Year</b>		<b>(12,680)</b>



## STATEMENT ON MOVEMENT OF HRA BALANCE

2013/14 £000		Note	2014/15 £000
(19,616)	<b>(Surplus) / Deficit for the Year (from above)</b>		(12,680)
	<b>Additional items required by Statute and non-statutory proper practices to be taken into account in determining the movement on the Housing Revenue Account Balance</b>		
-	Exceptional item: transfers to Capital Receipts Reserve		-
903	Amounts charged to the HRA for amortisation of Premia and Discounts for the year determined in accordance with statute		45
(2,609)	HRA share of contributions to/(from) the Pension Reserve	14	(3,130)
3,409	Gain of (Loss) on Sale of HRA Fixed Assets		1,270
(306)	Impairment of Fixed Assets	12	(3,443)
11,417	Capital Expenditure Financed from Revenue Account	10	16,264
-	HRA Set-Aside (MRP)		151
-	Exceptional item: transfers (from) Capital Receipts Reserve		-
-	Transfers to/(from) the Major Repairs Reserve	13	-
75	Transfers to/(from) the Employee Benefits Reserve		(117)
<b>12,889</b>	<b>Total value of items reversed as part of determining the statutory movement on the Housing Revenue Account Balance</b>		<b>11,040</b>
<b>(6,727)</b>	<b>Net (surplus)/deficit on the Housing Revenue Account in the year</b>		<b>(1,640)</b>
(7,744)	Balance Brought Forward		(14,471)
<b>(14,471)</b>	<b>Balance Carried Forward - 31st March</b>		<b>(16,111)</b>

## Notes to the Housing Revenue Account

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

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

The Act specifies the debits and credits to be made to the HRA. These have been supplemented by a suite of self-financing determinations issued by the Department for Communities and Local Government in 2012 and these include what are known as Item 8 Credit and Item 8 Debit determinations. These determinations have been made by the Council and the appropriate entries have been made in respect of capital accounting and financing transactions.

### **2. Changes to Accounting Practice (and 2012/13 comparative figures)**

There has been no change in accounting practice.

### **3. Special Services**

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

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

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

The bad debt provision for rents and service charges at 31<sup>st</sup> March 2015 was £1.322m (£1.375m in 2013/14). This is calculated on a rent and service charge arrears balance of £2.106m (£2.312m in 2013/14).

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

	2013/14 £000	2014/15 £000
Total Rent income from Dwellings	76,542	78,736
Less Housing Benefit	(47,341)	(48,840)
<b>Total</b>	<b>29,201</b>	<b>29,896</b>

## 6. Non-dwelling Rents and Service Charges

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

## 7. Housing Stock

The Council was responsible for managing a stock of 21,846 dwellings at 31<sup>st</sup> March 2015, of which 13,596 were houses or bungalows and 8,250 were flats. During the year the following movements took place:

	2013/14	2014/15
Construction of new dwellings	-	96
Right to Buy sales	(174)	(206)
Sales to H.A.s/Losses on Conversions/Other	(9)	-
<b>Net Increase/(Decrease)</b>	<b>(183)</b>	<b>(110)</b>

## 8. Value of HRA Assets

	31st March 2014 £000	31st March 2015 £000
<b><u>Operational</u></b>		
Dwellings	608,353	623,835
Non-dwellings	24,543	14,137
	<b>632,896</b>	<b>637,972</b>
<b><u>Non-operational</u></b>		
Non-dwellings	1,628	88
<b>Total</b>	<b>634,524</b>	<b>638,060</b>

## 9. Vacant Possession Value of Council Dwellings

The vacant possession value of council dwellings at 31<sup>st</sup> March 2015 was £1,834.8m. At the same date the balance sheet value of council dwellings was £623.8m. The difference of £1,211.0m reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. The value placed on operational assets in a commercial environment will reflect the required economic rate of return in relation to the income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for council housing will be reduced.

	31st March 2014 £000	31st March 2015 £000
Vacant possession values	1,789,272	1,834,810

## 10. Capital Expenditure

HRA capital expenditure on land, houses and other property in 2014/15 totalled £30.909m, financed as follows:

	2013/14 £000	2014/15 £000
Major Repairs Reserve	7,262	7,513
Use of borrowing	3,306	4,771
Government grants	-	-
Other grants and contributions	-	-
Usable capital receipts	-	2,361
Financing from revenue account	11,218	16,264
<b>Total</b>	<b>21,786</b>	<b>30,909</b>

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

## 11. Capital Disposals

HRA capital disposals in 2014/15 were as follows:

## 12. Depreciation & Impairment of Fixed Assets

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

	2013/14			2014/15		
	Depreciation 2013/14	Impairment 2013/14	Total 2013/14	Depreciation 2014/15	Impairment 2014/15	Total 2014/15
Dwellings	6,645	314	6,959	6,796	208	7,004
Other Land and Buildings	160	770	930	177	1,695	1,872
Vehicles, Plant, Furniture & Equipment	455	-	455	474	-	474
Surplus Assets	-	180	180	-	1,540	1,540
Intangible Assets	2	-	2	66	-	66
<b>Total</b>	<b>7,262</b>	<b>1,264</b>	<b>8,526</b>	<b>7,513</b>	<b>3,443</b>	<b>10,956</b>

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

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

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
<b>Balance at 1st April</b>	<b>(1,200)</b>	<b>(1,200)</b>
Depreciation credited	(7,262)	(7,513)
Transfer to HRA	-	-
Capital expenditure on land, houses and other property	7,262	7,513
<b>Balance at 31st March</b>	<b>(1,200)</b>	<b>(1,200)</b>

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

### **14. HRA Contributions to the Pensions Reserve**

This table identifies the total HRA share of contributions to and (from) the pensions reserve and breaks the figure down to show the type of contribution to or (from) the reserve. More detailed information on pensions is provided in note 46 to the core financial statements.

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
<b><u>Pension costs incurred in Net Cost of Services</u></b>		
Current service cost	(771)	(699)
Past service cost	-	-
	<b>(771)</b>	<b>(699)</b>
<b><u>Pension interest cost and expected return on assets</u></b>		
Interest on liabilities	(5,161)	(5,807)
Expected return on assets	3,323	3,376
	<b>(1,838)</b>	<b>(2,431)</b>
<b>Total Transfer to Pension Reserve</b>	<b>(2,609)</b>	<b>(3,130)</b>

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

A charge of £566k was made to the Housing Revenue Account for Corporate & Democratic Core costs in 2014/15. This was the first year that such a charge has been explicitly made, and is part of a wider review of recharging within the authority.

## Collection Fund Income & Expenditure Account

2013/14				Note	2014/15		
Council Tax	Business Rates	Total			Council Tax	Business Rates	Total
£000	£000	£000			£000	£000	£000
			<b>Income</b>				
97,928		97,928	Council Tax Collectable	2	102,951		102,951
	100,309	100,309	Income from Business Ratepayers			98,648	98,648
		<b>198,237</b>	<b>Total Income</b>				<b>201,599</b>
			<b>Expenditure</b>				
			Precepts and Demands:	3			
77,690		77,690	Leicester City Council		82,178		82,178
10,792		10,792	Leicester Police Authority		11,361		11,361
3,623		3,623	Leicester Fire Authority		3,814		3,814
		92,105	Business Rates:	4			97,353
	46,915	46,915	Payments to Government			50,618	50,618
	938	938	Payments to Fire			1,012	1,012
	45,976	45,976	Payments to Leicester City Council			49,606	49,606
	489	489	Costs of Collection			490	490
		94,318					101,726
680		680	Contributions in respect of previous year's surplus / (deficit)	5	2,765	(1,960)	805
			Bad and Doubtful Debts:	6			
1,229	1,021	2,250	Write-offs		1,126	1,469	2,595
1,360	681	2,041	Increase / (Reduction) to provision		500	(6)	494
	7,251	7,251	Increase / (Reduction) to Provision for appeals			2,377	2,377
		11,542					5,466
		<b>198,645</b>	<b>Total Expenditure</b>				<b>205,350</b>
(2,554)	2,962	408	Fund (Surplus) / Deficit for the Year		(1,207)	4,958	3,751
(928)	-	(928)	Fund (Surplus) / Deficit brought forward		(3,482)	2,962	(520)
<b>(3,482)</b>	<b>2,962</b>	<b>(520)</b>	<b>FUND BALANCE AS AT 31st MARCH</b>	<b>7</b>	<b>(4,689)</b>	<b>7,920</b>	<b>3,231</b>

## Notes to the Collection Fund

### Income & Expenditure Account

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#### 1. General

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

#### 2. Council Tax

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

Band	Estimated No. of Taxable Properties After Effect of Discount	Ratio	Band D Equivalent Dwellings	Less Band D Equivalent LCTR Scheme Dwellings	Net Band D Equivalent Dwellings
A-	190	5/9	105	36	69
A	65,420	6/9	43,613	13,095	30,518
B	21,828	7/9	16,978	2,530	14,448
C	13,068	8/9	11,616	1,279	10,337
D	5,601	1	5,601	367	5,234
E	2,820	11/9	3,446	141	3,305
F	1,355	13/9	1,958	57	1,901
G	553	15/9	922	11	911
H	29	18/9	58	0	58
	<b>110,864</b>		<b>84,297</b>	<b>17,516</b>	<b>66,781</b>
	Less adjustments for collection rates and anticipated changes to liability to pay the tax under the Local Council Tax Reduction Scheme (LCTRS)				(2,406)
	<b>Council Tax Base</b>				<b>64,375</b>

The collectable Council Tax for 2014/15 was £128.165m (including sums paid under the Local Council Tax Reduction Scheme). After taking into account the total amount of this reduction (£24.992m), the average number of Band D dwellings equates to 68,223. This is an increase from the 64,375 dwellings existing when the 2014/15 budget was prepared due to the net effect of the following:

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

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

The following sums were paid from the collection fund:-

	<b>2013/14</b>	<b>2014/15</b>
Leicestershire Police Authority	10,792	11,361
Leicester City Council	77,690	82,178
Leicestershire Fire Authority	3,623	3,814
<b>Total</b>	<b>92,105</b>	<b>97,353</b>

### **4. Income from Business Rates – 2014/15**

Under the arrangements for business rates, the Council collects rates payable in the City, which are based on the rateable values multiplied by a uniform rate. With the current rates retention scheme, the total amount less certain reliefs and other deductions is shared between Central Government (50%), Leicestershire Fire Authority (1%) and the Council (49%).

The total non-domestic rateable value at 31<sup>st</sup> March 2015 was £263,093,840 (£263,464,847 at 31<sup>st</sup> March 2014). The national non-domestic rating multiplier for the year was 48.2p (47.1p), (47.1p (46.2p) in 2013/14), with the small business non-domestic rating multiplier for the respective years shown in brackets.

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

#### ***Share of Surpluses/Deficits***

#### *Council Tax*

Every January, the Authority has to estimate the surplus/deficit for the collection fund at the end of the financial year.

For the Council Tax, this has to be notified to the police and the fire authority, which are entitled to receive a share of any surplus (or contribute a share towards a deficit) made in respect of Council Tax. This is detailed in the table below.

	<b>City £000</b>	<b>Police £000</b>	<b>Fire £000</b>	<b>Total £000</b>
<b>Estimate Jan 2014</b>	2,332	324	109	<b>2,765</b>



## *Business Rates*

For Business Rates, this is notified to central government and the fire authority, which are entitled to receive a share of any surplus (or contribute a share towards a deficit) made in respect of Business Rates. This is detailed in the table below.

	<b>City</b>	<b>Central Government</b>	<b>Fire</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Estimate Jan 2014</b>	(960)	(980)	(20)	<b>(1,960)</b>

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

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

<b>Provisions</b>	<b>Bad Debt Provision</b>			<b>Bad Debt Write-offs In year £000</b>
	<b>Balance at 1<sup>st</sup> April 2014 £000</b>	<b>Increase/ (Decrease) £000</b>	<b>Balance at 31<sup>st</sup> March 2015 £000</b>	
Council Tax	5,473	500	5,973	1,126
NDR	2,844	(6)	2,838	1,469
<b>Total</b>	<b>8,317</b>	<b>494</b>	<b>8,811</b>	<b>2,595</b>

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

The Collection Fund account shows a cumulative deficit of £3,231,215 at 31<sup>st</sup> March 2015 (£519,772 surplus at 31<sup>st</sup> March 2014).

The surplus arising on the Council Tax during the financial year 2014/15 will be distributed between Leicester City Council, the Police & Crime Commissioner for Leicestershire and the Leicester, Leicestershire & Rutland Combined Fire Authority in proportion to the respective precepts and demands.

The deficit arising on the Business Rates during the financial year 2014/15 will be shared between Leicester City Council (49%), Central Government (50%) and the Leicester, Leicestershire & Rutland Combined Fire Authority (1%).

# Appendix 1 - LEICESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT 2014-15

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## 1. Background

Leicester City Council is responsible for ensuring that its business is conducted in accordance with the law; proper standards; that public money is safeguarded; properly accounted for; and, used economically, efficiently and effectively.

It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Leicester City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Leicester City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives (CIPFA/SOLACE) framework *Delivering Good Governance in Local Government*. A copy of the code is on our website or it can be obtained from Customer Services.

This statement is produced in fulfilment of the requirements of regulations 4(2) and 4(3) of the Accounts and Audit (England) Regulations 2011.

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## 2. Introduction

The Council's governance framework comprises both the systems and processes and the culture and values by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

Local government continues to undergo significant changes and the environment in which it works remains complex. As well as being provided directly, public services are increasingly delivered through commissioning, partnerships and collaboration, with many shared services and partnership boards now in existence. The introduction of new structures and ways of working provides challenges for managing risk, ensuring transparency and demonstrating accountability.

The system of internal control is the most significant part of the Council's governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and may only provide reasonable, not absolute, assurance of effectiveness.

The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Leicester City Council for the year ended 31 March 2015 and up to the date of approval of the accounts.

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### **3. The Governance Framework**

The Council has in place an assurance framework that takes the Council's principal strategic and organisational objectives as its starting point, including the City Mayor's nine Key Priorities for Leicester. Key strategies and plans translate these objectives into deliverable actions. High-level risks that threaten the achievement of objectives are identified in the strategic and operational risk registers. It is the responsibility of management to establish and maintain effective systems of governance and internal control to ensure that the Council's service objectives are delivered and risks to those objectives are managed in accordance with the Council's Risk Management Strategy and Policy.

In order that the Council's business is delivered in a way that promotes public trust and confidence, there must be sufficient assurance that sound internal control arrangements are in place and operating effectively. The assurance framework brings together various internal and external sources of assurance with internal audit being fundamental to this.

The Council is also required to carry out, at least annually, a review of the effectiveness of its system of internal control. This is done by all Directors by means of positive assurance in the form attached at Appendix A. The intention of the assurance framework is, therefore, to set out a structured and coordinated process, drawing together the outcomes of the various assurance, governance and control mechanisms to ensure that the Annual Governance Statement is comprehensive in its coverage and reliable in its content

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### **4. Review of Effectiveness**

The Council is committed to the maintenance of a system of internal control which:

- Demonstrates openness, accountability and integrity;
- Monitors and reviews compliance with policies, procedures, laws and regulations and effectiveness against agreed standards and targets;
- Monitors and reviews the effectiveness of the operation of controls that have been put in place;
- Identifies, profiles, controls and monitors all significant strategic and operational risks.

The risks identified are subject to regular review and appropriate controls are identified to manage them. The results of that review, together with the three measures below, provide the core information for the preparation of the Annual Governance Statement:

- An independent review of the effectiveness of internal control carried out by the Council's Internal Audit team
- An annual review of the Effectiveness of the System of Internal Audit, as required by the Accounts and Audit Regulations (England) 2011
- The External Auditor's Annual Audit Letter and Annual Governance Report which include findings from the work of other inspection regimes,

Leicester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, Internal Audit's annual report and opinion, and by comments made by the external auditors and other review agencies and statutory inspectorates.

The Council's Local Code of Corporate Governance complies with CIPFA/SOLACE's guidance *Delivering Good Governance in Local Government* and includes a self-assessment of compliance with the six core principles of good governance. The results of that assessment are set out in the Directors' Certification at Appendix A.

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## 5. Significant Governance Issues

The Council's control frameworks enable the identification of any areas of the Council's activities where there are significant concerns in the financial controls, governance arrangements or the management of risk. Having considered all the principles within the CIPFA *'Code of Practice on Managing the Risk of Fraud and Corruption'*, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

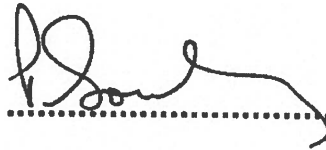
Overall, it can be concluded that controls are operationally sound and that the Council's financial management arrangements conform with the governance requirements of the CIPFA *'Statement on the Role of the Chief Financial Officer in Local Government (2010)'* as set out in the Application Note to *'Delivering Good Governance in Local Government: Framework'*.

Areas of significant risk or priorities for action have been identified and are listed at Appendix A below. This is in two parts:

- Those items identified in the Annual Governance Statement for 2013-14, with the action taken since to address them
- Additional items identified in 2014-15, together with a summary of the action being taken or planned to make the necessary improvements.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

  
..... (City Mayor) 29/9/15 (Date)

  
..... (Chief Operating Officer) 29/9/15 (Date)

  
..... (Director of Finance) 29/9/15 (Date)

**Appendix A - Leicester City Council Annual Governance  
Statement 2014-15  
Directors' Certification**

Leicester City Council is required to demonstrate that its governance processes and procedures comply with the six CIPFA/SOLACE fundamental principles of corporate governance. These are listed below with the principal sources of evidence or assurance:

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

- Major strategic documents setting out the vision for specific areas of work are in place, including the Economic Action Plan, Health and Wellbeing Strategy, Climate Change programme of action, Children & Young People's Plan and Heritage Action Plan.
- A major programme of work is being successfully delivered to support regeneration and economic development in the City. This includes a significant programme of capital projects and programme of activity to support business growth and increased employment levels for Leicester's residents. Appropriate programme management and partnership arrangements are in place, most notably the Leicester & Leicestershire Enterprise Partnership.
- The Council has an equality and diversity strategy which is being implemented to ensure we meet our public sector equality duties and focus on the needs of communities particularly in relation to the 'protected characteristics' defined by the 2010 Equality Act.
- Robust safeguarding arrangements are in place to mitigate the risk of harm to children and vulnerable adults, supported by established Safeguarding Boards.
- Departments have established their own performance management arrangements to underpin both the vision and manifesto commitments the wider operational activity of divisions including, where appropriate, departmental plans and regular performance monitoring and reporting. A Performance Group for Children's social care and safeguarding services has been established to reinforce the departmental performance management arrangements in this critical area. Continuing to improve the rigour of performance management across the Council remains a priority.
- Organisational vision and values have been developed for staff and will underpin policies like performance management and are being formally launched.

**B. Members and officers working together to achieve a common purpose with clearly defined functions and roles;**

- The Council's Constitution is kept under regular review and has been extensively updated in a number of areas to account for both

legislative changes and the continued development of governance arrangements and practice.

- The 'Political Conventions' within the Constitution offer clear advice on the working relationships between officers and members and the City Mayor and his Executive.
- Formal and informal working between the Executive and officers is well established.
- Lead Directors are in place to support scrutiny commissions.

**C. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;**

- The code of conduct and standards regime for elected members which was introduced in July 2012 is becoming embedded and has been reviewed to ensure it remains fit for purpose. New independent members have been appointed to fill vacancies which existed on the Standards Committee.
- The staff code of conduct was revised and agreed in 2013-14.
- As noted above a defined organisational vision and values have been developed to reinforce the organisational purpose, vision and values to staff and a programme to formally launch and embed these is now in development.
- A programme of reviews of key human resources policies and associated procedures continues for example, the attendance management policy and procedure was reviewed and a new policy and procedure agreed in 2014-15.
- The number of complaints to the Local Government Ombudsman has reduced.
- Robust management practices continue for issues such as attendance management and controls around spending e.g. agency staff, consultancy, etc.
- There are regular mechanisms for engagement with the recognised trade unions around staffing and workforce issues.
- There are well established programme and project management standards along with corporate oversight and support to ensure those involved in the governance and delivery of projects and programmes understand and are able to adhere to the expected standards.
- There is an established and effective system of internal control and internal audit, aimed at ensuring proper use of resources and giving assurance on the effectiveness of the arrangements for the management of risk. The system of internal audit, which includes the fulfilment of its role by the Audit & Risk Committee, has been reviewed for effectiveness.

- The Council's Fraud and Investigations teams have been thoroughly reviewed, re-organised and re-launched and have given added emphasis to the Council's 'zero tolerance' attitude to fraud.

**D. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;**

- Risk, financial, legal, equalities and sustainability implications are considered within the decisions taken.
- Strategic and operational risk registers are regularly considered and reviewed.
- Information assets and the supporting information infrastructure are subject to appropriate governance controls to mitigate risk whilst supporting partnership working and compliance with transparency requirements.
- Processes for forward planning, taking and publication of Executive decisions under the mayoral model are defined and are supported by officer guidance.
- There is a recognised approach for taking executive decisions in line with recently changed legislation on this issue.
- There is a need to continue to look at how scrutiny is supported to ensure that it works efficiently and effectively.
- A Capital Advisory Board is now well established, chaired by the Strategic Director for City Development and Neighbourhoods. This has senior officer representation from legal, finance, property, procurement, governance and programme management who provide rigorous challenge and oversight of capital projects and programmes at key gateway points.
- The Council continues to adhere to the recommendations arising from an equal pay audit commissioned in 2013-14. This found that the Council's pay structure remains transparent and free from gender bias, with a low level of vulnerability to equal pay claims. Recommendations from the audit continue to be actively implemented.

**E. Developing the capacity and capability of members and officers to be effective;**

- A comprehensive programme of induction for members has been planned and is being delivered following the May 2015 elections. This covers a range of critical information and also provides an opportunity for new elected members to meet with key officers and services.
- There is a nominated workforce development lead for member development.
- The accommodation strategy seeks to maximise the productivity of the workforce and support positive collaboration.



- The Leicester Leaders training and development programme has successfully engaged many senior managers.
- The HR service was reviewed to ensure resources were properly aligned to priority areas of support. It is recognised there still are aspects of people management that need to be improved. A strategic HR work programme for 2013-2017 has been developed with a focus on these areas, including workforce planning, staff performance management, workforce development and workforce representation.
- A framework and training programme was developed to support service redesign and transformation which continues to be a major demand in terms of skills and capacity given the scale of change and savings that still need to be achieved. Some aspects have been concluded and we are reshaping the function to provide better workforce support.
- The new staff intranet (launched in 2013-14) continues to provide a key source of guidance for staff on policies, procedures, governance and other aspects of the Council's operations.
- Talent-match has been developed as an internal jobs market approach and is being piloted as a means of effectively recruiting staff and minimising the costs associated with redundancy.

**F. Engaging with local people and other stakeholders to ensure robust public accountability.**

- There is a more robust and consistent approach to consultation through the work of the Research & Intelligence Team.
- The consultation platform, Citizen Hub, provides an effective on-line approach to support consultations across the Council.
- There remains a strong focus on media engagement and external communication with core capacity boosted to support this.
- Key strategic partnerships are in place around major themes and operating in accordance with legislation where relevant, such as Health and Wellbeing and Leicester and Leicestershire Economic Partnership.
- The City Mayor's Faith and Community Forum has been operating for over a year to support effective engagement with key communities, especially (but not exclusively) those identifying with the protected characteristic of religion or belief. This is key to supporting integration and cohesion with the city and our public sector equality duty.
- A short digest of our constitution is published on our website aimed at making the key governance arrangements of the Council clearer and more accessible.
- The Council's website has been fundamentally redeveloped to support on-line transactions and engagement and to provide key up to date and relevant information to the public in an easily accessible and user friendly format. Feedback to date has been very positive.

- The Council is reviewing the services it commissions from the voluntary and community sector to support engagement with key communities across the protected characteristics of faith, race, sexual orientation and gender identity, with a view to establishing a robust and appropriate approach for the future.
- The Council has in place processes for responding to external audit and inspection arrangements, with particular reference to the annual audit of the Council's published financial statements and the Annual Governance Statement.

### Significant Governance Issues

The Council's control frameworks enable the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. Overall, it can be concluded that controls are operationally sound.

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

#### A. Items identified in the Annual Governance Statement for 2013-14, with the action taken since to address them.

Area of significant risk or priority for action	Comment	Action planned	Action taken
Medium-term financial strategy	The Council approved £85m of spending cuts between 2010-11 and 2014-15 in response to unprecedented real terms cut in government funding. Whilst this has been carefully managed and the Council continues to live within its available resources, the governments most recent spending plans (July 2015) indicate a continued trajectory of reductions. The methodology adopted by government has adversely affected deprived authorities such as Leicester, who are more reliant on government grant. This now includes an impact to the Housing Revenue Account (HRA) with the proposed reduction in social rents by 1% per annum.	The Council continues to manage its medium term-financial strategy carefully, with significant input from the City Mayor and Executive. A process has been agreed and is under way to address the funding challenges the Council faces. This includes a managed reserves strategy to enable the City Mayor and Executive to properly plan and consider future reductions appropriately.	The Council's spending review programme is designed to address the need to reduce budgets, but this is a significant challenge. The recent impact to the HRA will be evaluated and considered as part of the overall budget strategy.

Area of significant risk or priority for action	Comment	Action planned	Action taken
Performance management	There is a need to continue to ensure the effectiveness of performance management across the Council.	Children's Performance Group in place to review and strengthen performance management in this area. Corporate Management Team have introduced a monthly business and performance meeting into their cycle.	Departments have established their own performance management arrangements to underpin strategic priorities and plans, as well as wider operational delivery. This is supported by key systems including the new Liquid Logic system across adult and children's social care. There is a continued need to embed and assure the strength of these arrangements.
Voluntary and community sector engagement	There is a need for a more co-ordinated approach to managing our engagement with the Voluntary and Community Sector (VCS) and to be aware at an earlier stage of any emerging issues.	A review is underway of arrangements for working with the city's voluntary and community sector (VCS) to support engagements with communities. The manifesto also includes a commitment to review the way the Council involves and engages with the VCS.	The Council has reviewed the services it commissions in relation to: <ul style="list-style-type: none"> <li>• Support for the City's VCS; and,</li> <li>• Support for volunteering in the city.</li> </ul> New services were commissioned in these areas.

Area of significant risk or priority for action	Comment	Action planned	Action taken
The Care Act 2014	Reflecting the most significant reform in adult services in over 60 years, the Care Act builds on developments in adult social care away from paternalistic and managed care towards empowerment, choice and control for adults and carers.	Originally the Care Act was due to be introduced in two parts. Part one (April 2015) saw the introduction of a national eligibility criteria and carers assessments. . Part two of the Act was due to be implemented in April 2016, which would have seen the introduction of new funding reform. However the Government has deferred the implementation until 2020.	Processes are in place to monitor the impact of the changes via the Adult Social Care departmental Change Management Board.

Area of significant risk or priority for action	Comment	Action planned	Action taken
Continuing variable compliance with rules and procedures.	There is an increased risk that controls will be diluted as a result of streamlining of management structures in response to the current financial pressures. The consequent loss of experienced staff increases the risk of error. Moreover, these factors combined with the increased incentive brought about by financial hardship during a recession increase the risk of fraud.	Internal Audit assurance work in the 2015-16 audit plans.	Continuing requirement. Strengthening of senior management monitoring of compliance. Internal Audit has maintained an extensive programme of planned audit reviews supplemented by specially commissioned audits undertaken on the basis of risk to the Council. Service management has responded constructively to the conclusions of audit reviews and the recommendations made. Any matters of concern together with any non-implementation of recommendations are reported to the Audit & Risk Committee on a regular basis throughout the year.

<b>Previous years</b>		
<b>Area of significant risk or priority for action</b>	<b>Comment</b>	<b>Action taken</b>
Management and letting of contracts	<p>Significant work is being carried out to develop a procurement approach which delivers value for money from procuring goods and services whilst improving the skills and knowledge within the procurement teams.</p> <p>Some concerns remain, however, in relation to the management of contracts and the Internal Audit Contract Audit Plan included a number of contracts and procurement-related audits to help provide assurance in relation to this area.</p>	Internal Audit has re-established its contract audit capacity. It now has a programme of contract audits, the scope of which includes the processes for procurement and contract management. Contract audit remains a priority in Internal Audit planning.
Management of Payments to Service Users	An Internal Audit identified significant weaknesses in the procedure for managing payments to service users.	Implementation of the Audit recommendations was managed via a joint response from the Adult Social Care and Business Service Centre teams.
Improve engagement with stakeholders within Adult Social Care.	Adult Social Care has now approved a Stakeholder Engagement Strategy to ensure effective engagement and increase co-production with their stakeholders.	The planned Stakeholder Engagement Strategy has been fully implemented and is used in key project activity.

**B. Additional items identified, together with a summary of the action being taken or planned to make the necessary improvements.**

Area of significant risk or priority for action	Comment	Action planned
<p>Response to the recent 'OFSTED' inspection.</p>	<p>An Ofsted 'Inspection of Services for Children in Need of Help and Protection, Children Looked After and Care Leavers' published on 20<sup>th</sup> March 2015, graded Leicester's children's services as 'inadequate'.</p>	<p>In line with national requirements from the Department for Education (DFE) we have established an Improvement Board chaired by an experienced person approved by the DfE; and have submitted an Improvement Plan to Ofsted by 22<sup>nd</sup> June 2015.</p> <p>There are also a number of internal controls in place to ensure that work on the Ofsted recommendations progresses satisfactorily:</p> <ul style="list-style-type: none"> <li>• The Operational Improvement Group (which meets fortnightly) chaired by the Divisional Director, monitoring detailed service improvement plans for Early Help, Children in Need, Children Looked After and Workforce</li> <li>• The Performance Group (which meets monthly) examining the monthly report on key performance indicators and any other significant areas of Performance and Quality including progress against the Workforce Strategy</li> <li>• Service Performance Meetings in Early Help, CIN (Children in Need) and Children Looked After</li> <li>• Quality Assurance work being carried out to audit case files by external auditors</li> <li>• Regular reviews of progress and reports to the Audit and Risk Committee by Internal Audit.</li> </ul>

Therefore, all Directors have confirmed that they understand the responsibilities placed upon them and in particular that:

- Subject to the identified areas of significant risk and priorities for action, all of the services for which they are responsible have in place processes and procedures that align to these principles and to the best of their knowledge and belief these processes are operating satisfactorily;
- The Directors as a management team set the 'tone from the top', embedding core values and principles throughout all Council service areas.



# Glossary

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

## **Accountable Body**

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

## **Accounting Policies**

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

## **Accruals**

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

## **Actuarial Basis**

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

## **Amortisation**

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

## **Appropriation**

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

## **Assets**

Right or other access to future economic benefits.

## **Assets Held for Sale**

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

## **Audit of Financial Statements**

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

## **Balance Sheet**

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

## **Bonds**

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

## **Budget**

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

## **Capital Expenditure**

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

## **Capital Financing**

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

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

### **Capital Financing Requirement**

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

### **Capital Programme**

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

### **Capital Receipts**

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

### **Central Support Services**

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

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

The principal accountancy body dealing with local government finance.

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

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

### **Collection Fund**

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

### **Community Assets**

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

### **Community schools**

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

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

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

### **Constitution**

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

### **Contingent Liabilities**

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

### **Council**

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

### **Council Tax**

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

### **Council Tax Base**

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

### **Council Tax Precept**

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

### **Creditors**

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

### **Debits and Credits**

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

### **Debt Charges**

This represents the interest payable on outstanding debt.

### **Debtors**

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

### **Dedicated Schools Grant**

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

### **Deficit**

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

### **Depreciation**

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

### **Direct Revenue Financing**

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

### **Equities**

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

### **Executive**

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

### **Finance Lease**

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

### **Finance Procedure Rules**

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

### **Financial Instruments**

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

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

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

### **Foundation schools**

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

### **General Fund**

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

### **Going Concern**

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

### **Government Grants**

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

### **Housing Benefits**

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

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

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

### **Impairment Loss**

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

### **Inflow**

This represents cash coming into the Council.

### **Internal Audit**

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

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

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

from these must be disclosed in the published accounts.

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

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

### **Inventories**

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

### **Investments**

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

### **Joint Venture**

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

### **Leasing**

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

### **Levy**

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

### **Liabilities**

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

### **Liquid Resources**

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

### **LOBO Loans**

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

### **Long Term Borrowing**

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

### **Materiality**

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

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

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

### **Movement In Reserves Statement**

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

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

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

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

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

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

### **Net Book Value**

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

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

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

### **Non-Current Assets**

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

### **Operating Lease**

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

### **Operational Assets**

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

### **Outflow**

This represents cash going out of the Council.

### **Precept**

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

### **Prior Period Adjustments**

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

### **Private Finance Initiative**

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

### **PFI Credits**

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

### **Provision**

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

### **Prudential Borrowing**

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

### **Prudential Indicator**

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

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

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

### **Remuneration**

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

### **Revaluation Reserve**

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

### **Reserves**

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

### **Revenue Expenditure**

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

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

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

### **Revenue Support Grant**

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

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

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

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

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

### **Specific Grants**

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

### **Subsidiary**

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

### **Surplus**

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

### **Trading Services**

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

### **Trading Accounts**

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

### **Usable Capital Receipts Reserve**

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

### **Voluntary-aided schools**

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

### **Voluntary-controlled schools**

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