

The image shows the grand, multi-story facade of the Leicester City Council building. The building is constructed from red brick and light-colored stone. It features a central arched entrance with a decorative metal gate, flanked by large windows. Above the entrance is a balcony with a decorative railing. The top of the building has a prominent crest with the year '1875' and a central emblem. The scene is framed by trees with yellowing leaves, suggesting an autumn setting. The sky is a clear, pale blue.

# ANNUAL ACCOUNTS

## Leicester City Council

### 2021/22



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# Introductory Statements

# Narrative Statement

This report sets out to provide the context for the Council's financial statements and to demonstrate how the Council has achieved its desired objectives for 2021/22.

## 1. Introduction

Leicester City Council is a unitary authority in the East Midlands, consisting of 54 councillors, representing 21 wards in the city, overseen by a directly elected mayor.

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

Leicester City Council employs more than 11,000 staff, who are responsible for delivering services to a diverse range of customers. Examples of the areas in which they work are below:

- Neighbourhood and Environmental Services
- Adult Social Care
- Children's Social Care
- Housing
- Public Health & Sports
- Roughly half of our employees work within schools.

During 2021/22 the Council continued to be impacted by the pandemic. With the most significant cost to the council being the losses of income as a direct result of the pandemic. However, these losses were funded by government grant. The losses of income are anticipated to continue into 2022/23 but we do not believe will have a long-term impact on the financial viability of the Council.

During this year the Council has continued to support local businesses by administering business grants and reliefs to those affected by the pandemic. The Council paid out £23.5m in grants where the authority was acting as an Agent and has therefore not recognised these in the accounts. In addition, the Council has helped to support its residents through such schemes as Test and Trace and the Household Support Fund.

The vision of the Council is that we will operate with creativity and drive for the benefit of Leicester and its people. To achieve this, we have committed to five values:

- Be confident
- Be clear
- Be respectful
- Be fair
- Be accountable

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

in 2021/22 are:

- A Fair City
- Homes for All
- Connecting Leicester
- Sustainable Leicester
- Health & Care
- Lifelong Learning
- A City to Enjoy
- A Safe and Inclusive Leicester

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

Some of the key outcomes from the Mayor's pledges in 2021/22 have been:

- Continued investment in infrastructure works to improve local transport routes through the City, including significant work on the St Margaret's Gateway.
- The Council managed within its budget during the year.
- Continued investment in Council housing.
- The Council has continued to work with local business and residents to support them through the pandemic and the cost of living crisis.

# Narrative Statement

## 2. Financial Performance

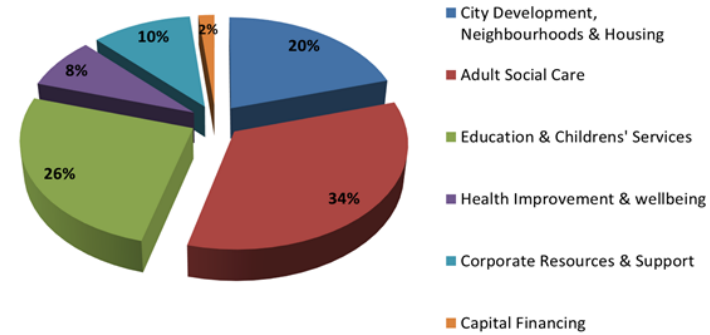
The budget for 2021/22 was set in an unprecedented and difficult financial situation. Following on from severe spending cuts for over a decade and the pandemic, that put pressure on service spend and on income streams. It is positive to note the Council has managed to remain within its resources for this financial year.

Net expenditure on provision of services was £360m in 2021/22 and £331m in 2020/21. The chart to the right sets out the spend by General Fund service area.

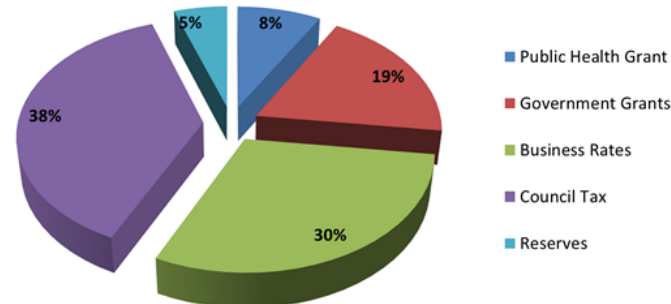
The services above are funded through various resources as demonstrated below.

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

**2021/22 Spend by Category**  
(General Fund Net Spend)



**2021/22 Sources of Funding**  
(General Fund)

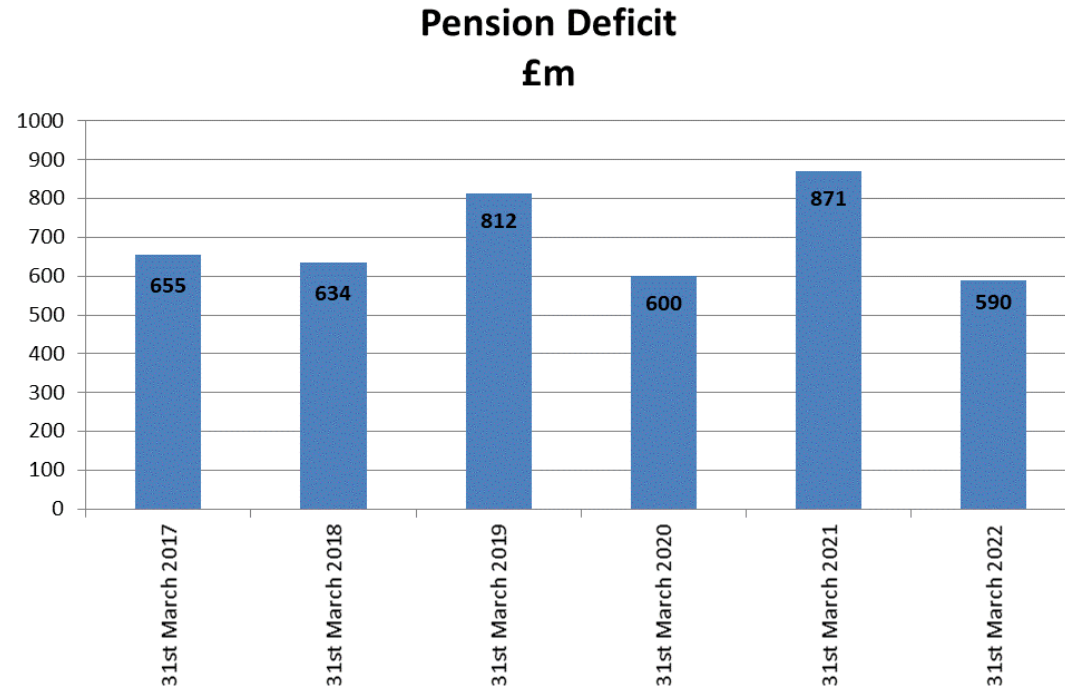


# Narrative Statement

## Pension Liabilities

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

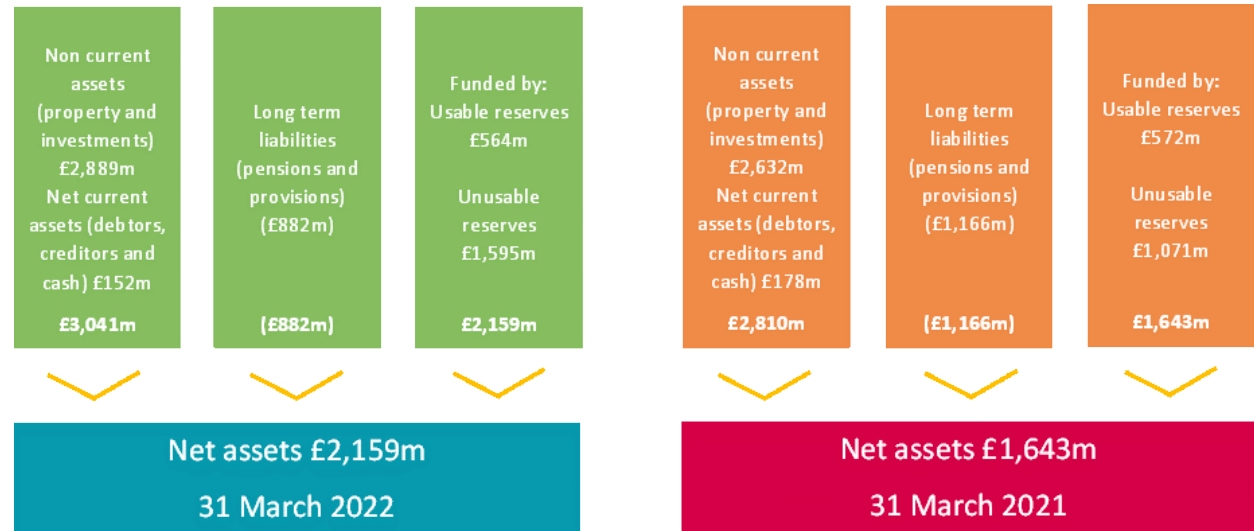
Variations between the years will occur, principally due to changes in assumptions made by the scheme actuaries about the growth of future liabilities and rates of returns on the fund's investments. The graph to the right illustrates the volatility that can occur on a year-by-year basis because of these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



# Narrative Statement

## Net Assets

The Council maintains a strong balance sheet despite financial challenges, with net assets of £2,159m at 31st March 2022 (£1,643m at 31st March 2021).



## Cash Flow Management

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

The Council's treasury strategy is based on utilising cash balances to fund capital expenditure without the need to borrow.

Cash & Cash equivalents at 31st March 2022 were £156m, £53m higher than the previous year, as a result of receiving government grants ahead of need. A substantial portion of the Council's cash balances can only be used to repay debt, but this is seldom possible as Government rule changes made it prohibitively expensive to repay PWLB debt.

# Narrative Statement

## Capital

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

- Neighbourhood works
- Council house improvements
- Additional school places
- Affordable Housing

Capital expenditure of £153m was incurred in 2021/22 compared to £139m in 2020/21. Details of the spending can be seen in the table.

The key projects within 2021/22 that are expected to continue during 2022/23 and beyond are Connecting Leicester scheme, redevelopment of Waterside, St Margaret Gateway and our Leveling Up projects.

Capital Expenditure 2021/22		
Category	£m	Spending includes;
Planning, Development & Transport	43.6	Connecting Leicester, Waterside Strategic Regeneration area, St Margaret's Gateway, Ashton Green, Transport Improvement Works, Highways Maintenance
Housing Revenue Account	48.3	Affordable Housing Acquisitions, Council House Improvements; including environment and communal
Schools	12.4	Schools' maintenance, additional Primary, Secondary and Send places
Tourism, Culture & Inward Investment	7.8	Jewry Wall Museum, Phoenix & Growth Hub
Estates & Building Services	31.4	Energy Efficiency Technology, Haymarket Centre, Property and Operational Estate Maintenance, Green Homes
Neighbourhood & Environmental Services	2.1	Waste vehicles, Library Self Service, St Mary's Allotment improvements, Parks & Open Spaces
Housing General Fund	6.2	Disabled facilities grant, Vehicle Fleet Replacement Programme
Other	1.3	Public Health schemes
<b>TOTAL</b>	<b>153.1</b>	



# Narrative Statement

## **Leicester and Leicestershire Enterprise Partnership (LLEP)**

The Council is the accountable body for LLEP Limited. The LLEP is a strategic body made up of local government and business leaders as well as senior education and third sector representatives. The LLEP's remit is to drive forward regeneration and growth of the local economy, by:

- Working with Government to set out key investment priorities for Leicester & Leicestershire
- Engaging with business, local authorities, Higher Education, Further Education, the voluntary sector and other stakeholders
- Facilitating local partnership working and relations with national Government
- Influencing national Government economic policy and spending
- Investing LLEP funding and aligning partner resources
- Through its investments, influence and activities ensure positive outcomes for the local economy

As the accountable body for the LLEP the Council looks after the body's finances. As at the 31<sup>st</sup> March 2022 the Council was holding £24.1m of the LLEP's balances, this is shown as a creditor in the balance sheet. The LLEP'S income and expenditure is not included in the core statements of the Council.

The table below shows the total operating income & expenditure for the LLEP during 2021/22.

	21/22 £000's
<b>Income</b>	
Grants	575
Contributions	265
National and Local Programme Income	1,348
Fees, Interest and Other Income	<u>256</u>
	<u>2,444</u>
<b>Expenditure</b>	
Staffing	826
Running Costs	307
Accountable Body Costs	145
Programme Delivery	<u>1,474</u>
	<u>2,752</u>
<b>Net Surplus / (Deficit)</b>	<u><b>(308)</b></u>

The LLEP is also responsible for administering the surplus for the Leicester & Leicestershire Business Rates Pool.

# Narrative Statement

## **3. Governance**

Details regarding the Council's governance arrangements can be found in the Annual Governance Statement (page 161) along with the significant risks facing the authority.

## **4. Looking Ahead**

The Council has set a balanced budget for 2022/23. Further detail on the Council's long-term strategy can be found in the budget report, which is available on the Council's website.

However, the future outlook continues to be uncertain as we again only received a one year finance settlement from Government. The Council has received some additional government funding in 2022/23 of £11m, however this is insufficient to meet the cost pressures we face. For example, the cost pressures associated with Adult Social Care are £22m in 2022/23 and are increasing annually.

The Council is forecasting future budget gaps that cannot be managed through the use of our reserves. Therefore, the Council aims to tackle this position through the means of a Fundamental Budget Review, this aims to achieve savings of £40m per a year.

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

## **5. Conclusion**

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

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

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

# Narrative Statement

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

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2022. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. This is based on International Financial Reporting Standards adopted for use in the public sector context.

The Core Statements are:

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

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

The Supplementary Financial Statements are:

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

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

## **Group Accounts Preparation:**

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

# Statement of Responsibilities for the Statement of Accounts

## The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Section 151 Officer.
- Manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

These accounts were approved at a meeting of the Audit & Risk Committee on the 15th March 2023.

Signed:



Chair of Audit and Risk Committee

Date: 15 March 2023



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

### The Section 151 Officer Responsibilities

The Section 151 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 Section 151 Officer has:

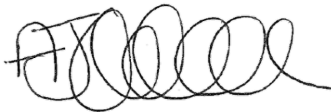
- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Section 151 Officer 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 2022.

Signed:



**Amy Oliver CPFA, Director of Finance & Section 151 Officer**      **Date:** 15 March 2023

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

## Independent auditor's report to the members of Leicester City Council

### Report on the Audit of the Financial Statements

#### Opinion on financial statements

We have audited the financial statements of Leicester City Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account (HRA) Statements - Income and Expenditure, Housing Revenue Account (HRA) Statements – Movements in Reserve, the Collection Fund – Income and Expenditure Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22; and

- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the '*Auditor's responsibilities for the audit of the financial statements*' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance & Section 151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a

material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Finance & Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance & Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance & Section 151 Officer with respect to going concern are described in the '*Responsibilities of the Authority, the Director of Finance & Section 151 Officer and Those Charged with Governance for the financial statements*' section of this report.

### Other information

The Director of Finance & Section 151 Officer is responsible for the other information. The other information comprises the information included in the Annual Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we

are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with '*Delivering good governance in Local Government Framework 2016 Edition*' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Annual Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### Responsibilities of the Authority, the Director of Finance & Section 151 Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts, the Authority 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 authority, that officer is the Director of Finance & Section 151 Officer. The Director of Finance & Section 151 Officer is responsible for the preparation of the Annual 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance & Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance & Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Risk Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992), the Local Government Finance Act 2012 and the Local Government Act 2003).
- We enquired of senior officers and the Audit and Risk Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.



- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
    - journal entries that altered the Authority's financial performance for the year;
    - potential management bias in determining accounting estimates, especially in relation to:
      - the calculation of the valuation of the Council's land and buildings (including council dwellings); and
      - accruals of income and expenditure at the end of the financial year.
  - Our audit procedures involved:
    - evaluation of the design effectiveness of controls that the Section 151 Officer and Director of Finance has in place to prevent and detect fraud;
    - journal entry testing, with a particular focus on significant journals at the end of the financial year, which impacted on the Authority's financial performance;
    - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and defined benefit pensions liability;
    - substantive testing on payments and receipts to ensure appropriate cut-off had been applied, and
- therefore that income and expenditure had been recognised in the correct period;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of the Authority's land and buildings, council dwellings and defined benefit pensions liability.
  - Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
    - understanding of, and practical experience with audit engagements of a similar nature and com
- plexity through appropriate training and participation
- knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
    - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
    - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

## Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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 for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Leicester City Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor’s Annual Report, and
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance Statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Grant Patterson*

### **Grant Patterson, Key Audit Partner**

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

17 March 2023

Grant Thornton UK LLP. 6

# Core Financial Statements



# Comprehensive Income and Expenditure Statement

The **Comprehensive Income and Expenditure Statement** shows the Council's actual financial performance for the year on the accounting basis, measured in terms of the resources consumed and generated over the financial period under the relevant accounting standards. This statement shows a surplus in 2021/22 of £516m.

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

Restated 2020/21				2021/22		
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp
£000	£000	£000		£000	£000	£000
175,816	(52,696)	123,120	City Development & Neighbourhoods	182,872	(68,914)	113,958
80,912	(79,888)	1,024	Housing Revenue Account (HRA)	103,652	(81,550)	22,102
189,952	(91,143)	98,809	Adult Social Care	197,086	(97,013)	100,073
23,399	(29,000)	(5,601)	Health Improvement & Wellbeing	32,537	(33,678)	(1,141)
378,022	(291,964)	86,058	Education & Children's Services	399,417	(291,310)	108,107
58,713	(25,863)	32,850	Corporate Resources & Support	62,360	(39,544)	22,816
85,246	(86,599)	(1,353)	Housing Benefits	77,441	(78,380)	(939)
1,404	(4,493)	(3,089)	Corporate Items	(4,151)	(349)	(4,500)
	(517)	(517)	Capital Financing	-	(517)	(517)
<b>993,464</b>	<b>(662,163)</b>	<b>331,301</b>	<b>Cost of Services</b>	<b>1,051,214</b>	<b>(691,255)</b>	<b>359,959</b>

## Comprehensive Income and Expenditure Statement (continued)

Restated 2020/21			2021/22			
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp
£000	£000	£000	Note	£000	£000	£000
		(965)	Other Operating Expenditure	12		31,677
	28,324		Financing and Investment Income and Expenditure	13		31,600
	(386,303)		Taxation and Non-Specific Grant Income	14		(360,240)
	<b>(27,643)</b>		<b>(Surplus) or Deficit on Provision of Services</b>	<b>15</b>		<b>62,996</b>
	(63,561)		(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	27b		(243,445)
	245,315		Remeasurement of the Net Defined Benefit Pension Liability	43		(335,358)
	<b>181,754</b>		<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(578,803)</b>
	<b>154,111</b>		<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(515,807)</b>

# Movement in Reserves Statement

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

2021/22		General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Restated Balance at 31st March 2021 brought forward</b>		<b>(15,000)</b>	<b>(328,212)</b>	<b>(343,212)</b>	<b>(35,757)</b>	<b>-</b>	<b>(116,798)</b>	<b>(76,031)</b>	<b>(571,798)</b>	<b>(1,071,582)</b>	<b>(1,643,380)</b>
Total Comprehensive Expenditure and Income		27,417	-	27,417	35,577	-	-	-	<b>62,994</b>	(578,803)	<b>(515,809)</b>
Adjustments between accounting basis & Funding basis under regulation	10	(41,218)	-	(41,218)	(32,352)	-	11,309	6,910	<b>(55,351)</b>	55,351	-
Transfers to/(from) Earmarked Reserves	11, 26	13,801	(13,801)	-	-	-	-	-	-	-	-
<b>Balance at 31st March 2022 carried forward</b>		<b>(15,000)</b>	<b>(342,013)</b>	<b>(357,013)</b>	<b>(32,532)</b>	<b>-</b>	<b>(105,489)</b>	<b>(69,121)</b>	<b>(564,155)</b>	<b>(1,595,034)</b>	<b>(2,159,189)</b>

## Movement in Reserves (continued)

2020/21		General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Previous Balance at 31st March 2020 brought forward</b>		<b>(15,000)</b>	<b>(244,434)</b>	<b>(259,434)</b>	<b>(32,825)</b>	<b>-</b>	<b>(110,441)</b>	<b>(66,628)</b>	<b>469,328</b>	<b>(1,317,779)</b>	<b>(1,787,107)</b>
<b>Restated Balance at 31st March 2020 brought forward</b>		<b>(15,000)</b>	<b>(244,434)</b>	<b>(259,434)</b>	<b>(32,825)</b>	<b>-</b>	<b>(110,441)</b>	<b>(66,628)</b>	<b>(469,328)</b>	<b>(1,328,161)</b>	<b>(1,797,489)</b>
Total Comprehensive Expenditure and Income		(40,852)		(40,852)	13,207				(27,645)	181,754	154,109
Adjustments between accounting basis & Funding basis under regulation	10	(42,926)		(42,926)	(16,139)		(6,357)	(9,403)	(74,825)	74,825	-
Transfers to/(from) Earmarked Reserves	11, 26	83,778	(83,778)	-					-		-
<b>Restated Balance at 31st March 2021 carried forward</b>		<b>(15,000)</b>	<b>(328,212)</b>	<b>(343,212)</b>	<b>(35,757)</b>	<b>-</b>	<b>(116,798)</b>	<b>(76,031)</b>	<b>(571,798)</b>	<b>(1,071,582)</b>	<b>(1,643,380)</b>

# Balance Sheet

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

The top of the Balance Sheet shows the Council's net assets. Assets include property, plant & equipment, intangible assets, amounts owed to the Council and the Council's cash and financial investments. Liabilities include amounts owed by the Council (including conditional funding received), provisions made in respect of future events (see Note 25), the Council's borrowing and the deficit on the Council's pension fund.

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

The Council has included a third balance sheet for the financial year ending 31st March 2020, as a result of the prior period adjustment referred to in Note 6.

Restated 31st March 2020 £000	Restated 31st March 2021 £000		Note	31st March 2022 £000
2,420,766	2,487,638	Property, Plant & Equipment	16	2,682,982
90,503	91,463	Heritage Assets	17	132,086
940	1,522	Intangible Assets	18	1,007
85,000	38,000	Long Term Investments	19	60,000
13,831	13,329	Long Term Debtors	21	13,003
<b>2,611,040</b>	<b>2,631,952</b>	<b>Long Term Assets</b>		<b>2,889,078</b>
153,712	168,439	Short Term Investments	19	142,053
2,100	1,847	Assets Held For Sale (<1 year)	23	19
2,747	2,811	Inventories	20	3,373
54,857	94,995	Short Term Debtors	21	77,970
59,043	102,791	Cash and Cash Equivalents	22	155,680
<b>272,459</b>	<b>370,883</b>	<b>Current Assets</b>		<b>379,095</b>

## Balance Sheet (continued)

Restated 31st March 2020 £000	Restated 31st March 2021 £000		Note	31st March 2022 £000
(34,046)	(13,744)	Short Term Borrowing	19	(13,960)
(137,653)	(173,656)	Short Term Creditors	24	(207,109)
(4,620)	(5,559)	Provisions (<1 year)	25	(5,825)
<b>(176,319)</b>	<b>(192,959)</b>	<b>Current Liabilities</b>		<b>(226,894)</b>
(12,524)	(8,663)	Provisions (>1 year)	25	(7,498)
(180,115)	(180,111)	Long Term Borrowing	19	(180,107)
(703,168)	(970,902)	Other Long Term Liabilities	19	(683,577)
(13,884)	(6,820)	Capital Grants Receipts in Advance	36	(10,908)
<b>(909,691)</b>	<b>(1,166,496)</b>	<b>Long Term Liabilities</b>		<b>(882,090)</b>
<b>1,797,489</b>	<b>1,643,380</b>	<b>Net Assets</b>		<b>2,159,189</b>
		<u>Represented by:</u>		
469,328	571,798	Usable Reserves	26	564,156
1,328,161	1,071,582	Unusable Reserves	27	1,595,033
<b>1,797,489</b>	<b>1,643,380</b>	<b>Total Reserves</b>		<b>2,159,189</b>



# Cash Flow Statement

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

<b>Restated 2020/21</b>		<b>2021/22</b>
<b>£000</b>	<b>Note</b>	<b>£000</b>
(27,643)	Net (surplus) or deficit on the provision of services	62,996
(136,167)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	28 (243,852)
109,569	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	28 98,994
<b>(54,241)</b>	<b>Net cash flows from Operating Activities</b>	<b>(81,862)</b>
(21,076)	Net cash flows from Investing Activities	29 28,640
31,569	Net cash flows from Financing Activities	30 334
<b>(43,748)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(52,888)</b>
59,043	Cash in hand / (overdraft) and cash equivalents at the beginning of the reporting period	102,791
<b>102,791</b>	<b>Cash in hand / (overdraft) and cash equivalents at the end of the reporting period</b>	<b>22 155,679</b>

# Explanatory Notes To The Core Financial Statements

# Note 1 Accounting Policies

## Changes in Accounting Policies

In 2021/22 the only change to our accounting policies has been to Highways Infrastructure assets as set out in the property plant and equipment section.

## Accounting Policies for 2021/22

### 1. General Principles

The Statement of Accounts summarises the City Council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. The Council is required to prepare an annual statement by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Figures within the Statement of Accounts may be adjusted by up to £2,000 to take account of rounding differences arising due to reporting figures in thousands (£000s)

### 2. Recognition of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the good or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed. Where supplies are held for future use they are shown as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded when the services are received rather than when payments are made
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts

may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 3. Cash and Cash Equivalents

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

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

### 4. Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service. Depreciation is calculated on opening Net Book Values

## Note 1 Accounting Policies (continued)

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

- Revaluation & impairment losses on assets used by the service where there were no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, the Council's policy is to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirements. This is known as "Minimum Revenue Provision" (MRP). The Council is also able to make additional voluntary MRP known as "Voluntary Set Aside" (VSA).

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

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

### 5. Council Tax & Non Domestic Rates

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

#### Accounting for Council Tax and NDR

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

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

### 6. Employee Benefits

#### Benefits payable during employment

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

## Note 1 Accounting Policies (continued)

### 6. Employee Benefits (continued)

#### Termination Benefits

Termination benefits are payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or the officer's decision to accept voluntary redundancy.

These costs are charged on an accrual basis to the Non Distributed Costs in the CIES when the Council is committed to the termination, or makes an offer to encourage voluntary redundancy.

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

#### Post-employment Benefits

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

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

- The NHS Pension Scheme (in relation to staff transferring from the NHS as part of the adoption of responsibility for public health), administered by the NHS Business Services Authority

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

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

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

- The liabilities of the Leicestershire County Council Pension Scheme attributable to Leicester City Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates,

employee turnover rates etc. and projections of future earnings for current employees.

- The assets of the Leicestershire County Council Pension fund attributable to Leicester City Council are included in the Balance Sheet at their fair value:
- The change in the net pensions liability between Balance Sheet dates is analysed into six components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the revenue accounts of services for which the employees worked.
  - Past service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the CIES as part of Non-Distributed Costs.
  - Net interest on the defined benefit liability – the net of the expected increase in the present value of liabilities over the year arising from the passage of time and the expected return on scheme assets discounted at the discount rate used for the liabilities. This is part of Financing & Investment Income & Expenditure.

## Note 1 Accounting Policies (continued)

### 6. Employee Benefits (continued)

#### Post-employment Benefits (continued)

- Gains/losses on settlements and curtailments – the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services as part of Non-Distributed Costs.
- Re-measurements of the net defined benefit obligation – this is the change in the net pensions liability over the year attributable to changes in demographic and financial assumptions
- Contributions paid to the Leicestershire County Council Pension Fund – cash paid as employer's contributions to the pension fund.

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

accounting on a cash basis rather than as the benefits are earned.

#### Discretionary Benefits

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

#### 7. Events after Balance Sheet date

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

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

reader's understanding, disclosure is made of the nature of the events and their estimated financial effect

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

### 8. Financial Instruments

#### Financial Liabilities

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

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

#### Financial Assets

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



## Note 1 Accounting Policies (continued)

### 8. Financial Instruments (continued)

#### Financial Assets (continued)

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

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

### 9. Government Grants and Contributions

#### *Grant Conditions*

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that future economic benefits or service potentials embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or returned to the payer.

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

#### *Acting as a principal or agent*

Grants are only recognised as income in the CIES, where the Council is acting as a principal. If the Council is acting as an intermediary, then the net balance of monies to either be repaid or due to the council, will be shown on the balance sheet.

It is deemed the Council is acting as a principal if they have control of a grant i.e. the ability to direct the use of and obtain substantially all of the remaining benefits from the grant.

### 10. Leases

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

A finance lease is one where the terms of the lease transfer substantially all the risks and

rewards incidental to ownership of property, plant or equipment from the lessor to the lessee.

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

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

#### *Council as Lessor*

Where the Council is a lessor and have granted a finance lease over property or equipment, which is considered material, the relevant asset is written out of the Balance Sheet. Rentals under such leases are apportioned between:

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

## Note 1 Accounting Policies (continued)

### 10. Leases (continued)

#### *Council as Lessee*

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

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

### 11. Property Plant and Equipment

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

#### *Recognition:*

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, subject to a de minimis limit of £10k so that small items of expenditure may be charged to revenue. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue.

#### *Measurement:*

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred during the construction period.

The cost of assets acquired other than by purchase, and donated assets, is deemed to be its current value. Gains are credited to the Revaluation Reserve and included in the Other Comprehensive Income and Expenditure line of the CIES.

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

- Council dwellings – current value using basis of existing use value for social housing.

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

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

Assets included in the Balance Sheet at current value are revalued annually. Annual valuations of council dwellings are carried out by a specialist external valuer.

## Note 1 Accounting Policies (continued)

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

#### *Impairment:*

The values of each category of asset and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified this is accounted for by charging the loss to the relevant service revenue account where it is clearly attributable to the consumption of economic benefit. Otherwise it is written off against previous revaluation gains attributable to the asset in the Revaluation Reserve, with any excess charges to the relevant service revenue account.

#### *Disposals:*

When it becomes probable that the carrying amount of an asset will be recovered from sale rather than through continued use, it is immediately revalued and reclassified as an Asset Held for Sale. The asset is then carried at the lower of that value and current value less costs to sell.

For assets that no longer meet the criteria of Assets Held For Sale they are reclassified back to non-current assets and valued back to their carrying value before being reclassified, adjusted for depreciation that would have been incurred.

When an asset is disposed of or de-commissioned, the value of the asset in the Balance Sheet is written off to the Other

Operating Expenditure line in the CIES as part of the gain or loss on disposal.

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

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

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

The written-off value of disposals is not charged against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

#### *Depreciation:*

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

Depreciation is calculated on the following bases:

- Council dwellings – dividing the buildings element of the valuation (i.e. current less an adjustment for social housing) by the residual life (25-75 years) of the property.
- Other buildings - straight-line allocation over the life of the property as estimated by the valuer.
- Vehicles – on a straight-line basis over 5-7 years.
- Plant and Equipment – straight-line over the estimated life of the asset.

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.

## Note 1 Accounting Policies (continued)

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

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

Schools:

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

Where schools become Academies, the Council retains legal title to the assets of the school but transfers the economic benefits and service potential of those assets to the Academy by way of a long lease. The Council therefore derecognises those assets from its Balance

Sheet in line with the Code of Practice's provisions on leasing.

#### Heritage Assets

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

The carrying amounts in the Balance Sheet of all the assets (i.e. other than museum exhibits and assets held at nominal current value) are reviewed as part of the on-going revaluation programme undertaken by the Council. Where there is evidence of impairment, such as physical deterioration, that impairment will be recognised and measured in accordance with the Council's general policies on impairment; see paragraph 17 – Property, Plant and Equipment on impairment.

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

The Council may dispose of heritage assets which have a doubtful provenance or are unsuitable for display. Proceeds of such items will be disclosed separately in the notes to the financial statements and will be accounted for in accordance with the statutory requirements relating to capital expenditure and capital receipts; see Note 16 – Property, Plant and Equipment.

Heritage Assets are not depreciated.

#### Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, traffic management systems and land which together form a single integrated network.

#### Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits will flow to the authority and the cost can be measured reliably.

#### Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums

## Note 1 Accounting Policies (continued)

borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

### Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Highways Department using industry standards where applicable as follows:

Part of the highways network	Useful life (Years)
Carriageways	25
Footways and cycleways	25
Structures	120
Street Lighting	40
Traffic Management	20

### Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also 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).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

### 12. Private Finance Initiatives

PFI, and similar contracts, are agreements to receive services which may include the requirement to provide assets by the supplier in the delivery of the service. As the Council is deemed to control the service, and ownership of the property will pass to the Council at the end of the contract with no extra charge, the Council carries the value of the asset on its Balance Sheet as part of Property, Plant and Equipment.

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

The amounts payable to the PFI contractor each year comprise:

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



## Note 1 Accounting Policies (continued)

### 13. Provisions, Contingent Liabilities and Assets

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by transfer of economic benefits and a reliable estimate can be made to the amount of the obligation.

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

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

### 14. Reserves

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

Balance.

Certain unusable reserves are kept to manage the accounting process for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in further detail in Note 26 to the accounts.

### 15. Revenue Expenditure Funded from Capital Under Statute

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

### 16. Schools

Where the Council determines that the overall balance of control of schools lies within the Council those schools' assets, liabilities, reserves and cash flows are recognised in the Council financial statements. Therefore, schools' transactions, cash flows and balances are recognised in the Financial Statements of the Council as if they were the transactions, cash flows and balances of the Council. Academies and other schools such as voluntary aided

schools, where control does not lie with the council, are excluded from the Council's financial statements.

### 17. VAT

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

### 18. Prior Period Adjustments, changes in accounting policies and estimates and errors

Prior Period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.



## Note 2 Expenditure & Funding Analysis

The expenditure and funding analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

2021/22	Net Expenditure Charged to the HRA & General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure on the Comprehensive Income & Expenditure Statement
	£000	£000	£000
City Development & Neighbourhoods	56,430	57,528	113,958
Housing Revenue Account (HRA)	(6,154)	28,256	22,102
Adult Social Care	94,665	5,408	100,073
Health Improvement & Wellbeing	(2,433)	1,292	(1,141)
Education & Children's Services	66,231	41,876	108,107
Corporate Resources & Support	16,693	6,123	22,816
Housing Benefits	(939)	-	(939)
Corporate Items	8,189	(12,689)	(4,500)
Capital Financing	(517)	-	(517)
<b>Cost of Services</b>	<b>232,165</b>	<b>127,794</b>	<b>359,959</b>
Other Operating Expenditure	1,478	30,199	31,677
Financing and Investment Income and Expenditure	27,652	3,948	31,600
Taxation and Non-Specific Grant Income	(271,869)	(88,371)	(360,240)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(10,574)</b>	<b>73,570</b>	<b>62,996</b>
<b>Movement in Balances</b>	<b>General Fund / Earmarked Reserves</b>	<b>HRA</b>	<b>Total</b>
Opening Balance	(343,212)	(35,757)	(378,969)
Surplus or Deficit in the Year	(13,799)	3,225	(10,574)
<b>Closing Balance</b>	<b>(357,011)</b>	<b>(32,532)</b>	<b>(389,543)</b>

## Note 2 Expenditure & Funding Analysis (continued)

2020/21	Net Expenditure Charged to the HRA & General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure on the Comprehensive Income & Expenditure Statement
	£000	£000	£000
City Development & Neighbourhoods	62,475	60,645	123,120
Housing Revenue Account (HRA)	(11,942)	12,966	1,024
Adult Social Care	96,086	2,723	98,809
Health Improvement & Wellbeing	(6,039)	438	(5,601)
Education & Children's Services	52,271	33,787	86,058
Corporate Resources & Support	30,635	2,215	32,850
Housing Benefits	(1,353)	-	(1,353)
Corporate Items	11,495	(14,584)	(3,089)
Capital Financing	(517)	-	(517)
<b>Cost of Services</b>	<b>233,111</b>	<b>98,190</b>	<b>331,301</b>
Other Operating Expenditure	(409)	(556)	(965)
Financing and Investment Income and Expenditure	27,430	894	28,324
Taxation and Non-Specific Grant Income	(346,842)	(39,461)	(386,303)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(86,710)</b>	<b>59,067</b>	<b>(27,643)</b>
	<b>General Fund / Earmarked Reserves</b>	<b>HRA</b>	<b>Total</b>
Opening Balance	(259,434)	(32,825)	(292,259)
Surplus or Deficit in the Year	(83,777)	(2,932)	(86,709)
<b>Closing Balance</b>	<b>(343,211)</b>	<b>(35,757)</b>	<b>(378,968)</b>

## Note 3 Accounting Standards Issued But Not Yet Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

**Annual Improvements to IFRS Standards 2018–2020** notes 3 changed standards. These are:

- **IFRS1 (First-time adoption)** - amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
- **IAS 37 (Onerous contracts)** - clarifies the intention of the standard.
- **IAS 41 (Agriculture)** - the amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

**Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)** amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any

proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

These changes are not envisaged to have a significant affect on our accounts when implemented from 1st April 2022.

## Note 4 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

### Accounts prepared on a going concern basis

These accounts have been prepared on a going concern basis. The concept of a going concern assumes that an organisation, its functions and services will continue in operational existence for the foreseeable future. However, there is a high degree of uncertainty about future levels of funding for local government and the future national economic outlook. The Council's management has used its judgement and determined that its financial strategy is robust and that this uncertainty is not yet sufficient to affect the assumptions underpinning the strategy and that the Council will continue as a going concern.

### Recognition of School Assets

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

that transfer to academies are written out of the balance sheet in the year in which transfer of school management takes place.

### Property, Plant and Equipment

The Property, Plant and Equipment figure disclosed on the Balance Sheet includes 2 maintained schools that the council has substantial control over, but does not legally own. If these schools were omitted it would reduce the long term assets figure by £19.4m.

## Note 5 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment (Value - £2.7bn) (Depreciation - £120m) Refer to Note 16.	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.	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 £3m for every year that useful lives had to be reduced.
Fair Value Measurements (Surplus Assets - £77m) Refer to Note 16.	Some property (surplus) assets are held at Fair Value (see Accounting Policies & Notes 16 for more information). When there is no quoted market value for an asset, the Council applies other valuation methods in accordance with the Code of Practice and the underlying IFRS 13 standard, but these may incorporate elements of judgement around risks and the basis of assumptions.	It is not possible to quantify the level of variance that may arise if assumptions used differ from actual asset values. The Council is confident, however, that the risk of any variance will not affect the Council's financial strategy.  An increase of 5% in the overall valuation would result in an increase in value of £3.5m.

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Pensions Liability (Pension liability - £590m)  Refer to Note 43.</p>	<p>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.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. The actuaries have advised that a 0.1% decrease in the Real Discount Rate would mean a 2.0% increase to the employers liability amounting to approximately £47m. A 0.1% increase in the Pension Increase rate (CPI) would mean a 2.0% increase to the employers' liability amounting to £42m. A 0.1% increase in the projected rate of salary increase would lead to an increased liability of 0.2% or £4m. A 1 year increase in life expectancy would mean an increase to the employers' liability of 4% or £94m.</p>



## Note 6 Prior Period Adjustment

The Council has been required to make a prior period adjustment in relation to Property, Plant and Equipment. The adjustment removes the impact of incorrectly valued DRC assets in prior financial years. This has no effect on the Council's financial position and is just an accounting adjustment.

The effect on the main statements are shown in this note.

Other notes amended to reflect restated 2019/20 and 2020/21 figures include notes 2, 9, 10, 12, 15, 16, 17, 27 & 28.

The fully restated balance sheet is shown on page 25. The adjustments made are shown in the following tables;

### Effect on line items in the Balance Sheet 31st March 2020

	31st March 2020	31st March 2020	
	As Originally Stated	As Restated	Amount of Restatement
	£000	£000	£000
Property, Plant & Equipment	2,410,395	2,420,766	10,371
Heritage Assets	90,491	90,503	12
<b>Long Term Assets</b>	<b>2,600,657</b>	<b>2,611,040</b>	<b>10,383</b>
<b>Current Assets</b>	<b>272,459</b>	<b>272,459</b>	-
<b>Current Liabilities</b>	<b>(176,319)</b>	<b>(176,319)</b>	-
<b>Long Term Liabilities</b>	<b>(909,691)</b>	<b>(909,691)</b>	-
<b>Net Assets</b>	<b>1,787,106</b>	<b>1,797,489</b>	<b>10,383</b>
<u>Represented by:</u>			
Usable Reserves	469,328	469,328	-
Unusable Reserves	1,317,778	1,328,161	10,383
<b>Total Reserves</b>	<b>1,787,106</b>	<b>1,797,489</b>	<b>10,383</b>

## Note 6 Prior Period Adjustment (continued)

### Effect on line items in the Balance Sheet 31st March 2021

	31st March 2021	31st March 2021	
	As Originally Stated	As Restated	Amount of Restatement
	£000	£000	£000
Property, Plant & Equipment	2,467,179	2,487,638	20,459
Heritage Assets	91,439	91,463	24
<b>Long Term Assets</b>	<b>2,611,469</b>	<b>2,631,952</b>	<b>20,483</b>
<b>Current Assets</b>	<b>370,883</b>	<b>370,883</b>	<b>-</b>
<b>Current Liabilities</b>	<b>(192,959)</b>	<b>(192,959)</b>	<b>-</b>
<b>Long Term Liabilities</b>	<b>(1,166,496)</b>	<b>(1,166,496)</b>	<b>-</b>
<b>Net Assets</b>	<b>1,622,897</b>	<b>1,643,380</b>	<b>20,483</b>
<u>Represented by:</u>			
Usable Reserves	571,798	571,798	-
Unusable Reserves	1,051,099	1,071,582	20,483
<b>Total Reserves</b>	<b>1,622,897</b>	<b>1,643,380</b>	<b>20,483</b>

## Note 6 Prior Period Adjustment (continued)

The fully restated Comprehensive Income Expenditure Statement is shown on page 21, the adjustments made in 2020/21 are shown in the table below;

### Effect on Comprehensive Income and Expenditure Statement 2020/21

	2020/21	2020/21	
	As Originally Stated	As Restated	Amount of Restatement
	£000	£000	£000
City Development & Neighbourhoods	123,250	123,120	130
Adult Social Care	98,807	98,809	(2)
Education & Children's Services	85,924	86,058	(134)
<b>Cost of Services</b>	<b>331,295</b>	<b>331,301</b>	<b>(6)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(27,649)</b>	<b>(27,643)</b>	<b>(6)</b>
Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets	(53,456)	(63,561)	10,105
Remeasurement of the Net Defined Benefit Liability	245,315	245,315	-
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>164,210</b>	<b>154,111</b>	<b>10,099</b>

## Note 6 Prior Period Adjustment (continued)

The fully restated Movement Reserves Statement is shown on page 23. The adjustments in 2020/21 and are shown in the table below;

### Movement in Reserves Statement - Usable Reserves 2020/21

	2020/21	2020/21	Amount of Restatement
	As Originally Stated	As Restated	
	£000	£000	
<b>Balance at the end of the previous reporting period 31st March 2020</b>	<b>(469,328)</b>	<b>(469,328)</b>	<b>-</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(27,649)</b>	<b>(27,645)</b>	<b>(4)</b>
Adjustments between accounting basis and funding basis under regulations	(74,821)	(74,825)	4
<b>Balance at the end of the current reporting period 31st March 2021</b>	<b>(571,798)</b>	<b>(571,798)</b>	<b>-</b>

### Movement in Reserves Statement - Unusable Reserves 2020/21

	2020/21	2020/21	Amount of Restatement
	As Originally Stated	As Restated	
	£000	£000	
<b>Balance at the end of the previous reporting period 31st March 2020</b>	<b>(1,317,779)</b>	<b>(1,328,161)</b>	<b>10,382</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>191,859</b>	<b>181,754</b>	<b>10,105</b>
Adjustments between accounting basis and funding basis under regulations	74,821	74,825	(4)
<b>Balance at the end of the current reporting period 31st March 2021</b>	<b>(1,051,099)</b>	<b>(1,071,582)</b>	<b>20,483</b>

## Note 6 Prior Period Adjustment (continued)

The fully restated Cashflow is shown on page 27. Adjustments in 2020/21 are shown in the table below;

	31st March 2021	31st March 2021	
	As Originally Stated	As Restated	Amount of Restatement
	£000	£000	£000
Net (surplus) or deficit on the provision of services	(27,649)	(27,643)	(6)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(136,161)	(136,167)	6
Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	109,569	109,569	-
<b>Net cash flows from Operating Activities</b>			-
Net cash flows from Investing Activities	(21,076)	(21,076)	-
Net cash flows from Financing Activities	31,569	31,569	-
<b>Net (increase) or decrease in cash and cash equivalents</b>			-
Cash in hand / (overdraft) and cash equivalents at the beginning of the reporting period	59,043	59,043	-
<b>Cash in hand / (overdraft) and cash equivalents at the end of the reporting period</b>			-

## Note 7 Material Items of Income and Expense

In 2021/22 there continues to be a material change in how income is generated due to the pandemic. The Council has received additional Government grants, which are reflected in Note 36.

Furthermore, there has been an extensive business rates relief scheme, meaning that the collection fund deficit is higher compared to previous years. However, Government have provided some grants to offset the deficits and these are held separately in an Earmarked Reserve in Note 11.

Additionally in 2021/22, one of the exhibits at a City Council museum saw a significant increase in insurance value, going from £4.5m to £45m. This is as a result of a recent auction sale of a similar exhibit by the same artist. This revaluation is reflected in Note 17 Heritage Assets.

## Note 8 Events After the Balance Sheet Date

There were no significant events at the time of publishing the draft accounts.

## Note 9 Note to the Expenditure and Funding Analysis

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

2021/22	Adjustments Between Accounting & Funding Basis					Net Expenditure Charged to the HRA & General Fund Balance
	Net Expenditure on the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes	Adjustments for Defined Benefit Pensions	Other Adjustments	Total	
	£000	£000	£000	£000	£000	
City Development & Neighbourhoods	113,958	(47,689)	(10,147)	308	(57,528)	56,430
Housing Revenue Account (HRA)	22,102	(24,028)	(4,676)	448	(28,256)	(6,154)
Adult Social Care	100,073	(909)	(4,574)	75	(5,408)	94,665
Health Improvement & Wellbeing	(1,141)	(3)	(1,305)	16	(1,292)	(2,433)
Education & Children's Services	108,107	(22,751)	(14,563)	(4,562)	(41,876)	66,231
Corporate Resources & Support	22,816	(365)	(5,888)	130	(6,123)	16,693
Housing Benefits	(939)				-	(939)
Corporate Items	(4,500)	7,928	4,500	261	12,689	8,189
Capital Financing	(517)				-	(517)
<b>Cost of Services</b>	<b>359,959</b>	<b>(87,817)</b>	<b>(36,653)</b>	<b>(3,324)</b>	<b>(127,794)</b>	<b>232,165</b>
Other Operating Expenditure	31,677	(30,199)			(30,199)	1,478
Financing and Investment Income and Expenditure	31,600	13,814	(17,762)		(3,948)	27,652
Taxation and Non-Specific Grant Income	(360,240)	70,465		17,906	88,371	(271,869)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>62,996</b>	<b>(33,737)</b>	<b>(54,415)</b>	<b>14,582</b>	<b>(73,570)</b>	<b>(10,574)</b>



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

Restated 2020/21	Adjustments Between Accounting & Funding Basis					Net Expenditure Charged to the HRA & General Fund Balance
	Net Expenditure on the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes	Adjustments for Defined Benefit Pensions	Other Adjustments	Total	
	£000	£000	£000	£000	£000	
City Development & Neighbourhoods	123,120	(57,061)	(3,057)	(526)	(60,644)	62,476
Housing Revenue Account (HRA)	1,024	(11,696)	(1,352)	82	(12,966)	(11,942)
Adult Social Care	98,809	(1,101)	(1,403)	(219)	(2,723)	96,086
Health Improvement & Wellbeing	(5,601)	(77)	(335)	(26)	(438)	(6,039)
Education & Children's Services	86,058	(31,016)	(3,430)	659	(33,787)	52,271
Corporate Resources & Support	32,850	(156)	(1,716)	(343)	(2,215)	30,635
Housing Benefits	(1,353)				-	(1,353)
Corporate Items	(3,089)	14,031	292	261	14,584	11,495
Capital Financing	(517)				-	(517)
<b>Cost of Services</b>	<b>331,301</b>	<b>(87,076)</b>	<b>(11,001)</b>	<b>(112)</b>	<b>(98,189)</b>	<b>233,112</b>
Other Operating Expenditure	(965)	556			556	(409)
Financing and Investment Income and Expenditure	28,324	13,033	(13,927)		(894)	27,430
Taxation and Non-Specific Grant Income	(386,303)	75,228		(35,768)	39,461	(346,842)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(27,643)</b>	<b>1,741</b>	<b>(24,928)</b>	<b>(35,880)</b>	<b>(59,066)</b>	<b>(86,709)</b>

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

### Adjustments for Capital Purposes

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

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

### Net Change for Pensions Adjustments

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

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

### Other Adjustments

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

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

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

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

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

Adjustment	2021/22					Movment in Unusable Reserves £000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:						
Charges for depreciation, capital expenditure not adding value and amortisation of non-current assets	(56,959)	(42,037)	-	-	-	<b>98,996</b>
Revaluation gains/(losses) on Property Plant and Equipment	1,020	(128)	-	-	-	<b>(892)</b>
Capital grants and contributions applied	83,924	25	-	-	-	<b>(83,949)</b>
Capital expenditure funded from revenue	151	-	-	-	-	<b>(151)</b>
Revenue expenditure funded from capital under statute	(14,592)	(489)	-	-	-	<b>15,081</b>
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	(30,494)	(19,309)	-	-	-	<b>49,803</b>
Income recognised in respect of donated assets	-	-	-	-	-	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:</b>						
Statutory provision for the financing of capital investment	12,867	947	-	-	-	<b>(13,814)</b>
Voluntary provision for the financing of capital expenditure	92	-	-	-	-	<b>(92)</b>
Capital expenditure charged against the General Fund and HRA balances	-	5,921	-	-	-	<b>(5,921)</b>
<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	5,373	16,589	(21,962)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	30,942	-	-	<b>(30,942)</b>
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(250)	(404)	654	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,703)	-	1,703	-	-	-

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

Adjustment Continued	2021/22					
	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	-	-	(28)	-	-	28
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(50)	-	-	-	-	50
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Transfer of HRA depreciation costs to Major Repairs Reserve	-	12,680	-	(12,680)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	12,680	-	(12,680)
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	73,937	-	-	-	(73,937)	-
Application of grants to capital financing credited to the Capital Adjustment Account	(80,847)	-	-	-	80,847	-
<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	261	360	-	-	-	(621)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(94,256)	(13,001)	-	-	-	107,257
Employer's pensions contributions and direct payments to pensioners payable in the year	46,436	6,405	-	-	-	(52,841)
<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	17,906	-	-	-	-	(17,906)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(390)	89	-	-	-	301
<b>Adjustment primarily involving Earmarked Reserves:</b>						
Transfers from the General Fund and Housing Revenue Account to Earmarked Reserves	-	-	-	-	-	-
Transfers to the General Fund and Housing Revenue Account from Earmarked Reserves	-	-	-	-	-	-
<b>Adjustment primarily involving DSG Deficit:</b>						
School budget deficit transferred from General Fund in accordance with statutory requirements	(3,643)	-	-	-	-	3,643
<b>Total Adjustments</b>	<b>(41,217)</b>	<b>(32,352)</b>	<b>11,309</b>	<b>-</b>	<b>6,910</b>	<b>(55,350)</b>

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

Adjustment	Restated 2020/21					Movemnt in Unusable Reserves £000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:						
Charges for depreciation, capital expenditure not adding value and amortisation of non-current assets	(78,785)	(25,543)	-	-	-	104,328
Revaluation gain/(losses) on Property Plant and Equipment	2,895	3	-	-	-	(2,898)
Capital grants and contributions applied	77,134	25	-	-	-	(77,159)
Capital expenditure funded from revenue	2,418	-	-	-	-	(2,418)
Revenue expenditure funded from capital under statute	(13,907)	-	-	-	-	13,907
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,987)	(11,212)	-	-	-	20,199
Income recognised in respect of donated assets	10	-	-	-	-	(10)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:</b>						
Statutory provision for the financing of capital investment	12,368	667	-	-	-	(13,035)
Voluntary provision for the financing of capital expenditure	680	-	-	-	-	(680)
Capital expenditure charged against the General Fund and HRA balances	-	1,682	-	-	-	(1,682)
<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	13,943	9,029	(22,972)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	14,691	-	-	(14,691)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(250)	(265)	515	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,703)	-	1,703	-	-	-

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

Adjustment Continued	2020/21					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movemt in Unusable Reserves £000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(293)	-	-	293
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Transfer of HRA depreciation costs to Major Repairs Reserve	-	12,137	-	(12,137)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	12,137	-	(12,137)
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	84,277	-	-	-	(84,277)	-
Application of grants to capital financing credited to the Capital Adjustment Account	(74,873)	-	-	-	74,873	-
<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	261	359	-	-	-	(620)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(66,479)	(8,220)	-	-	-	74,699
Employer's pensions contributions and direct payments to pensioners payable in the year	44,294	5,477	-	-	-	(49,771)
<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	(35,768)	-	-	-	-	35,768
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(455)	(278)	-	-	-	733
<b>Total Adjustments</b>	<b>(42,927)</b>	<b>(16,139)</b>	<b>(6,356)</b>	<b>-</b>	<b>(9,404)</b>	<b>74,826</b>

## Note 11 - Movement in 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. Additional information on the earmarked reserves can be found in the Council's outturn report.

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

2021/22	Balance at 31st March 2021	Transfers In 2021/22	Transfers Out 2021/22	Balance at 31st March 2022
	£000	£000	£000	£000
<b>Ring-fenced Reserves</b>				
DSG not delegated to schools	1,433	-	(1,433)	-
School Balances	24,108	8,937	(2,950)	30,095
School Capital Fund	2,753	3	(265)	2,491
Education & Skills Funding Agency Learning Programmes	1,112	108	(249)	971
Arts Council National Portfolio Organisation Funding	845	-	(526)	319
NHS Joint Working Projects	9,420	15,866	(273)	25,013
Schools Buy Back	2,429	-	(514)	1,915
Business Support Grants	2,722	-	(2,722)	-
Covid-19 Collection Fund Compensation Grants*	25,720	14,752	(27,075)	13,397
<b>Total Ring-fenced Reserves</b>	<b>70,542</b>	<b>39,666</b>	<b>(36,007)</b>	<b>74,201</b>
<b>Corporate Reserves</b>				
Capital Programme Reserve	97,588	2,497	(1,251)	98,834
Managed Reserves Strategy	70,261	30,310	(17,301)	83,270
BSF Financing	8,638	1,457	(1,061)	9,034
Insurance Fund	10,608	887	-	11,495
Severance Fund	4,827	-	-	4,827
Service Transformation Fund	5,867	-	(672)	5,195
Welfare Reserve	3,429	428	(1,306)	2,551
Anti- Poverty Reserve	3,000	-	-	3,000
Other Corporate Reserves	973	-	(973)	-
<b>Total Corporate Reserves</b>	<b>205,190</b>	<b>35,579</b>	<b>(22,563)</b>	<b>218,206</b>
<b>Earmarked Reserves Departmental</b>				
Financial Services Reserve	3,670	2,815	(1,366)	5,119
ICT Development Fund	8,436	2,163	(119)	10,480
Delivery, Communications & Political Governance	3,477	323	(1,360)	2,440
Housing	2,358	723	(279)	2,802
City Development (Excl Housing)	11,302	3,432	(2,062)	12,672
Social Care Reserve	18,482	4,480	(12,964)	9,998
Health & Wellbeing Division	4,291	1,480	(140)	5,631
Other Departmental Reserves	464	-	-	464
<b>Total Other Reserves</b>	<b>52,480</b>	<b>15,416</b>	<b>(18,290)</b>	<b>49,606</b>
<b>Total Earmarked Reserves</b>	<b>328,212</b>	<b>90,661</b>	<b>(76,860)</b>	<b>342,013</b>

\*Covid-19 Collection Fund Compensation/Grants reserve contains government grant received in relation to collection fund deficits that will be realised in future years.



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

2020/21	Balance at 31st March 2020	Transfers In 2020/21	Transfers Out 2020/21	Balance at 31st March 2021
	£000	£000	£000	£000
<b>Ring-fenced Reserves</b>				
DSG not delegated to schools	5,577	171	(4,315)	1,433
School Balances	14,955	10,352	(1,199)	24,108
School Capital Fund	2,750	3	-	2,753
Education & Skills Funding Agency Learning Programmes	863	249	-	1,112
Arts Council National Portfolio Organisation Funding	822	23	-	845
Schools Buy Back	2,486	-	(57)	2,429
Business Support Grants	-	2,722	-	2,722
Covid-19 Collection Fund Compensation Grants*	-	25,720	-	25,720
<b>Total Ring-fenced Reserves</b>	<b>27,453</b>	<b>39,240</b>	<b>(5,571)</b>	<b>61,122</b>
<b>Corporate Reserves</b>				
Capital Programme Reserve	57,591	44,090	(4,094)	97,587
Managed Reserves Strategy	66,808	15,830	(12,377)	70,261
Pandemic Reserve	10,849	-	(10,849)	-
BSF Financing	7,493	1,335	(190)	8,638
Insurance Fund	8,519	2,089	-	10,608
Severance Fund	4,821	6	-	4,827
Service Transformation Fund	3,730	2,655	(518)	5,867
Welfare Reserve	5,505	1,589	(665)	6,429
Other Corporate Reserves	4,604	777	(729)	4,652
<b>Total Corporate Reserves</b>	<b>169,920</b>	<b>68,371</b>	<b>(29,422)</b>	<b>208,869</b>
<b>Earmarked Reserves Departmental</b>				
Financial Services Reserve	4,070	700	(1,718)	3,052
ICT Development Fund	6,265	3,171	(1,000)	8,436
Delivery, Communications & Political Governance	4,550	576	(1,649)	3,477
Housing	2,118	332	(92)	2,358
City Development (Excl Housing)	5,308	4,944	(870)	9,382
Social Care Reserve	17,142	304	(105)	17,341
Health & Wellbeing Division	4,088	1,490	(1,287)	4,291
NHS Joint Working Projects	2,483	7,079	(142)	9,420
Other Departmental Reserves	1,037	-	(573)	464
<b>Total Other Reserves</b>	<b>47,061</b>	<b>18,596</b>	<b>(7,436)</b>	<b>58,221</b>
<b>Total Earmarked Reserves</b>	<b>244,434</b>	<b>126,207</b>	<b>(42,429)</b>	<b>328,212</b>

## Note 12 Other Operating Expenditure

	2020/21	2021/22
	£000	£000
Payments to the government Housing Capital Receipts Pool	1,703	1,703
Total (gains)/losses on the disposal of non-current assets	(2,258)	28,546
Other operating income and expenditure	(410)	1,428
<b>Total</b>	<b>(965)</b>	<b>31,677</b>

## Note 13 Financing and Investment Income & Expenditure

	2020/21	2021/22
	£000	£000
Interest payable and similar charges	17,248	15,834
Pensions interest cost and expected return on pensions assets	13,927	17,762
Interest receivable and similar income	(2,851)	(1,996)
<b>Total</b>	<b>28,324</b>	<b>31,600</b>

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

	2020/21	2021/22
	£000	£000
Council Tax income	(118,242)	(128,881)
Non-domestic rates	(72,412)	(90,577)
Non-ringfenced government grant Income (Note 1)	(141,093)	(77,921)
Non-ringfenced government grant Expenditure (Note 2)	20,682	7,603
Capital grants and contributions	(75,228)	(70,464)
Donated Assets	(10)	-
<b>Total</b>	<b>(386,303)</b>	<b>(360,240)</b>

(Note 1) The £63m reduction in Non-ringfenced government grant income is due to less pandemic related grants being received from government in 21/22.

(Note 2) This line is Covid-19 related grant expenditure in the form of Business Support and Local Council Tax Support grants.

## Note 15 Expenditure and Income Analysed by Nature

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

	Restated 2020/21	2021/22
	£000	£000
<b>Expenditure</b>		
Employee Benefit Expenses	399,812	436,976
Other Services expenses	512,860	526,993
Depreciation, amortisation, impairment	104,328	98,996
Interest Payments	31,175	33,596
Precepts & Levies	88	88
Payments to Housing Capital Receipts pool	1,703	1,703
(Gain)/ Loss on the Disposal of Assets	(2,258)	28,546
<b>Total Expenditure</b>	<b>1,047,708</b>	<b>1,126,898</b>
<b>Income</b>		
Fees, charges and other service income	(112,846)	(182,564)
Interest & Investment Income	(2,851)	(1,996)
Income from Council Tax, non domestic rates	(190,654)	(219,457)
Government grants & contributions	(769,000)	(659,887)
<b>Total Income</b>	<b>(1,075,351)</b>	<b>(1,063,904)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(27,643)</b>	<b>62,995</b>

## Note 16 Property, Plant and Equipment - Movement on Balances in 2021/22

The first table in this note illustrates the change in the value of the Council's property, plant and equipment assets during 2021/22. The following tables provide additional detail on the basis for valuations of these assets and future capital expenditure already committed.

Movements on Balances in 2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
Restated at 1st April 2021	1,062,545	1,083,679	106,720	1,322	2,239	68,829	5,214	<b>2,330,548</b>	145,285
Additions	49,447	41,026	6,763	-	997	1,909	8,616	<b>108,758</b>	540
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	99,506	65,112	(792)	(11)	628	150	-	<b>164,593</b>	9,254
Revaluation Increases/(Decreases) not recognised in the Revaluation Reserve	(28,967)	(13,341)	(220)	(42)	(996)	(536)	(162)	<b>(44,264)</b>	(14)
De-recognition – disposals	(19,492)	(25,068)	(35,549)	-	(288)	(378)	-	<b>(80,775)</b>	(5,604)
De-recognition – other								-	
Assets reclassified (to)/from Held for Sale	-	1,916	-	-	-	-	-	<b>1,916</b>	-
Asset reclassified (other)	(1,672)	59	-	-	-	6,829	(5,216)	-	-
Other movements in cost or valuation								-	
<b>As at 31st March 2022</b>	<b>1,161,367</b>	<b>1,153,383</b>	<b>76,922</b>	<b>1,269</b>	<b>2,580</b>	<b>76,803</b>	<b>8,452</b>	<b>2,480,776</b>	<b>149,461</b>

## Note 16 Property, Plant and Equipment - Movement on Balances in 2021/22 (continued)

Movements on Balances in 2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation &amp; Impairment</b>									
Restated at 1st April 2021	-	(16)	(56,306)	(238)	-	-	-	<b>(56,560)</b>	(11,027)
Depreciation Charge	(11,456)	(25,223)	(8,934)	(17)	(39)	(79)	-	<b>(45,748)</b>	(6,191)
Depreciation written out to the Revaluation Reserve	11,273	23,137	3,625	-	34	30	-	<b>38,099</b>	4,074
Depreciation written out to the Surplus/Deficit on the provision of services	-	1,509	-	-	-	49	-	<b>1,558</b>	-
De-recognition – disposals	183	565	32,134	-	5	-	-	<b>32,887</b>	5,604
Assets reclassified to/(from) Held for Sale	-	-	-	-	-	-	-	-	-
<b>As at 31st March 2022</b>	-	<b>(28)</b>	<b>(29,481)</b>	<b>(255)</b>	-	-	-	<b>(29,764)</b>	<b>(7,540)</b>
<b>Net Book Value as at 31st March 2022</b>	<b>1,161,367</b>	<b>1,153,355</b>	<b>47,441</b>	<b>1,014</b>	<b>2,580</b>	<b>76,803</b>	<b>8,452</b>	<b>2,451,012</b>	<b>141,921</b>
Restated as at 1st April 2021	1,062,545	1,083,662	50,414	1,085	2,239	68,830	5,214	<b>2,273,989</b>	134,258



## Note 16 Property, Plant and Equipment - Movement on Balances in 2020/21

Comparative Movements Restated 20/21	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
Restated at 1st April 2020	1,001,516	1,090,055	100,599	1,370	4,302	73,638	3,020	<b>2,274,500</b>	139,430
Additions	40,856	24,439	11,401	-	183	3,168	4,692	<b>84,739</b>	11,301
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	43,840	(22,603)	(3,540)	-	(82)	326	-	<b>17,941</b>	(5,445)
Revaluation Increases/(Decreases) not recognised in the Revaluation Reserve	(12,455)	(8,137)	(38)	-	(842)	(1,919)	(2,498)	<b>(25,889)</b>	
De-recognition – disposals	(11,212)	(856)	(1,702)	-	(4)	(6,083)	-	<b>(19,857)</b>	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	(246)	-	<b>(246)</b>	-
Asset reclassified (other)	-	781	-	(48)	(1,318)	(55)	-	<b>(640)</b>	-
<b>As at 31st March 2021</b>	<b>1,062,545</b>	<b>1,083,679</b>	<b>106,720</b>	<b>1,322</b>	<b>2,239</b>	<b>68,829</b>	<b>5,214</b>	<b>2,330,548</b>	<b>145,286</b>

## Note 16 Property, Plant and Equipment - Movement on Balances in 2020/21 (continued)

Comparative Movements Restated 20/21	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation &amp; Impairment</b>									
Restated at 1st April 2020	-	(6,668)	(54,590)	(220)	-	(26)	-	<b>(61,504)</b>	(15,879)
Depreciation Charge	(10,884)	(25,043)	(7,473)	(17)	(29)	(37)	-	<b>(43,483)</b>	(4,812)
Depreciation written out to the Revaluation Reserve	10,884	29,679	4,131	-	29	54	-	<b>44,777</b>	9,663
Depreciation written out to the Surplus/Deficit on the provision of services	-	1,958	-	-	-	9	-	<b>1,967</b>	-
De-recognition – disposals	-	57	1,626	-	-	1	-	<b>1,684</b>	-
Assets reclassified to/(from) Held for Sale	-	-	-	-	-	-	-	<b>-</b>	-
<b>As at 31st March 2021</b>	-	<b>(17)</b>	<b>(56,306)</b>	<b>(237)</b>	-	<b>1</b>	-	<b>(56,559)</b>	<b>(11,028)</b>
<b>Net Book Value as at 31st March 2021</b>	<b>1,062,545</b>	<b>1,083,662</b>	<b>50,414</b>	<b>1,085</b>	<b>2,239</b>	<b>68,830</b>	<b>5,214</b>	<b>2,273,989</b>	<b>134,258</b>
Restated as at 1st April 2020	1,001,516	1,083,253	46,009	1,150	4,302	73,612	3,020	<b>2,212,862</b>	123,551

## Note 16 Property, Plant and Equipment - Highways Infrastructure Assets

### Highways Infrastructure Assets - Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has determined in accordance with Regulation [30M England] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

	2020/21	2021/22
	£000	£000
<b>Net book value (modified historical cost)</b>		
at 1 April	207,905	213,650
Additions	38,212	28,336
Depreciation	(7,092)	(10,016)
Other movement	(25,375)	-
<b>Net book value at 31 March</b>	<b>213,650</b>	<b>231,970</b>

### Total PPE Assets

	2020/21	2021/22
	£000	£000
Highways Infrastructure assets	213,650	231,970
Other PPE assets	2,273,989	2,451,012
<b>Total PPE assets</b>	<b>2,487,639</b>	<b>2,682,982</b>

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

At 31<sup>st</sup> March 2022, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22. Similar commitments at 31<sup>st</sup> March 2021 were £26.2m. The significant commitments are:

<b>Contract for Capital Investment</b>	<b>Period</b>	<b>£000</b>
Energy Efficiency Technology	2022-23	9,251
Connecting Leicester	2022-24	8,354
St Margaret's Gateway Scheme	2022-23	4,175
Waterside Strategic Regeneration Area	2022-23	3,351
Jewry Wall Museum Improvements	2022-24	3,327
Zero Emission Bus Regional Area Scheme	2022-23	2,100
Green Homes	2022-23	1,430
Leisure Centres	2022-23	1,018
Leicester Station	2022-23	1,013
Fleet Replacement	2022-23	993
Phoenix 2020	2022-23	400
High Street Heritage Action Zone	2022-23	319
Pilot House	2022-23	282
Onsite Construction Skills Hub	2023-24	277
<b>Total</b>		<b>36,290</b>

## Note 16 Property, Plant and Equipment - Revaluations

Restated 2021/22 Valuation Dates	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	-	52,339	3	40	-	8,452	<b>60,834</b>
Valued at fair or nominal value as at:								
Pre 1st April 2012	-	38	-	-	-	-	-	<b>38</b>
1st April 2012	-	-	-	-	-	-	-	-
1st April 2013	-	1	-	-	-	-	-	<b>1</b>
1st April 2014	-	2	-	686	1	-	-	<b>689</b>
1st April 2015	-	-	-	-	-	-	-	-
1st April 2016	-	-	-	-	-	14	-	<b>14</b>
1st April 2017	-	-	-	-	1	-	-	<b>1</b>
Valued @ 31st March 2019	-	23	-	-	3	21	-	<b>47</b>
Valued @ 31st March 2020	-	16	-	-	77	-	-	<b>93</b>
Valued @ 31st March 2021	-	539	-	-	14	-	-	<b>553</b>
Valued @ 31st March 2022	1,161,367	1,152,764	24,583	580	2,444	76,768	-	<b>2,418,506</b>
<b>Total</b>	<b>1,161,367</b>	<b>1,153,383</b>	<b>76,922</b>	<b>1,269</b>	<b>2,580</b>	<b>76,803</b>	<b>8,452</b>	<b>2,480,776</b>

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

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

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

Valuations of the majority of vehicles, plant, equipment and furniture, and of infrastructure, are based on historical cost.

## Note 17 Heritage Assets

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

The following tables show the movement in the value of Heritage assets during 2021/22 and the previous year.

### *Heritage Buildings*

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

### *Museum Exhibits*

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

There are currently around two million museum

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

Museum exhibits are included in the Balance Sheet at insurance value, reflecting the replacement cost of these assets. Additions to the exhibits collection are initially included at historical cost and are then included as part of the insurance revaluation.

Due to a recent auction sale of a similar exhibit by the same artist, one of the City Council's exhibits has increased in insurance value by £40.5m. This increase is reflected in the table on the following page.

### *Statues and Monuments*

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

## Note 17 Heritage Assets (continued)

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

Movement on Balances 2021/22	Buildings	Museum Exhibits	Statues & Monuments	Total Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1st April 2021	2,487	83,100	5,876	91,463
Additions	-	45	-	45
Impairment losses recognised in surplus/deficit on the provision of services	-	(39)	-	(39)
Disposals	-	(49)	-	(49)
Revaluations	111	40,555	-	40,666
<b>As at 31st March 2022</b>	<b>2,598</b>	<b>123,612</b>	<b>5,876</b>	<b>132,086</b>
<b>Restated 2020/21 Comparative Movements</b>				
	Buildings	Museum Exhibits	Statues & Monuments	Total Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1st April 2020	2,506	82,121	5,876	90,503
Additions	-	381	-	381
Impairment losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	-	(199)	-	(199)
Disposals	-	-	-	-
Revaluations	(19)	797	-	778
<b>As at 31st March 2021</b>	<b>2,487</b>	<b>83,100</b>	<b>5,876</b>	<b>91,463</b>



## Note 18 Intangible Assets

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

At present all of the Council's intangible assets are amortised over 5 years on a straight-line basis. None of the Council's intangible assets have been internally generated.

	2020/21	2021/22
	£000	£000
<b>Balance at 1st April</b>		
Gross Carrying Amounts	3,438	4,680
Accumulated Amortisation	(2,498)	(3,158)
<b>Net carrying amount at 1st April</b>	<b>940</b>	<b>1,522</b>
Additions (Purchases)	1,806	370
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(564)	(370)
Disposals in year (gross)	-	(310)
Disposals in year (amortisation)	-	310
Write-out of impairment amortisation	-	-
Reclassified from other asset classifications		
Amortisation applied in Year	(660)	(515)
Gross Carrying Amount at 31st March	4,680	4,370
Accumulated Amortisation	(3,158)	(3,363)
<b>Net Carrying Amount at 31st March</b>	<b>1,522</b>	<b>1,007</b>

## Note 19a Financial Instruments - Classifications

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

The financial instruments notes have been restated for the prior year to include Long Term debtors, Short Term Debtors and Short Term Creditors which were previously omitted from these notes. The amounts are those included in the tables under the headings mentioned above.

Category	Restated Amount	Amount	Comment / Reference
	31st March 2021	31st March 2022	
	£000	£000	
<b>Long Term Investments</b>			
<b>Amount in Balance Sheet</b>	<b>38,000</b>	<b>60,000</b>	
Amounts covered in Note 19:	38,000	60,000	This note - section B Table 2
<b>Long Term Debtors</b>			
<b>Amount in Balance Sheet</b>	<b>13,329</b>	<b>13,003</b>	
Amounts covered in Note 19:	13,329	13,003	This note - section B Table 2
<b>Short Term Investments</b>			
<b>Amount in Balance Sheet</b>	<b>168,439</b>	<b>142,053</b>	
Amounts covered in Note 19:	168,439	142,053	This note - section B Table 2
<b>Short Term Debtors</b>			
<b>Amount in Balance Sheet</b>	<b>94,995</b>	<b>77,969</b>	
Amounts covered in Note 19:	17,955	20,634	This note - section B Table 2
Amounts not covered in Note 19:			
Central Government Bodies	41,950	20,968	Note 21 - Debtors
Other Local Authorities	6,983	4,595	
NHS Bodies	4,984	8,293	Note 21 - Debtors
Public Corporations and Trading Funds	1	1	
Payments in advance	7,679	7,362	Note 21 - Debtors
Local Taxation (Council Tax and Business Rates)	15,443	16,116	Note 21 - Debtors

## Note 19a Financial Instruments - Classifications (continued)

Category	Restated Amount	Amount	Comment / Reference
	31st March 2021	31st March 2022	
	£000	£000	
<b>Short Term Borrowing</b>			
<b>Amount in Balance Sheet</b>	<b>13,744</b>	<b>13,960</b>	
Amounts covered in Note 19:	13,744	13,960	This note - section B Table 1
<b>Short Term Creditors</b>			
<b>Amount in Balance Sheet</b>	<b>173,656</b>	<b>207,109</b>	
Amounts covered in Note 19:	67,497	76,206	This note - section B Table 1
Amounts not covered in Note 19:			
Other Entities and individuals	4,458	5,054	Note 24 - Creditors
Central Government Bodies	28,490	33,666	Note 24 - Creditors
Other Local Authorities	10,149	9,233	Note 24 - Creditors
NHS Bodies	140	298	Note 24 - Creditors
Receipts in advance	62,922	82,652	Note 24 - Creditors
<b>Long Term Borrowing</b>			
<b>Amount in Balance Sheet</b>	<b>180,111</b>	<b>180,107</b>	
Amounts covered in Note 19:	180,111	180,107	This note - section B Table 1
<b>Other Long Term Liabilities</b>			
<b>Amount in Balance Sheet</b>	<b>970,902</b>	<b>683,577</b>	
Amounts covered in Note 19:	100,002	93,686	This note - section B Table 1
Amounts not covered in Note 19:			
Liability related to defined benefit pension schemes	870,731	589,789	Note 43 - Defined Benefit Pensions
Amounts related to Bonds	169	102	Not separately disclosed

## Note 19b Financial Instruments - Balances

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

As a result of the prior period restatement referred to in Note 19a, an omission was identified in short term Trade Payables. This has resulted in the table to the right hand side being restated for the prior year. The amount previously shown for short term Trade Payables in the prior year was £57.1m.

**Table 1**

Financial Liabilities	Long Term		Short Term	
	31st March 2021	31st March 2022	Restated 31st March 2021	31st March 2022
	£000	£000	£000	£000
Loans at amortised cost:				
- Principal sum borrowed	179,491	179,491	12,265	12,475
- Accrued interest			1,479	1,485
- EIR adjustments	620	616	-	-
<b>Total Borrowing</b>	<b>180,111</b>	<b>180,107</b>	<b>13,744</b>	<b>13,960</b>
Liabilities at amortised cost:				
- Finance leases	8,583	7,930	233	217
- PFI arrangements	69,473	64,736	3,421	3,777
- Transferred debt liability	21,484	20,585	975	975
<b>Total Other Long-term Liabilities</b>	<b>99,540</b>	<b>93,251</b>	<b>4,629</b>	<b>4,969</b>
Liabilities at amortised cost:				
- Trade payables	-	-	62,588	72,212
- PFI arrangements	462	435	-	-
<b>Included in Creditors</b>	<b>462</b>	<b>435</b>	<b>62,588</b>	<b>72,212</b>
<b>Total Financial Liabilities</b>	<b>280,113</b>	<b>273,793</b>	<b>80,961</b>	<b>91,141</b>

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

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

Furthermore, as a result of the prior period restatement referred to in Note 19a an omission was identified in the following prior year balances and these have now been restated in the table to the right hand side:

- Short term - Trade Receivables (previous balance £3.4m)
- Short term - Loans made for service purposes (previous balance £0.4m)
- Long term - Loans made for service purposes (previous balance £8.3m)

**Table 2**

Financial Assets	Long Term		Short Term	
	Restated 31st March 2021	31st March 2022	Restated 31st March 2021	31st March 2022
	£000	£000	£000	£000
Amortised cost:				
- Principal at amortised cost	38,000	60,000	160,000	133,000
- Accrued interest	-	-	977	405
Other:				
Fair Value	-	-	7,462	8,648
<b>Total Investments</b>	<b>38,000</b>	<b>60,000</b>	<b>168,439</b>	<b>142,053</b>
Amortised cost:				
- Cash (including bank accounts)	-	-	33,592	35,680
Other:				
- Cash equivalents at fair value through profit and loss	-	-	69,200	120,000
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>102,792</b>	<b>155,680</b>
Amortised Cost:				
- Trade receivables	4,313	4,403	17,394	20,218
- Loans made for service purposes	9,016	8,600	561	416
<b>Included in Debtors</b>	<b>13,329</b>	<b>13,003</b>	<b>17,955</b>	<b>20,634</b>
<b>Total Financial Assets</b>	<b>51,329</b>	<b>73,003</b>	<b>289,186</b>	<b>318,367</b>

## Note 19c Financial Instruments - Gains and Losses

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

	Financial Liabilities	Financial Assets		2021/22 Total	2020/21 Total
	Amortised Cost	Amortised Cost	Other		
	£000	£000	£000	£000	£000
Financial assets measured at fair value through profit or loss	-	-	(1,186)	(1,186)	145
Financial assets measured at amortised cost	-	(140)	-	(140)	(13)
<b>Net (gains)/losses</b>	-	<b>(140)</b>	<b>(1,186)</b>	<b>(1,326)</b>	<b>132</b>
Interest expense	15,834	-	-	15,834	17,248
<b>Interest payable and similar charges</b>	<b>15,834</b>	-	-	<b>15,834</b>	<b>17,248</b>
Interest income	-	(1,670)	(286)	(1,956)	(2,719)
Dividends	-	-	(41)	(41)	(132)
<b>Interest and investment income</b>	-	<b>(1,670)</b>	<b>(327)</b>	<b>(1,997)</b>	<b>(2,851)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>15,834</b>	<b>(1,810)</b>	<b>(1,513)</b>	<b>12,511</b>	<b>14,529</b>

## Note 19d Financial Instruments - Fair Values

Financial assets classified as fair value through profit and loss, or other comprehensive income are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds, the fair value is taken from the market price. Some of the authority's financial assets are measured at fair value on a recurring basis and are described below:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices. There are only MMF at this hierarchy level and they are quoted at the active market price.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments. Most financial instruments valued at this level are based on observed market rates for similar transactions. However, for lease payables, PFI liabilities and transferred debt liabilities they are based on discounting at AA corporate bond yields.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness. This applies to loans to other companies and they are quoted at estimated creditworthiness.

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

The table shows the amounts held at 31<sup>st</sup> March 2022 and the fair value reported in the 2021/22 accounts.

	Restated 31st March 2021		31st March 2022		
	Fair Value	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	Level	£000	£000	£000	£000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	134,491	199,399	134,491	171,657
Long-term LOBO loans	2	20,620	33,959	20,616	30,327
Other long-term loans	2	25,000	35,857	25,000	31,473
Lease payables and PFI liabilities	2	83,427	143,231	77,095	114,301
Transferred debt liabilities	2	22,458	34,787	21,560	29,740
<b>Total</b>		<b>285,996</b>	<b>447,233</b>	<b>278,762</b>	<b>377,498</b>
Liabilities for which fair value is not disclosed *		76,333		86,173	
<b>Total Financial Liabilities</b>		<b>362,329</b>	<b>447,233</b>	<b>364,935</b>	<b>377,498</b>
<i>Recorded on balance sheet as:</i>					
Short-term creditors		68,933		77,617	
Short-term borrowing		13,744		13,960	
Long-term creditors		21,484		20,585	
Long-term borrowing		180,111		180,107	
Other long-term liabilities		78,057		72,666	
<b>Total Financial Liabilities</b>		<b>362,329</b>		<b>364,935</b>	

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

Due to the prior period restatement referenced in Note 19a and Note 19b the following lines in the above table have also been restated for the prior year:

- Liabilities for which fair value is not disclosed\* (previous balance £70.9m)
- Short term creditors (previous balance £63.5m)

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

	Restated 31st March 2021		31st March 2022		
	Fair Value Level	Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial assets held at fair value:</i>					
Money market funds	1	69,200	69,200	120,000	120,000
Property Unit Trusts	2	7,462	7,462	8,648	8,648
<i>Financial assets held at amortised cost:</i>					
Long-term loans to local authorities	2	38,000	38,496	60,000	58,896
Long-term loans to companies	3	7,999	7,999	7,612	7,612
Finance Lease	3	1,017	1,017	987	987
<b>Total</b>		<b>123,678</b>	<b>124,174</b>	<b>197,247</b>	<b>196,143</b>
Assets for which fair value is not disclosed *		216,837	-	194,123	-
<b>Total Financial Assets</b>		<b>340,515</b>	<b>124,174</b>	<b>391,370</b>	<b>196,143</b>
<i>Recorded on balance sheet as:</i>					
Long-term debtors		13,329		13,003	
Long-term investments		38,000		60,000	
Short-term debtors		17,955		20,634	
Short-term investments		168,439		142,053	
Cash and cash equivalents		102,792		155,680	
<b>Total Financial Assets</b>		<b>340,515</b>		<b>391,370</b>	

\* Financial assets classified as fair value through profit and loss, or fair value through other comprehensive income are carried in the Balance Sheet at fair value.

Due to the prior period restatement referenced in Note 19a and Note 19b the following lines in the above table have also been restated for the prior year:

- Long-term loans to companies (previous balance £7.3m)
- Assets for which fair value is not disclosed\* (previous balance £202.7m)
- Long term debtors (previous balance £12.6m)
- Short term debtors (previous balance £3.8m)



## Note 20 Inventories

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

	Balance at 31st March 2021	Balance at 31st March 2022
	£000	£000
Consumable Stores	329	368
Maintenance Materials	2,148	2,627
Work in Progress	334	378
<b>Total</b>	<b>2,811</b>	<b>3,373</b>

## Note 21 Debtors

### Long-Term Debtors

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

	Balance at 31st March 2021	Balance at 31st March 2022
	£000	£000
PFI Lease	2,845	3,031
Other Long Term Debtors	10,484	9,972
<b>Total</b>	<b>13,329</b>	<b>13,003</b>

### Short-Term Debtors

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

	Balance at 31st March 2021	Balance at 31st March 2022
	£000	£000
Central Government bodies	41,950	20,969
Other Local Authorities	6,983	4,595
NHS bodies	4,984	8,293
Public Corporations and Trading Funds	1	1
Other Entities and Individuals	17,955	20,634
Payments in Advance	7,679	7,362
Local Taxation (Council Tax & Business Rates)	15,443	16,116
<b>Total</b>	<b>94,995</b>	<b>77,970</b>

## Note 22 Cash and Cash Equivalents

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

	Balance at 31st March 2021	Balance at 31st March 2022
	£000	£000
Cash held by the Council	22	10
Bank	33,569	35,670
Short-term deposits	69,200	120,000
<b>Total Cash and Cash Equivalents</b>	<b>102,791</b>	<b>155,680</b>

## Note 23 Assets Held for Sale

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

	2020/21	2021/22
	£000	£000
Balance at 1st April	2,100	1,847
Property, Plant and Equipment newly classified as held for sale	886	0
Property, Plant and Equipment declassified as held for sale	-	(1,916)
Assets Sold	(1,075)	0
Other Adjustments	(64)	88
<b>Balance at 31st March</b>	<b>1,847</b>	<b>19</b>

## Note 24 Creditors

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

	Balance at 31st March 2021	Balance at 31st March 2022
	£000	£000
Central Government bodies	28,490	33,666
Other Local Authorities	10,149	9,233
NHS bodies	140	298
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	71,955	81,260
Receipts in Advance	62,922	82,652
<b>Total</b>	<b>173,656</b>	<b>207,109</b>

## Note 25 Provisions

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

### Payment of Insurance Claims

The Authority holds funds to meet the costs of insurance claims, for both claims received but not yet settled and claims that will be received in the future. The sum of £3.3m is held as a provision, being the amount that the Council estimates will be required to meet claims already received. A further sum of £11.5m is held as an earmarked reserve (as per Note 11), to meet the costs of liabilities incurred for which claims have not been received. Periodically, the fund value is reviewed by actuaries.

### Housing Benefit Subsidy Claims

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

Claims are subject to audit and often give rise to the discovery of overpayments to some benefits recipients. This can lead to the value of the claim being reduced, based on an extrapolation. A provision is maintained based on the total value of the subsidy claims outstanding. The provision currently totals £0.4m.

	Insurance	Housing Benefits	s117 Mental Health Act	Housing	Business Rate Appeals	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1st April 2020</b>	<b>3,777</b>	<b>1,005</b>	<b>39</b>	<b>685</b>	<b>11,638</b>	<b>17,144</b>
Net Movement (additions less amounts used)	(470)	(348)	-	88	(2,192)	(2,922)
<b>Balance at 1st April 2021</b>	<b>3,307</b>	<b>657</b>	<b>39</b>	<b>773</b>	<b>9,446</b>	<b>14,222</b>
2021/22 Provisions/(Reductions)	2,891	-	-	(337)	3,363	5,917
Amounts used in 2021/22	(2,906)	-	-	-	(3,910)	(6,816)
<b>Balance at 31st March 2022</b>	<b>3,292</b>	<b>657</b>	<b>39</b>	<b>436</b>	<b>8,899</b>	<b>13,323</b>

### Section 117 Mental Health Act

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

### Housing Provisions

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

### Business Rate appeals

A number of appeals against rateable value assessments have not been determined by the Valuation Office Agency. If successful, there will be a retrospective reduction in income. Therefore, a provision has been charged to the collection fund calculated at a total of £18.2m (Council share of £8.9m).

## Note 26 Usable Reserves

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

	Opening Balance £000	Movement £000	Closing Balance £000	Supporting Note
General Fund	(15,000)	-	(15,000)	MIRS and Narrative Statement
Earmarked Reserves	(328,212)	(13,801)	(342,013)	Note 11 and Narrative Statement
<b>Total General Fund Reserves</b>	<b>(343,212)</b>	<b>(13,801)</b>	<b>(357,013)</b>	
Housing Revenue Account	(35,757)	3,225	(32,532)	HRA Statements and Notes
Major Repairs Reserve	-	-	-	Note 10 and HRA Note 13
Capital Receipts Reserve	(116,798)	11,308	(105,490)	Note 10 and HRA Note 13
Capital Grants Unapplied Reserve	(76,031)	6,910	(69,121)	Note 10 and HRA Note 13
<b>Total Usable Reserves</b>	<b>(571,798)</b>	<b>7,642</b>	<b>(564,156)</b>	

## Note 27a Unusable Reserves

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

	Restated 31st March 2021	31st March 2022
	£000	£000
Revaluation Reserve	(987,053)	(1,195,684)
Capital Adjustment Account	(1,016,011)	(1,035,385)
Financial Instruments Adjustment Account	19,668	19,047
Deferred Capital Receipts Reserve	(1,123)	(1,045)
Pensions Reserve	870,731	589,789
Collection Fund Adjustment Account	33,630	15,723
Accumulated Absences Account	8,577	8,879
Dedicated Schools Grant Adjustment Account	-	3,643
<b>Total Unusable Reserves</b>	<b>(1,071,581)</b>	<b>(1,595,033)</b>



## Note 27b Unusable Reserves (continued)

### Revaluation Reserve

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

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

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

	Restated 2020/21	2021/22
	£000	£000
<b>Balance at 1st April</b>	<b>(948,638)</b>	<b>(987,052)</b>
Upward revaluation of assets	(102,665)	(271,282)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	39,104	27,838
<b>(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(63,561)</b>	<b>(243,444)</b>
Difference between fair value depreciation and historical cost depreciation	19,666	21,595
Accumulated gains on assets sold or scrapped	5,481	13,217
<b>Balance at 31st March</b>	<b>(987,052)</b>	<b>(1,195,684)</b>

## Note 27c Unusable Reserves (continued)

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is credited with sums provided to fund capital expenditure, both current and previous, with sums being transferred from the capital receipts reserve, capital grants and contributions, the Major Repairs Reserve and the General Fund (either direct funding or provision for repayment of borrowing). The account is debited with the reversal of sums charged to the CIES (to reflect the use of the asset by services) to avoid an impact on the General Fund. These charges include depreciation, impairment and amortisation.

The account contains revaluation gains accumulated on property, plant and equipment, heritage assets, assets held for sale and intangible assets before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains. The table below provides details of the source of all the transactions posted to the account.

	Restated 2020/21	2021/22
	£000	£000
<b>Balance at 1st April</b>	<b>(1,004,588)</b>	<b>(1,016,011)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation & impairment	103,668	98,482
Revaluation (gain)/loss on Property, Plant and Equipment	(2,898)	(892)
Amortisation of intangible assets	660	515
Revenue expenditure funded from capital under statute	13,907	15,081
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	20,199	49,803
	<b>(869,052)</b>	<b>(853,022)</b>
Adjusting amounts written out of the Revaluation Reserve	(25,147)	(34,814)
Net written out amount of the cost of non-current assets consumed in the year	<b>(894,199)</b>	<b>(887,836)</b>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(14,691)	(30,942)
Use of the Major Repairs Reserve to finance new capital expenditure	(12,137)	(12,680)
Capital Grants, Contributions & Donated Assets credited to the Income and Expenditure Statement that have been applied to capital financing	(77,169)	(83,949)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(13,035)	(13,814)
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(680)	(92)
Capital expenditure charged against the General Fund and HRA balances	(4,100)	(6,072)
<b>Balance at 31st March</b>	<b>(1,016,011)</b>	<b>(1,035,385)</b>

## Note 27d Unusable Reserves (continued)

### Financial Instruments Adjustment Account

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

The Council uses the account to manage discounts and premia paid on the early redemption of loans. Discounts are credited to the CIES when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Premia are debited to the CIES when they are

incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the income (on discounts) and the expense (on premia) are posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

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

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

	2020/21	2021/22
	£000	£000
<b>Balance at 1st April</b>	<b>20,288</b>	<b>19,668</b>
Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	(620)	(621)
<b>Balance at 31st March</b>	<b>19,668</b>	<b>19,047</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	(620)	(621)

## Note 27e Unusable Reserves (continued)

### *Deferred Capital Receipts Reserve*

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

	2020/21	2021/22
	£000	£000
<b>Balance at 1st April</b>	<b>(1,416)</b>	<b>(1,123)</b>
Transfer of deferred sale proceeds to the DCCR	-	50
Transfer to the Capital Receipts Reserve upon receipt of cash	293	28
<b>Balance at 31st March</b>	<b>(1,123)</b>	<b>(1,045)</b>

## Note 27f Unusable Reserves (continued)

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, and changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2020/21	2021/22
	£000	£000
<b>Balance at 1st April</b>	<b>600,488</b>	<b>870,731</b>
Remeasurement of the Net Defined Benefit Liability	245,315	(335,358)
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	74,699	107,257
Employer's pensions contributions and direct payments to pensioners payable in the year	(49,771)	(52,841)
<b>Balance at 31st March</b>	<b>870,731</b>	<b>589,789</b>

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

### Collection Fund Adjustment Account

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

	2020/21	2021/22
	£000	£000
<b>Balance at 1st April</b>	<b>(2,138)</b>	<b>33,630</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	35,768	(17,907)
<b>Balance at 31st March</b>	<b>33,630</b>	<b>15,723</b>

	2020/21	2021/22
	£000	£000
<b>Balance at 1st April</b>	<b>7,844</b>	<b>8,577</b>
Settlement or cancellation of accrual made at the end of the preceding year	(7,844)	(8,577)
Amounts accrued at the end of the current year	8,577	8,879
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>733</b>	<b>302</b>
<b>Balance at 31st March</b>	<b>8,577</b>	<b>8,879</b>

### Accumulated Absences Account

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

## Note 27i Unusable Reserves (continued)

### *Dedicated Schools Grant Adjustment Account*

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where an authority has incurred a deficit between the 1st April 2020 to 31st March 2023 Local Authorities are required to reverse this out to an unusable reserve as part of a temporary statutory override. The Council is unable to charge these deficits to the General Fund

	2020/21	2021/22
	£000	£000
<b>Balance at 1st April</b>	-	-
School budget deficit transferred from General Fund in accordance with statutory requirements	-	3,643
<b>Balance at 31st March</b>	-	<b>3,643</b>

## Note 28 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2020/21	2021/22
	£000	£000
Interest received	(2,851)	(1,996)
Interest paid	17,248	15,834
<b>Net interest</b>	<b>14,397</b>	<b>13,838</b>

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

	Restated 2020/21	2021/22
	£000	£000
Depreciation	(50,575)	(55,764)
Downward revaluations, impairment losses and reversal of prior year impairments	(51,827)	(44,673)
Amortisation	(660)	(515)
Increase / (decrease) in creditors	(33,621)	(27,643)
(Increase) / decrease in debtors	39,883	(17,108)
(Increase) / decrease in inventories	64	562
Movement in pension liability	(24,928)	(54,416)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(17,280)	(46,379)
Other non-cash items charged to the net surplus or deficit on the provision of services	2,777	2,084
	<b>(136,167)</b>	<b>(243,852)</b>



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

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

	2020/21	2021/22
	£000	£000
Capital Grants credited to surplus or deficit on the provision of services	86,597	77,032
Proceeds from the sale of property plant and equipment, investment property and intangible assets	22,972	21,962
	<b>109,569</b>	<b>98,994</b>

## Note 29 Cash Flow Statement Investment Activities

The purchase of investments and proceeds from investments for 31st March 2021 have been restated due to the previous balances incorrectly including cash and cash equivalents. The amounts previously shown were £701m for the purchase of investments and £733m for the proceeds from investments.

	Restated 2020/21	2021/22
	£000	£000
Purchase of property, plant and equipment and intangible assets	113,638	136,969
Purchase of short-term and long-term investments	138,000	170,000
Other payments for investing activities	-	-
Proceeds from sale of property, plant and equipment and intangible assets	(22,972)	(21,962)
Proceeds from short-term and long-term investments	(169,999)	(174,999)
Other receipts from investing activities	(79,743)	(81,368)
<b>Net Cash Flows from Investing Activities</b>	<b>(21,076)</b>	<b>28,640</b>

## Note 30 Cash Flow Statement Financing Activities

	2020/21	2021/22
	£000	£000
Cash receipts of short and long-term borrowing	(33,100)	(31,950)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	11,301	540
Repayments of short and long-term borrowing	53,368	31,744
<b>Net Cash Flows from Financing Activities</b>	<b>31,569</b>	<b>334</b>

## Note 31 - Pooled Budgets

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

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

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

The City Council contributed £0.71m (Adult Social Care contribution of £0.63m and Education contribution of £0.08m) to the pool during 2021/22 (£0.62m in 2020/21 of which Adult Social Care contributed £0.57m and Education contributed £0.05m) and this expenditure is also included in the Adult Social Care line and the Education of the Comprehensive Income and Expenditure Statement.

As host partner Leicester City Council commissions the goods and services, with each partner then accounting for their own share of these goods and services, as set out in the table on the righthand side.

The City Council contributed £19.8m (Adult Social Care contribution of £17.9m and City Development and Neighbourhoods contribution of £1.9m) to the pool during 20/21 and 21/22. This expenditure is also included in those respective lines in the Comprehensive Income and Expenditure statement.

	2020/21	2021/22
	£000	£000
<b>Funding provided to the pooled budget:</b>		
Leicester City Council	615	712
Leicestershire County Council	1,162	1,232
Rutland County Council	66	72
Leicester City CCG	1,265	1,387
East Leicestershire and Rutland CCG	1,313	1,473
West Leicestershire CCG	1,474	1,707
<b>Total Funding provided to the pooled budget</b>	<b>5,895</b>	<b>6,583</b>
<b>Total Expenditure met from the pooled budget</b>	<b>5,895</b>	<b>6,583</b>

## Note 31 Pooled Budgets (continued)

### Better Care Fund

This is an arrangement between Leicester City Council and the NHS Leicester City Clinical Commissioning Group (LCCCG) to meet the aims and benefits prescribed in the section 75 agreement by delivering a robust and more integrated service between health and social care.

The Better Care Fund (BCF) has been established by the Government to provide funds to local areas to support the integration of health and social care. The grant is to be used for the purposes of meeting adult social care needs; reducing pressures on the NHS including supporting more people to be discharged from hospital when they are ready; and ensuring that the local social care provider market is supported.

It is a requirement of the BCF that the LCCCG and the LCC establish a pooled fund/budget for this purpose. The LCCCG acts as the host partner.

Details of the income and expenditure in the pool are provided in the table on the righthand side.

The City Council contributed £19.8m (Adult Social Care contribution of £17.9m and City Development and Neighbourhoods contribution of £1.9m) to the pool during 20/21 and 21/22. This expenditure is also included in those respective lines in the Comprehensive Income and Expenditure statement.

	2020/21	2021/22
	£000	£000
<b><u>Income</u></b>		
<b>Revenue</b>		
CCG Minimum Fund	25,250	26,617
Improved Better Care Fund (iBCF)	17,040	17,040
Additional CCG Contribution	3,500	15,984
<b>Total Revenue Income</b>	<b>45,790</b>	<b>59,641</b>
Capital-Disabled Facilities Grant	2,714	2,714
<b>Total Income</b>	<b>48,504</b>	<b>62,355</b>
<b><u>Expenditure</u></b>		
<b>Revenue</b>		
Actual Spend incurred by LCC managed schemes incl IBCF	33,783	34,622
Actual spend incurred by LCCCG & LPT (Leicestershire Partnership Trust) managed schemes	12,007	25,019
<b>Total Revenue Expenditure</b>	<b>45,790</b>	<b>59,641</b>
<b>Capital</b>		
Disabled Facilities Grant	2,714	2,714
<b>Total Capital Expenditure</b>	<b>2,714</b>	<b>2,714</b>
<b>Total Expenditure</b>	<b>48,504</b>	<b>62,355</b>
<b>Revenue - Net outturn over/(under) spend:</b>	<b>-</b>	<b>-</b>

- Activity where funding was received and expended under the control of Clinical Commissioning Group has been accounted for in their accounts
- Activity where funding was received and expended under the control of the Council has been accounted for in the Council's accounts
- Activity where funding was under joint control has been accounted for on the basis of the share for each organisation

## Note 32 Members' Allowances

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

	2020/21	2021/22
	£	£
Basic Allowance Payments	597,404	614,452
Special Responsibility Payments	397,006	423,424
General Expense Payments	82,937	72,415
<b>Total</b>	<b>1,077,347</b>	<b>1,110,291</b>

## Note 33 Officers' Remuneration

This note comprises two parts. The first discloses the remuneration of the Council's most senior officers. The second part discloses the total number of 'higher paid' Council officers whose remuneration exceeded £50k during 2021/22, shown in bands and excluding those senior officers in the first part.

### Part 1 - Senior Employees' Remuneration

The table shows the amounts paid to the holders of senior posts in 2021/22 with comparative data from 2020/21 where applicable.

Senior employees are defined as certain statutory chief officer posts (including the Head of Paid Service), those earning over £150k per annum and those earning less than this sum but reporting directly to the Head of Paid Service (Chief Operating Officer).

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

Post	Financial Year	Salary, Fees and Allowances	Pension Contributions	Compensation for loss of office	Total
		£	£	£	£
Chief Operating Officer (Head of Paid Service) (Note 1)	2021/22	148,742	36,461	-	<b>185,203</b>
	2020/21	11,987	2,903	-	<b>14,890</b>
Director Delivery, Communications & Political Governance	2021/22	107,149	28,603	-	<b>135,752</b>
	2020/21	98,467	25,306	-	<b>123,773</b>
Deputy Director of Finance (Note 2)	2021/22	88,565	23,647	-	<b>112,212</b>
City Barrister & Head of Standards (Note 3)	2021/22	81,215	21,636	-	<b>102,851</b>
	2020/21	80,017	20,518	-	<b>100,535</b>
Strategic Director Social Care and Education	2021/22	141,108	37,676	-	<b>178,784</b>
	2020/21	132,441	34,037	-	<b>166,478</b>
Strategic Director - City Development & Neighbourhoods	2021/22	135,616	36,210	-	<b>171,826</b>
	2020/21	43,252	11,116	-	<b>54,368</b>
Director of Public Health	2021/22	99,944	13,215	-	<b>113,159</b>
	2020/21	98,467	14,160	-	<b>112,627</b>

Notes:

- 1) The new Chief Operating Officer took up the role on 1st March 2021
- 2) Interim Deputy Director of Finance is now reporting to the Head of Paid service in the 21/22 financial year
- 3) The City Barrister works on a part time basis

## Note 33 Officers' Remuneration (continued)

### Part 2 - Higher Paid Employees

The number of other Council employees receiving more than £50,000 remuneration for the year are shown in the table below. In line with the relevant regulations, the table excludes the senior officers listed in the previous table.

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

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

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

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

Remuneration Band £	Number of Employees					
	Non-Schools		Schools		Total	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
<b>50,000-54,999</b>	70	84	83	77	153	161
<b>55,000-59,999</b>	46	50	48	40	94	90
<b>60,000-64,999</b>	25	33	30	43	55	76
<b>65,000-69,999</b>	20	12	18	14	38	26
<b>70,000-74,999</b>	8	12	16	14	24	26
<b>75,000-79,999</b>	8	3	16	15	24	18
<b>80,000-84,999</b>	1	8	8	3	9	11
<b>85,000-89,999</b>	-	-	5	9	5	9
<b>90,000-94,999</b>	1	-	1	-	2	-
<b>95,000-99,999</b>	9	7	2	-	11	7
<b>100,000-104,999</b>	-	1	2	2	2	3
<b>105,000-109,999</b>	-	-	1	1	1	1
<b>110,000-114,999</b>	-	-	-	1	-	1
<b>115,000-119,999</b>	-	-	1	1	1	1
<b>130,000-134,999</b>	-	1	-	-	-	1
<b>Total</b>	<b>188</b>	<b>211</b>	<b>231</b>	<b>220</b>	<b>419</b>	<b>431</b>



## Note 34 External Audit Costs

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

	Restated 2020/21 £000	2021/22 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	173	173
Fees payable for the certification of grant claims and returns for the year	54	62
Fees payable in respect of other services provided during the year	11	26
<b>Total</b>	<b>238</b>	<b>261</b>

## Note 35 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance and Early Years (England) Regulations 2017. The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools' Budget (ISB), which is divided into a budget share for each maintained school.

Regulations for DSG deficits which affect the financial years between the 1st April 2020 to 31st March 2023 require where Local Authorities incur a deficit that it must be carried forward in the schools budget to be funded from future DSG income. Therefore, this deficit is included in the unusable reserve titled DSG Grant Adjustment Account in Note 27.

Details of the deployment of DSG receivable for 2021/22 are as follows:

2021/22	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
<b>Final DSG for 2021/22 before Academy recoupment</b>	-	-	<b>370,708</b>
Academy figure recouped for 2021/22	-	-	(132,538)
<b>Total DSG after Academy recoupment for 2021/22</b>	-	-	<b>238,170</b>
Brought forward from 2020/21	-	-	1,433
<b>Agreed initial budgeted distribution in 2021/22</b>	<b>86,837</b>	<b>152,766</b>	<b>239,603</b>
In year adjustments	(638)	-	(638)
<b>Final budgeted distribution for 2021/22</b>	<b>86,199</b>	<b>152,766</b>	<b>238,965</b>
Actual central expenditure for the year	(89,842)	-	(89,842)
Actual ISB deployed to schools	-	(152,766)	(152,766)
Local Authority contribution for 2021/22	-	-	-
<b>Carry forward to 2022/23</b>	<b>(3,643)</b>	-	<b>(3,643)</b>

2020/21	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
<b>Final DSG for 2020/21 before Academy recoupment</b>			<b>346,578</b>
Academy figure recouped for 2020/21			(120,035)
<b>Total DSG after Academy recoupment for 2020/21</b>			<b>226,543</b>
Brought forward from 2019/20			5,577
<b>Agreed initial budgeted distribution in 2020/21</b>	<b>87,005</b>	<b>145,115</b>	<b>232,120</b>
In year adjustments	(150)	-	(150)
<b>Final budgeted distribution for 2020/21</b>	<b>86,855</b>	<b>145,115</b>	<b>231,970</b>
Actual central expenditure for the year	(85,422)	-	(85,422)
Actual ISB deployed to schools	-	(145,115)	(145,115)
<b>Carry forward to 2021/22</b>	<b>1,433</b>	-	<b>1,433</b>

## Note 36 Grant Income

### Capital grants recognised in the year

The Council received the following capital grants in 2021/22.

These grants are analysed between those credited to the Comprehensive Income and Expenditure Statement and those held as receipts in advance, in line with the Council's accounting policies.

	2020/21	2021/22
	£000	£000
<b>Credited to Services (All REFCUS related)</b>		
Devolved Formula Capital Grant	1,134	2,020
Disabled Facilities Grant	992	1,028
ERDF Growth Hub	384	792
High Streets Heritage Action Zones	-	583
Business Rates Pool	-	490
Green Homes Grant	-	456
Phoenix Square Cladding	-	373
DFT Transforming Cities Fund	-	271
Affordable Warmth	-	262
DFT Cleaner Bus Technology Grant	242	195
DFE Basic Need Grant	8,579	-
Other	38	97
<b>Total Credited to Services</b>	<b>11,369</b>	<b>6,567</b>

## Note 36 Grant Income (continued)

	2020/21	2021/22
	£000	£000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
DFT ZEBRA Grant	-	18,997
DFT Transforming Cities Fund	4,112	12,402
Getting Building Fund	7,821	8,235
DFE Capital Maintenance Grant	3,697	6,812
Business Rates Pool	-	3,405
Homes England Grant	5,746	2,842
DFT Integrated Transport Grant	2,556	2,576
High Needs Provision Capital	-	2,014
DFT Maintenance Grant	2,540	1,812
Devolved Formula Capital Grant	-	1,633
S106 Contributions	3,142	1,234
Levelling Up Fund	-	924
Land Release Fund	-	850
Disabled Facilities Grant	869	833
ERDF Low Carbon Projects	200	653
Brownfield Land Release Fund	-	443
High Streets Heritage Action Zones	-	359
Green Recovery Fund	-	202
Phoenix Square Cladding	-	189
ERDF Growth Hub	-	168
THI Grant	-	160
Salix Grant	24,314	26
Local Growth Fund	5,986	-
DFE SEND Funding	2,148	-
DFE Basic Need Grant	1,279	-
Other DFT Grants	6,192	4,102
Other	236	346
Green Homes Grant*	4,390	(752)
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>75,228</b>	<b>70,465</b>

\*This negative balance has arisen as a result of grant being returned to government.

## Note 36 Grant Income (continued)

### Capital grants received in advance

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

	2020/21	2021/22
	£000	£000
<b>Capital Grants Receipts in Advance</b>		
Social Housing Decarbonisation Grant	-	4,008
Devolved Formula Capital Grant	4,376	3,053
Green Homes Grant	-	2,877
DFT Transport Grants	435	738
DFT Breathe Grants	184	184
S106 Contributions	935	-
Land Release Fund	850	-
<b>Total Capital Grants Receipts in Advance</b>	<b>6,780</b>	<b>10,860</b>
Capital Receipts not Recognised (deposits)	40	48
<b>Total Received in Advance</b>	<b>6,820</b>	<b>10,908</b>

## Note 36 Grant Income (continued)

### Revenue grants recognised in the year

The Council received the following revenue grants in 2021/22.

These grants are analysed between those credited to the Comprehensive Income and Expenditure Statement and those held as receipts in advance, in line with the Council's accounting policies.

There are a number of grants marked as other Covid-19 grants, which were received as a consequence of the pandemic.

	2020/21	2021/22
	£000	£000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
Revenue Support Grant	28,870	29,029
Social Services Support Grant	9,988	13,094
Section 31 Grants	11,243	12,264
Covid-19 LA Support Grant	22,703	11,455
Covid-19 Collection Fund Compensation Grants	25,720	10,301
New Homes Bonus Scheme	5,922	4,732
Other	-	4,173
Covid-19 Grants- Sales, Fees & Charges Compensation Scheme	11,781	3,556
Business Support Grants	20,000	3,013
Other Covid-19 Grants	1,129	1,145
Covid-19 Grants- Council Tax Hardship Fund	3,738	-
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>141,094</b>	<b>92,762</b>
<b>Credited to Services</b>		
<b>Children's and Education Services</b>		
Dedicated Schools Grant (see note 35)	226,543	238,170
Other Education	29,823	23,270
Pupil Premium	11,297	11,047
Other Covid-19 Grants	1,873	2,458
<b>Adults and Housing</b>		
Improved Better Care Fund	17,040	17,040
Other Covid-19 Grants	8,946	10,150
Other Adult Social Care	2,187	2,199
<b>Public Health</b>		
Public Health Grant	27,202	27,476
Other Public Health	134	1,102
<b>City Development, Neighbourhoods &amp; Housing</b>		
Other City Development, Neighbourhoods & Housing	12,872	16,312
Waste PFI	2,074	2,074
Other Covid-19 Grants	1,026	1,288
<b>Corporate and Resources</b>		
Housing Benefit Subsidies	85,433	77,495
Other Covid-19 Grants	18,066	7,762
Other Corporate and Resources	2,663	6,896
Housing Benefit & Council Tax Benefit Admin Grant	1,399	1,152
Local Council Tax Support Admin Grant	466	553
Waste PFI	517	517
Elections	224	89
<b>Total Credited to Services</b>	<b>449,785</b>	<b>447,050</b>
<b>Total Recognised in Year</b>	<b>590,879</b>	<b>539,812</b>

## Note 36 Grant Income (continued)

### Revenue grants received in advance

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

	2020/21	2021/22
	£000	£000
<b>Adult Social Care</b>		
Other Adult Social Care	338	500
<b>City Development, Neighbourhoods &amp; Housing</b>		
City Development, Neighbourhoods & Housing	252	1,540
<b>Total Receipts in Advance</b>	<b>590</b>	<b>2,040</b>

## Note 37 Related Parties

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

The Council is also required to disclose interests it holds in companies and other entities.

### Organisations or individuals which are related parties of the Council

#### **Central Government**

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides substantial funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grant funding received from central government is shown within Note 36 to the accounts.

#### **Members and Officers**

Members and senior officers of the Council have direct control of the financial and operating policies of the Council. Members receive

allowances for their role and these are detailed in Note 32. Remuneration of senior officers is detailed in Note 33.

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

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

The Council itself, 17 Members of the Council and 5 senior officers sit (either in a personal capacity or as representatives of the Council) on the governing bodies of 25 different organisations. The Council made a total of £2.9m in payments to twenty of these organisations, primarily in the form of grants, works or services. All payments are made with proper consideration of declaration of interest. The relevant members did not take part in any discussion or decision relating to the payments. In addition a total of £1.3m was received from fourteen of the organisations, primarily relating to services provided by the Council and interest on an outstanding loan balance.

A senior officer from the Council sits on the board of directors at Leicestershire County Cricket Club, where there is a balance of £2.3m outstanding on a loan the Council made.

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

#### **Leicester & Leicestershire Enterprise Partnership (LLEP)**

The Council is the accountable body for LLEP. A member of the Council is on the board of directors, along with representatives from Leicestershire County Council, Leicestershire district councils, the private sector, voluntary sector and education sector.

The Council made total payments of £0.2m to the LLEP, in the form of contributions and interest payments due on the balances that the Council holds on their behalf. In addition £12.2m was received, £12m from the LLEP relates to grants and £0.2m for the provision of services. These are not included in the related party transactions above.

At 31st March 2022 the council held a balance of £24.1m on behalf of the LLEP.



## Note 38 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it.

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

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

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

	2020/21	2021/22
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>575,632</b>	<b>592,872</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	122,950	138,540
Intangible Assets	1,806	370
Heritage Assets	381	45
Revenue Expenditure Funded from Capital Under Statute	13,907	15,081
De Minimis Capital Spend	8	19
Sub-total	<b>139,052</b>	<b>154,055</b>
<b>Sources of Finance</b>		
Capital Receipts	(14,691)	(30,942)
Government Grants & Other Contributions	(77,169)	(83,949)
Sums set aside from revenue:		
Direct Revenue Contributions	(16,237)	(18,752)
(MRP/Loans Fund Principal)	(13,035)	(13,814)
Voluntary provision of financing	(680)	(92)
Sub-total	<b>(121,812)</b>	<b>(147,549)</b>
<b>Closing Capital Financing Requirement</b>	<b>592,872</b>	<b>599,378</b>
Increase/(Decrease) in underlying need to borrow	13,864	5,067
HRA CFR adjustment	(138)	-
Assets acquired under Finance Leases	-	914
Assets acquired under PFI contracts	3,514	525
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>17,240</b>	<b>6,506</b>

## Note 39 Leases

### **Council as Lessee**

#### *Finance Leases*

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

	31st March 2021 £000	31st March 2022 £000
Other Land and Buildings	9,031	2,388
Vehicles, Plant and Equipment	468	351
<b>Total</b>	<b>9,499</b>	<b>2,739</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 2021 £000	31st March 2022 £000
Finance lease liabilities	8,816	7,930
Finance costs payable in future years	17,766	13,245
<b>Total minimum lease payments</b>	<b>26,582</b>	<b>21,175</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2021 £000	31st March 2022 £000	31st March 2021 £000	31st March 2022 £000
Within one year	655	644	233	217
Within 2 to 5 years	2,722	1,918	614	254
Later than 5 years	23,205	18,613	7,969	7,459
<b>Total</b>	<b>26,582</b>	<b>21,175</b>	<b>8,816</b>	<b>7,930</b>

## Note 39 Leases (continued)

### Operating Leases

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

	31st March
	2022
	£000
Not later than one year	783
Later than one year and not later than 5 years	1,823
Later than 5 years	3,560
<b>Total</b>	<b>6,166</b>

### Council as Lessor

#### Finance Leases

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

	31st March
	2022
	£000
<b>Finance Lease Debtor</b>	
Current	30
Non-current	989
Unearned finance income	1,622
<b>Gross Investment in the lease</b>	<b>2,641</b>

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

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

	31st March
	2022
	£000
<b>Minimum Lease Payments</b>	
Within one year	96
Within 2 to 5 years	385
Later than 5 years	2,160
<b>Total</b>	<b>2,641</b>

## Note 39 Leases (continued)

### *Operating Leases*

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

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

	31st March 2021	31st March 2022
	£000	£000
Not later than one year	4,406	6,288
Later than one year and not later than 5 years	13,259	18,964
Later than 5 years	75,221	87,758
<b>Total</b>	<b>92,886</b>	<b>113,010</b>

## Note 40 Private Finance Initiatives and Service Concession Arrangements

### *Integrated Waste Management Service*

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

2021/22 was the nineteenth year of the operation of the contract, costing £16m (£15m in 2020/21).

### *Property Plant and Equipment*

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

	Other Land & Buildings	Vehicles, Plant & Equipment	Total
	£000	£000	£000
Balance at 1st April 2021	8,852	5,242	14,094
Additions	-	525	525
Depreciation	(1,285)	(1,709)	(2,994)
Revaluation	16	-	16
<b>Balance at 31st March 2022</b>	<b>7,583</b>	<b>4,058</b>	<b>11,641</b>

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

### Payments

The Council makes an agreed payment each year which is increased by inflation (based on the RPI-X measure) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2022 (excluding future inflation) are as follows:

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

The liability outstanding to the contractor for capital expenditure incurred are shown in the table.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Lifecycle Capital Replacement costs	Total
	£000	£000	£000	£000	£000
Within 1 year	6,650	550	802	1,409	9,411
Within 2 to 5 years	33,487	2,786	2,074	7,134	45,481
Within 6 to 10 years	680	35	9	89	813
<b>Total</b>	<b>40,817</b>	<b>3,371</b>	<b>2,885</b>	<b>8,632</b>	<b>55,705</b>

	2020/21	2021/22
	£000	£000
Balance outstanding at 1st April	3,515	4,969
Payments during the year	(2,060)	(2,123)
Additions	3,514	525
<b>Balance at 31st March</b>	<b>4,969</b>	<b>3,371</b>

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

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

In December 2007, the Council entered into a 25-year contract with Leicester BSF Company 1 Limited under a PFI scheme. The contractor was to design, build, finance and operate, on the existing sites, replacement buildings for two community colleges – Judgemeadow and Soar Valley – valued at £34.9m (on completion of the rebuild in 2009). At the end of the contract, as

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

academy, subject to the on-going provisions of the PFI contract. The rebuild for phase 1 was completed in 2009 and 2021/22 was therefore the thirteenth year of the operation of the contract costing £6.7m.

#### *Property Plant and Equipment*

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

	<b>Other Land &amp; Buildings</b>
	<b>£000</b>
Balance at 1st April 2021	39,193
Additions	-
Revaluations	1,872
Depreciation	(1,005)
<b>Balance at 31st March 2022</b>	<b>40,060</b>

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

### Payments

The Council makes an agreed payment each year which is increased by inflation (based on the RPI-X measure) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2022 are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Lifecycle Capital Replacement Costs	Total
	£000	£000	£000	£000	£000
Within 1 year	2,457	1,333	2,262	725	6,777
Within 2 to 5 years	10,534	5,993	7,852	3,917	28,296
Within 6 to 10 years	14,970	10,567	6,395	5,986	37,918
Within 11 to 15 years	7,142	7,295	1,055	947	16,439
<b>Total</b>	<b>35,103</b>	<b>25,188</b>	<b>17,564</b>	<b>11,575</b>	<b>89,430</b>

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

	2020/21	2021/22
	£000	£000
Balance outstanding at 1st April	27,279	26,336
Payments during the year	(943)	(1,148)
<b>Balance at 31st March</b>	<b>26,336</b>	<b>25,188</b>



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

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

On 31<sup>st</sup> March 2012 the City Council committed to a joint PFI project scheme for the re-building of Crown Hills and City of Leicester Community Colleges. The Council is contracted to Leicester BSF Company 2 Limited for 25 years. The new schools became operational at the end of October 2013 with construction costs of £44.6m. At the end of the contract, as things stand, all

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

going provisions of the PFI contract. 2021/22 was the ninth year of the operation of the contract costing £6.8m.

#### *Property Plant and Equipment*

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

	<b>Other Land &amp; Buildings £000</b>
Balance at 1st April 2021	70,736
Additions	-
Revaluations/(Impairment)	5,332
Depreciation	(1,703)
<b>Balance at 31st March 2022</b>	<b>74,365</b>

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

### Payments

The Council makes an agreed payment each year which is increased by inflation (based on the RPI-X measure) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31<sup>st</sup> March 2022 are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Lifecycle Capital Replacement	Total
	£000	£000	£000	£000	£000
Within 1 year	2,666	1,612	2,326	419	7,023
Within 2 to 5 years	11,432	5,090	8,413	4,902	29,837
Within 6 to 10 years	16,195	9,221	8,152	6,113	39,681
Within 11 to 15 years	18,614	13,407	4,482	5,977	42,480
Within 16 to 20 years	6,475	4,546	388	3,469	14,878
<b>Total</b>	<b>55,382</b>	<b>33,876</b>	<b>23,761</b>	<b>20,880</b>	<b>133,899</b>

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

	2020/21	2021/22
	£000	£000
Balance outstanding at 1st April	36,614	35,182
Payments during the year	(1,432)	(1,306)
<b>Balance at 31st March</b>	<b>35,182</b>	<b>33,876</b>

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

### District Energy Heating & Combined Heat Power Scheme

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

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.

The initial capital investment made by LDEC Ltd for the whole scheme was £13.7m.

#### 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 2022 are shown in the table:

	Vehicles, Plant & Equipment £000
Balance at 1st April 2021	6,934
Depreciation	(408)
<b>Balance at 31st March 2022</b>	<b>6,526</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 2022 (excluding future inflation increases and the final phase which has yet to be completed) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Lifecycle Capital Replacement £000	Total £000
Within 1 year	1,793	282	771	215	3,061
Within 2 to 5 years	7,172	1,186	3,025	860	12,243
Within 6 to 10 years	8,965	2,310	2,954	1,076	15,305
Within 11 to 15 years	8,965	3,764	1,500	1,076	15,305
Within 16 to 20 years	2,274	511	67	108	2,960
Within 21 to 25 years	357	9	1	-	367
<b>Total</b>	<b>29,526</b>	<b>8,062</b>	<b>8,318</b>	<b>3,335</b>	<b>49,241</b>

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

### Liability

The liability outstanding to the contractor for capital expenditure incurred up to 31<sup>st</sup> March 2022 is as per the following table:

Under the terms of the agreement, at the end of the scheme, or, if earlier, upon termination of the agreement, LDEC Ltd will sell the boiler plant and heating network (such parts that are required to heat all of the City Council's buildings) to the City Council or to a new service provider. The term is designed to ensure that the City Council has a working district heating system at the end of the contract period. At the end of the scheme the expectation is that the sale price would be minimal. Under the agreement the Council has granted to LDEC Ltd licence to exercise rights to use the heat network to supply heat to any third party consumer. Any such supply agreements will be co-terminus with or less than the scheme term.

	2020/21	2021/22
	£000	£000
Liability for capital expenditure incurred for operational phases	8,095	7,809
Payments during the year	(286)	(294)
<b>Balance at 31st March</b>	<b>7,809</b>	<b>7,515</b>

## Note 41 Termination Benefits

The Council terminated the contracts of a number of employees in 2021/22 incurring liabilities of £0.6m (£0.3m in 2020/21). Of this £0.5m (£0.2m in 2020/21) was for redundancy and other departure costs, and £77k (£15k in 2020/21) 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 and cost of exit packages are set out in the table to the right. In 2021/22 the Council approved 27 compulsory redundancies (12 in 2020/21).

Band	Total number of exit packages by cost band	Total Cost of Exit packages 2020/21	Total number of exit packages by cost band	Total Cost of Exit packages 2021/22
£	2020/21	£	2021/22	£
0 - 20,000	17	159,326	46	290,432
20,001 - 40,000	2	46,663	5	171,132
40,001 - 60,000	1	50,523	2	98,297
<b>Total</b>	<b>20</b>	<b>256,512</b>	<b>53</b>	<b>559,861</b>

# Note 42 Pension Schemes Accounted for as Defined Contribution Schemes

## *Teachers' Pensions*

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

The Scheme is a defined benefit scheme. However, the Scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. For the purposes of the Statement of Accounts, it is accounted for on the same basis as a defined contribution scheme. Under this treatment, the council has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Council's obligation is limited to the amount that it has agreed to contribute to the fund and in consequence, actuarial risk and investment risk fall on the employee.

In 2021/22, the Council paid £18.1m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2020/21 were £17.7m and 23.68%.

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

## *Public Health*

Certain public health employees remain members of the NHS pension scheme. The scheme provides these staff with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

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

In 2021/22, the Council paid £0.1m to the NHS Pension Scheme in respect of former NHS staff retirement benefits representing 14.38% of pensionable pay.

## Note 43 Defined Benefit Pension Schemes

### *Participation in Pension Schemes*

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

The accounts have been prepared on the basis of the actuary's updated IAS19 valuation report dated 23rd May 2022.

The Council participates in three post-employment pension schemes:

- Teachers' Pensions Scheme – see Note 42 for further information
- NHS Pension Scheme – see Note 42 for further information
- The Local Government Pension Scheme, (LGPS) administered locally by the Leicestershire County Council – this is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

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

## Note 43 Defined Benefit Pension Schemes (continued)

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

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

	2020/21	2021/22
	£000	£000
Comprehensive Income and Expenditure Statement		
<b>Cost of Services</b>		
Current service cost	60,771	93,713
Past service cost	1	725
Settlements and curtailments	-	(4,943)
<b>Total Service Cost</b>	<b>60,772</b>	<b>89,495</b>
Financing and Investment Income and Expenditure		
Expected return on scheme assets	(28,757)	(31,442)
Interest cost	42,684	49,204
<b>Net Interest Cost</b>	<b>13,927</b>	<b>17,762</b>
<b>Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>74,699</b>	<b>107,257</b>
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets excluding amounts included in net interest	(283,529)	(151,650)
Actuarial (gains)/losses arising from changes in demographic assumptions	29,840	(12,738)
Actuarial (gains)/losses arising from changes in financial assumptions	514,408	(172,019)
Other Experience adjustments	(15,404)	1,049
<b>Total remeasurements recognised in the Comprehensive Income and Expenditure Statement</b>	<b>245,315</b>	<b>(335,358)</b>
<b>Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement</b>	<b>320,014</b>	<b>(228,101)</b>
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	74,699	107,257
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	(49,771)	(52,841)
<b>Total Movement in Reserves</b>	<b>24,928</b>	<b>54,416</b>



## Note 43 Defined Benefit Pension Schemes (continued)

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

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

	2020/21	2021/22
	£000	£000
<b>Balance at 1st April</b>	<b>1,845,164</b>	<b>2,440,752</b>
Current service cost	60,771	93,713
Past service costs (including curtailments)	1	725
Effect of settlements	-	(11,637)
Interest cost	42,684	49,204
Contributions by scheme participants	11,575	11,779
Benefits paid	(48,287)	(50,928)
Remeasurements arising from changes in financial assumptions	514,408	(172,019)
Remeasurements arising from changes in other assumptions	(15,404)	1,049
Remeasurements arising from changes in demographic assumptions	29,840	(12,738)
<b>Balance at 31st March</b>	<b>2,440,752</b>	<b>2,349,900</b>

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

	2020/21	2021/22
	£000	£000
<b>Balance at 1st April</b>	<b>1,244,676</b>	<b>1,570,021</b>
Interest income	28,757	31,442
Effect of settlements	-	(6,694)
Contributions by scheme participants	11,575	11,779
Employer contributions	49,771	52,841
Benefits paid	(48,287)	(50,928)
Return on plan assets excluding amounts included in net interest	283,529	151,650
<b>Balance at 31st March</b>	<b>1,570,021</b>	<b>1,760,111</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

## Note 43 Defined Benefit Pension Schemes (continued)

### Scheme History

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
Present value of funded obligations	(1,857,800)	(2,108,019)	(1,799,983)	(2,390,572)	(2,306,075)
Present value of unfunded obligations	(51,855)	(52,381)	(45,181)	(50,180)	(43,825)
Fair value of assets in the scheme	1,275,624	1,348,774	1,244,676	1,570,021	1,760,111
<b>Surplus/(deficit) in the scheme</b>	<b>(634,031)</b>	<b>(811,626)</b>	<b>(600,488)</b>	<b>(870,731)</b>	<b>(589,789)</b>

### Impact on future cash flows

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £2,350m has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a negative overall balance of £589.8m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (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 2023 is £51.1m. The maturity profile is as follows:

	Liability Split	Weighted Average Duration
Active members	52.0%	26.0
Deferred members	20.0%	26.0
Pensioner members	28.0%	11.7
<b>Total</b>	<b>100.0%</b>	

## Note 43 Defined Benefit Pension Schemes (continued)

### *Basis for Estimating Assets and Liabilities*

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2019.

The main assumptions used by the actuary have been:

<b>Local Government Pension Scheme</b>	<b>2020/21</b>	<b>2021/22</b>
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners (years):		
Men	21.7	21.5
Women	24.2	24.0
Longevity at 65 for future pensioners (years):		
Men	22.6	22.4
Women	25.9	25.7
<b>Benefit entitlement assumptions</b>		
Rate of increase in salaries	3.4%	3.7%
Rate of increase in pensions	2.9%	3.2%
Rate for discounting scheme liabilities	2.0%	2.7%
Take-up of option to convert annual pension into retirement lump-sum – relating to service pre April 2008	50.0%	50.0%
Take-up of option to convert annual pension into retirement lump-sum – relating to service post April 2008	75.0%	75.0%

## Note 43 Defined Benefit Pension Schemes (continued)

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

	2020/21				2021/22			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percentage of Total	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percentage of Total
	£000	£000	£000	Assets	£000	£000	£000	Assets
<b>Equity</b>								
Consumer	4,016		4,016	0%	2,048		2,048	0%
Manufacturing	1,176		1,176	0%	255		255	0%
Energy and Utilities	3,302		3,302	0%	2,533		2,533	0%
Financial Institutions	4,982		4,982	0%	3,557		3,557	0%
Health and Care	1,156		1,156	0%	1,428		1,428	0%
Information Technology	1,322		1,322	0%	734		734	0%
Other	11,384		11,384	1%	4,125		4,125	0%
<b>Debt Securities</b>								
UK Government	132,685	250	132,935	8%	88,151	208	88,359	5%
Other	20,333		20,333	1%	3,301		3,301	0%
<b>Private Equity</b>								
All		72,399	72,399	5%		117,708	117,708	7%
<b>Real Estate</b>								
UK Property		117,348	117,348	7%		135,420	135,420	8%
<b>Investment Fund and Unit Trusts</b>								
Equities	362,873	267,702	630,575	40%	504,385	306,006	810,391	46%
Bonds	66,343		66,343	4%			-	0%
Hedge Funds	131		131	0%			-	0%
Commodities		55,529	55,529	4%		44,169	44,169	3%
Infrastructure		82,571	82,571	5%		92,025	92,025	5%
Other	112,701	206,780	319,481	20%	149,647	211,883	361,530	21%
<b>Derivatives</b>								
Foreign Exchange	(1,995)		(1,995)	0%	3,652		3,652	0%
<b>Cash and Cash Equivalents</b>								
All	47,033		47,033	3%	88,876		88,876	5%
<b>Total</b>	<b>767,442</b>	<b>802,579</b>	<b>1,570,021</b>	<b>100%</b>	<b>852,692</b>	<b>907,419</b>	<b>1,760,111</b>	<b>100%</b>

## Note 43 Defined Benefit Pension Schemes (continued)

### *Sensitivity Analysis*

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

<b>Changes in assumptions at 31st March 2022</b>	<b>Approximate % increase to Defined Benefit Obligation</b>	<b>Approximate monetary amount (£000)</b>
0.1% decrease in Real Discount Rate	2.0%	47,015
0.1% increase in the Salary Increase Rate	0.2%	4,231
1 Year Increase in Life Expectancy	4.0%	93,996
0.1% increase in the Pension Increase Rate	1.8%	42,430

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

## Note 44 Contingent Liabilities

A claim has been lodged with HM Courts and Tribunal Service by Biffa Group Holdings (UK) Limited and group companies, regards disputed matters in relation to payments due under the PFI contract for waste management (see Note 39). There is potential for this to progress through the high court process, with a full court hearing unlikely to be until 2025. It is not practicable at this time to estimate the financial effect. It is however unlikely that the council would receive any reimbursement.

## Note 45 Contingent Assets

The council has no contingent assets to disclose in the 2021/22 accounts.

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

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

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

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



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

### a) Credit Risk

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

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

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

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

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

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

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

Investment Type	Counterparty	Maximum Investment Period	Minimum Credit Rating	Individual Lending Limit	Limit for Investment Type
Deposits & Bonds	Local authority	3 Years	None required	£20m	£300m
Bonds	Local Government Bonds Agency	6 Years	A long term rating of A+	£20m	
Bonds, Bills and Deposits	UK Public Sector & Quasi-Public Sector	6 Years	A long term rating of A+	£20m	£40m
Deposits and Treasury Bills	UK Government / UK Government Guarantee	6 years	None required	Unlimited	Unlimited
Bonds	International Development Banks	6 Years	A long term rating of AA- plus backing of one or more G7 countries.	£10m	£40m
Money Market Funds, Money Market Plus Funds and Short-Dated Bond Funds	Various Fund Managers, including funds shaped by local authorities acting collectively	Up to 1 month Advice taken from Treasury Advisors	AAf	£25m—Money Market Funds £20m—Short dated bond funds & Money Market plus funds	£180m of which no more than £30m in property funds and no more than £50m in longer dated funds and funds investing in Asset Based Securities
Longer dated Bond Funds and funds investing in Asset Based Securities	Various Fund Managers	Up to 1 month Advice taken from Treasury Advisors	AAf	£10m	
Property Funds	Various Fund Managers	Investments can be sold in market.	Not Applicable	£10m	

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in commercial institutions (banks and building societies) of £125m as at 31st March 2022 (£69m as at 31st March 2021) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at 31st March 2022 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 £188m (£198m as at 31st March 2021). Such investments are assessed to be virtually risk free.

As a result of loan repayments in 21/22 and having already made prudent provision in previous years, the Council has reversed credit impairments of £0.1m in 2021/22, based on historical experience and market conditions at 31st March 2022. There were credit impairments of £0.01m in 2020/21.

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

The value of the Council's receivables classified as financial instruments on the Balance Sheet as at 31st March 2022 was £19.9m (£17.9m as at 31st March 2021). The following matrix is used for both 2021/22 and 2020/21 to estimate the non-collectible proportion of these receivables.

Age of Receivable	Estimated Non-Collection Rate
Less than One Month	0%
One Month to Three Months	10%
Four Months to Six Months	25%
Seven Months to Nine Months	50%
Ten Months to One Year	75%
One Year to Two Years	80%
Over Two Years	100%

It is estimated that the uncollectable amount on commercial and personal debts outstanding as at 31st March 2022 will be £10.1m (£9.0m as at 31st March 2021) and that the impaired value of these debts are £9.8m (£8.9m as at 31st March 2021).

The following table shows current receivables analysed by age, and the impaired value after allowing for default, credit losses 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. Notwithstanding the carrying amount as reported on the balance sheet has been reduced to account for impairment in line with the code.

	31st March 2021		31st March 2022	
	Due	Impaired Value	Due	Impaired Value
	£000	£000	£000	£000
Less than 3 months	6,246	6,052	7,427	7,178
Three to six months	1,765	1,324	1,533	1,150
Six months to one year	2,477	1,105	2,214	840
More than one year	7,461	428	8,750	667
<b>Total</b>	<b>17,949</b>	<b>8,909</b>	<b>19,924</b>	<b>9,835</b>

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

### b) Liquidity Risk

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

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

Time to maturity (years)	31st March 2021	31st March 2022
	£000	£000
Not over 1	19,044	19,055
Over 1 but not over 2	5,608	4,268
Over 2 but not over 5	15,285	14,902
Over 5 but not over 10	25,879	26,068
Over 10 but not over 20	38,449	34,692
Over 20 but not over 30	30,576	75,400
Over 30	165,041	119,736
<b>Total</b>	<b>299,882</b>	<b>294,121</b>

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

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

### c) Market Risks

#### *Interest Rate Risk*

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

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

Investments classed as “amortised cost” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “Other” will be reflected in Comprehensive Income and Expenditure.

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

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

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

	£000
Increase in interest receivable on variable rate investments	1,250
Increase in interest receivable on short term investments	133
Increase in interest payable on variable rate loans	(125)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>1,258</b>
Decrease in fair value of available for sale financial assets	0
<b>Impact on Comprehensive Income and Expenditure</b>	<b>0</b>
Decrease in fair value of loans and receivables *	1,929
Decrease in fair value of fixed rate borrowings/liabilities *	46,799

\*No impact on Comprehensive Income and Expenditure

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

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

### c) Market Risks

#### *Price Risk*

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

The market price of the Council's property fund investments are determined by the market prices of the underlying property assets owned by the funds. The impact of the 5% fall in value of the property fund value would be a reduction in value of £432k. The Council's intention is to hold these investments over the medium term and not to crystallise these losses by selling.

#### *Foreign Exchange Risk*

The Council has no exposure to foreign exchange risk.

# Supplementary Financial Statements & Explanatory Notes



# Housing Revenue Account

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

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

<b>2020/21</b>			<b>2021/22</b>
<b>£000</b>			<b>£000</b>
		<b>Note</b>	
<b>Income</b>			
(73,292)	Dwelling Rents	5	(74,564)
(354)	Non-dwelling Rents	6	(373)
(5,787)	Service Charges	6	(5,861)
(454)	Contributions & Miscellaneous income		(752)
<b>(79,887)</b>	<b>Total Income</b>		<b>(81,550)</b>
<b>Expenditure</b>			
12,037	General Management		13,194
12,860	Special Management	3	13,456
27,985	Repairs & Maintenance		32,137
1,497	Rent, Rates, Taxes & Other Charges		1,428
222	Increase/ (Decrease) in Bad Debt Provision	4	13
25,540	Depreciation & Impairment of Fixed Assets	12	42,165
60	Debt Management Expenses		60
-	Other Expenditure		489
<b>80,201</b>	<b>Total Expenditure</b>		<b>102,942</b>
710	HRA share of Corporate & Democratic Core		710
<b>1,024</b>	<b>"HRA Comprehensive Income and Expenditure Line"</b>		<b>22,102</b>
<b>1,024</b>	<b>Net Cost of HRA Services</b>		<b>22,102</b>
2,448	(Gain) or Loss on Sale of HRA Assets		3,124
8,840	Loan Charges - Interest		8,737
(496)	Investment Interest		(306)
4,263	Pensions - Interest on Liabilities	14	5,318
(2,872)	Pensions - Expected Return on Assets	14	(3,398)
<b>13,207</b>	<b>(Surplus) / Deficit for the Year</b>		<b>35,577</b>

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

2020/21			2021/22
£000		Note	£000
13,207	(Surplus) / Deficit for the Year (from above)		35,577
<b><u>Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement on the Housing Revenue Account balance</u></b>			
359	Amounts charged to the HRA for amortisation of Premia and Discounts for the year determined in accordance with statute		359
(2,743)	HRA share of contributions to/(from) the Pension Reserve	14	(6,595)
(2,448)	Gain or (Loss) on Sale of HRA Fixed Assets		(3,124)
(25,540)	Depreciation and capital expenditure not adding value for Fixed Assets	12	(42,165)
1,707	Capital Expenditure Financed from Revenue Account	10	5,946
666	HRA Set-Aside (MRP)		947
12,137	Transfers to/(from) the Major Repairs Reserve	13	12,680
(277)	Transfers to/(from) the Employee Benefits Reserve		89
-	Other Adjustments		(489)
(16,139)	<b>Total value of items reversed as part of determining the statutory movement on the Housing Revenue Account Balance</b>		<b>(32,352)</b>
(2,932)	<b>Net (Surplus)/Deficit on the Housing Revenue Account in the year</b>		<b>3,225</b>
(32,825)	Balance Brought Forward 1st April 2021		(35,757)
(35,757)	<b>Balance Carried Forward 31st March 2022 - (Surplus)/Deficit</b>		<b>(32,532)</b>

# Housing Revenue Account (HRA) Explanatory Notes

## 1. Housing Revenue Account

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

These determinations have been made by the Council and the appropriate entries have been made in respect of capital accounting and financing transactions.

## 5. Net Rent Income from Dwellings

	2020/21	2021/22
	£000	£000
Total Rent income from Dwellings	73,292	74,564
Less Housing Benefit	(30,311)	(27,633)
<b>Total</b>	<b>42,981</b>	<b>46,931</b>

## 6. Non -Dwelling Rents and Service Charges

These include the charges made to tenants and leaseholders for district heating, garages, security and cleaning services to flats.

## 2. Changes to Accounting Practice

There has been no change in accounting practice.

## 3. Special Management

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

## 4. Rent Arrears and Provision for Bad Debts

### *Rents and Service Charges*

The bad debt provision for rents and service charges at 31st March 2022 was £1.0m (£1.0m at 31st March 2021). This is calculated on a rent and service charge arrears balance of £3m (£3.2m in 2020/21).

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

### 7. Housing Stock

Changes to Housing Stock:

	2020/21	2021/22
Number of Dwellings at 1st April	20,142	20,066
Construction of new dwellings	29	-
Acquisitions	109	92
Right to Buy sales	(204)	(311)
Other Disposals	(10)	-
<b>Number of Dwellings at 31st March</b>	<b>20,066</b>	<b>19,847</b>

### 8. Value of HRA Assets

	31st March 2021	31st March 2022
	£000	£000
Dwellings	1,062,545	1,161,369
Other Land and Buildings	20,032	21,848
Vehicles, Plant, Furniture & Equipment	87	22
Surplus Assets	283	298
Intangible Assets	58	14
<b>Total</b>	<b>1,083,005</b>	<b>1,183,551</b>

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

### 9. Vacant Possession Value of Council Dwellings

The vacant possession value of council dwellings at 31<sup>st</sup> March 2022 was £2.8bn. At the same date the balance sheet value of council dwellings was £1.2bn. The difference of £1.6bn 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 2021	31st March 2022
	£000	£000
Vacant possession values	2,529,861	2,764,841

### 10. Capital Expenditure

HRA capital expenditure on land, houses and other property in 2021/22 totalled £50m, financed as follows:

	2020/21	2021/22
	£000	£000
Major Repairs Reserve	12,137	12,680
Use of borrowing	13,622	14,859
Usable capital receipts	14,178	16,865
Financing from revenue account	1,707	5,946
<b>Total</b>	<b>41,644</b>	<b>50,350</b>

### 11. Capital Disposals

HRA capital disposals in 2021/22 were as follows:

	2020/21		2021/22	
	Total Receipt	Usable/ Retained	Pooled/ Set aside	Total Receipt
	£000	£000	£000	£000
Right to Buy (RTB) sales	(10,556)	(11,610)	(6,383)	(17,993)
<b>Total</b>	<b>(10,556)</b>	<b>(11,610)</b>	<b>(6,383)</b>	<b>(17,993)</b>

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

### 12. Depreciation and capital expenditure not adding value for Fixed Assets

A breakdown of the depreciation and capital expenditure not adding value charges are provided in the table below:

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

	2020/21			2021/22			
	Depreciation	Capital expenditure not adding value	Total	Depreciation	Capital expenditure not adding value	Other Impairments	Total
	2020/21 £000	2020/21 £000	2020/21 £000	2021/22 £000	2021/22 £000	2021/22 £000	2021/22 £000
Dwellings	10,884	12,455	23,339	11,459	20,138	8,828	40,425
Other Land and Buildings	541	410	951	736	132	-	868
Vehicles, Plant, Furniture & Equipment	466	-	466	437	-	-	437
Surplus Assets	4	(4)	-	4	(4)	-	-
Intangible Assets	242	542	784	44	391	-	435
<b>Total</b>	<b>12,137</b>	<b>13,403</b>	<b>25,540</b>	<b>12,680</b>	<b>20,657</b>	<b>8,828</b>	<b>42,165</b>

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

### 13. Use of Major Repairs Reserve

	2020/21	2021/22
	£000	£000
Balance at 1st April	-	-
Depreciation credited	(12,137)	(12,680)
Capital expenditure on land, houses and other property	12,137	12,680
<b>Balance at 31st March</b>	<b>-</b>	<b>-</b>

### 14. HRA Contributions to the Pensions Reserve

This table identifies the total HRA share of contributions to and (from) the pensions reserve and breaks the figure down to show the type of contribution to or (from) the reserve. More detailed information on pensions is provided in note 43 to the core financial statements.

	2020/21	2021/22
	£000	£000
Pension costs incurred in Net Cost of Services:		
Current service cost	(1,352)	(4,676)
	<b>(1,352)</b>	<b>(4,676)</b>
Pension interest cost and expected return on assets:		
Interest on liabilities	(4,263)	(5,318)
Expected return on assets	2,872	3,398
	<b>(1,391)</b>	<b>(1,920)</b>
<b>Total Transfer to Pension Reserve</b>	<b>(2,743)</b>	<b>(6,596)</b>



# Collection Fund Account

# Collection Fund - Income and Expenditure Statement

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

2020/21			2021/22			
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000	Note	£000	£000	£000
<b>Income</b>						
(145,805)		(145,805)	Council Tax Collectable	2	(155,104)	(155,104)
	(62,373)	(62,373)	Income from Business Ratepayers		(89,458)	(89,458)
	(1,101)	(1,101)	Transitional Protection payments - Business Rates		(24)	(24)
<b>(209,279) Total Income</b>					<b>(244,586)</b>	
<b>Expenditure</b>						
Precepts and Demands:						
				3		
122,845		122,845	Leicester City Council		126,790	126,790
17,749		17,749	Police & Crime Commissioner for Leicestershire		18,569	18,569
5,172		5,172	Leicestershire & Rutland Combined Fire Authority		5,183	5,183
145,766						150,542
Business Rates:						
				4		
	56,957	56,957	Payments to Government		55,789	55,789
	1,139	1,139	Payments to Fire		1,116	1,116
	55,818	55,818	Payments to Leicester City Council		54,673	54,673
	483	483	Costs of Collection		478	478
114,397						112,056
970	2,007	2,977	Contributions in respect of previous year's surplus / (deficit)	6	(1,933)	(49,474)
Bad and Doubtful Debts:						
				7		
1,600	1,406	3,006	Write-offs		988	969
3,901	2,627	6,528	Increase / (Reduction) to provision		1,093	(1,780)
	3,550	3,550	Increase / (Reduction) to Provision for appeals		(1,116)	(1,116)
<b>276,224 Total Expenditure</b>						<b>211,345</b>
6,432	60,513	66,945	Fund (Surplus) / Deficit for the Year		(4,414)	(28,827)
(744)	(1,760)	(2,504)	Fund (Surplus) / Deficit brought forward	5	5,688	58,752
<b>5,688</b>	<b>58,753</b>	<b>64,441</b>	<b>FUND BALANCE AS AT 31st MARCH - (Surplus)/Deficit</b>	<b>1</b>	<b>1,274</b>	<b>29,925</b>
					<b>29,925</b>	<b>31,199</b>

# Collection Fund Explanatory Notes

## 1. Statutory Requirements & Allocation of Balances

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

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

	2020/21			2021/22		
	Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
	£000	£000	£000	£000	£000	£000
Leicester City Council	4,793	28,850	33,643	1,073	14,663	15,736
Government	-	29,315	29,315	-	14,963	14,963
Leicestershire & Rutland Combined Fire Authority	202	588	790	46	299	345
Police & Crime Commissioner for Leicestershire	693	-	693	155	-	155
<b>Fund Balance Allocations as at 31st March</b>	<b>5,688</b>	<b>58,753</b>	<b>64,441</b>	<b>1,274</b>	<b>29,925</b>	<b>31,199</b>

## Collection Fund Explanatory Notes (continued)

### 2. Council Tax Base

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

The total collectable Council Tax during 2021/22 was £155.1m including arrears from prior years.

The collectable Council Tax specifically for 2021/22 was £181.8m (including sums paid under the Local Council Tax Reduction Scheme). After taking into account the total amount of this reduction (£25m), the average number of Band D dwellings equates to 77,072. This is an increase from the 74,806 dwellings existing when the 2021/22 budget was prepared.

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-	251	5/9	139	54	85
A	69,798	6/9	46,532	10,294	36,238
B	23,893	7/9	18,583	2,107	16,476
C	13,958	8/9	12,407	997	11,410
D	5,880	9/9	5,880	302	5,578
E	3,249	11/9	3,971	119	3,852
F	1,470	13/9	2,123	48	2,075
G	565	15/9	942	9	933
H	37	18/9	74	0	74
	<b>119,101</b>		<b>90,651</b>	<b>13,930</b>	<b>76,721</b>
					Less adjustments for collection rates and other adjustments. (1,915)
					<b>Council Tax Base 74,806</b>

## Collection Fund Explanatory Notes (continued)

### 3. Precepts and Demands

The following sums were paid from the collection fund.

	2020/21 £000	2021/22 £000
Leicester City Council	122,845	126,790
Police & Crime Commissioner for Leicestershire	17,749	18,569
Leicestershire & Rutland Combined Fire Authority	5,172	5,183
<b>Total</b>	<b>145,766</b>	<b>150,542</b>

### 4. Income from Business Rates

Under the arrangements for business rates, the Council collects rates payable in the City, which are based on the rateable values multiplied by a uniform rate.

	31st March 2021 £	31st March 2022 £
<b>Non Domestic Rateable Value</b>	<b>304,089,891</b>	<b>303,993,706</b>
	<b>2020/21</b>	<b>2021/22</b>
Non Domestic Rating Multiplier	51.2p	51.2p
Non Domestic Rating Multiplier- Small Business	49.9p	49.9p

## Collection Fund Explanatory Notes (continued)

### 5. Collection Fund Surpluses & Deficits

The Collection Fund account shows a cumulative deficit of £31.2m at 31<sup>st</sup> March 2022 (£64.4m deficit at 31<sup>st</sup> March 2021) for Council Tax and Business Rates.

The deficit arising from business rates is £29.9m (£58.8m deficit at 31<sup>st</sup> March 2021). In 2020/21 and 2021/22 the Council granted additional business rates reliefs above what was budgeted and as a result the deficit is significantly higher than usual. In addition, there was a requirement for the 2020/21 deficit to be realised over three years. However, it should be noted that the Council was compensated through government grants and these are recognised in the main financial statements.

The deficit arising on the Council Tax is £1.3m (£5.7m deficit 31<sup>st</sup> March 2021). In 2020/21 as a result of the pandemic the Council incurred a significant deficit that was required to be spread the over 3 years. The second year of this spreading is 2022/23. This will continue to 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.

## Collection Fund Explanatory Notes (continued)

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

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

##### *Council Tax*

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

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

	<b>City</b>	<b>Police</b>	<b>Fire</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Estimated Deficit – Jan 2021</b>	<b>1,629</b>	<b>235</b>	<b>69</b>	<b>1,933</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>Estimated Deficit – Jan 2021</b>	<b>24,304</b>	<b>24,676</b>	<b>495</b>	<b>49,475</b>

## Collection Fund Explanatory Notes (continued)

### 7. Bad and Doubtful Debts

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

Provisions	Bad Debt Provision			
	Balance at 1st April 2021	Bad Debt Write- offs In year	Increase/ (Decrease) to Provision	Balance at 31st March 2022
	£000	£000	£000	£000
Council Tax	11,922	(988)	2,080	13,014
NNDR	7,386	(969)	(810)	5,607
<b>Total</b>	<b>19,308</b>	<b>(1,957)</b>	<b>1,270</b>	<b>18,621</b>



# Annual Governance Statement

# Leicester City Council Annual Governance Statement 2021-22

## 1. Introduction

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

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

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

## 2. The Arrangements

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

### We have the following codes and rules:

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

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

- A Fair City
- Homes for All
- Connecting Leicester
- Sustainable Leicester
- Health & Care
- Lifelong Learning
- A City to Enjoy
- A Safe and Inclusive Leicester

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

- Economic Recovery
- Budget Strategy
- COVID-19 Reopening Plan for the City
- COVID-19 Transport Recovery Plan
- Leicester Street Design Guide
- Joint Health & Wellbeing Strategy
- Knife Crime and Serious Violence Strategy
- Local Transport Plan
- Tourism Action Plan
- Economic Action Plan
- St George’s Cultural Quarter Action Plan

### We demonstrate good practice and ensure accountability through:

- External Audit
- Internal Audit
- Annual Financial Statements
- Annual Governance Statement
- Open Council & committee meetings with published minutes
- Compliance with CIPFA codes of Practices (including the new Financial Management Code)
- Scrutiny Committees

## Leicester City Council Annual Governance Statement 2021-22 (continued)

### 2. The Arrangements (continued)

#### We show openness and engagement through the following:

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

#### We are supported by:

- Democratic Services including Member and Civic Support Services, who also support member development
- An Organisational Development Team, who facilitate effective development of employees
- A Communications function which includes PR, Media and Digital Media Teams
- A staff intranet and established internal communication channels, which provide

guidance to staff

- Partnership working on key priorities
- An Information Assurance Team to support our data policies
- Specialist teams offering professional advice, for example Legal, Procurement, IT and Finance

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

- Internal Audit
- External Audit
- Information Governance
- Audit and Risk Committee
- Regular reporting of capital and revenue spending during a year
- Annual review of the Local Code of Corporate Governance
- Annual review of the Assurance Framework
- By reviewing lessons learnt by other organisations

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

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

### 3. Review of Effectiveness

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

**“Whilst Covid-19 and other staff absences and unplanned vacancies (along with a corresponding difficulty to recruit) caused some disruption to resources, there was a return to more assurance than consulting work, however the requirement to certify grants remained a burden. Nevertheless the HoIAS considers there was just sufficient internal audit coverage across the control environment to be able to give an opinion.**

## Leicester City Council Annual Governance Statement 2021-22 (continued)

### 3. Review of Effectiveness (continued)

**Whilst a number of audits returned partial assurance ratings, management accepted and responded to recommendations. Nothing else of significance has been brought to his attention so the HoIAS considers that during 2021-22, reasonable assurance can be given that the Council's control environment remained overall adequate and effective."**

#### **\*Head of Internal Audit Services**

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

## Leicester City Council Annual Governance Statement 2021-22 (continued)

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

### Issues Identified in 2021/22

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

Issue Identified	Action taken to Date
<p><b>Medium Term Financial Strategy</b> – Like all local authorities, the Council's financial viability is a key concern. We do not have any Government spending plans beyond 2021/22, do not fully understand the legacy of the pandemic, and there is no national solution yet to the social care funding crisis. We have identified potential ongoing pressures on the Council's finances and included this as part of the budget for 2021/22.</p>	<p>The finances were monitored throughout the year and we have remained within our resources (including covid grants) in 2021/22. We set a balanced budget for 2022/23 and expect to live within our resources.</p>
<p><b>Covid-19 Pandemic</b> – like all local authorities, the Council has been affected by the pandemic in various ways, including:</p> <p>Providing additional services to support the city during the pandemic.</p> <p>In year and future financial impacts.</p> <p>Maintaining good governance and effective scrutiny nonetheless remains essential.</p>	<p>The Council continued to comply with the restrictions and requirements of the pandemic during 2021/22 and to support the City.</p>

## Leicester City Council Annual Governance Statement 2021-22 (continued)

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

### Issues Identified in 2021/22

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

Issue Identified	Planned Action:
<p><b>Construction cost inflation pressures</b> – It is nationally documented that construction cost inflation is increasing the cost of capital projects. There are several issues effecting construction prices such as:</p> <ul style="list-style-type: none"> <li>• Covid 19,</li> <li>• Brexit effect on imported materials,</li> <li>• Ukraine war and Russia’s economic sanctions.</li> </ul> <p>All of the above are contributing to some extent to altering the construction cost landscape of materi-</p>	<p>The Council will continue to monitor cost inflation pressure to consider the short &amp; long term impacts to key capital schemes. Provision has been made as part of the budgets for the impact of inflation and will be monitored closely. In addition, during the executive decision making process increased inflation projections will be built in to reflect the current uncertainty in the market.</p>

## Leicester City Council Annual Governance Statement 2021-22 (continued)

Issue Identified	Planned Action:
<p><b>Medium Term Financial Strategy</b> - We have set a balanced budget for 2022/23. We only have the government finance settlement for 2022/23, but national spending plans suggest we face major problems in paying for the rising cost of adult social care without adequate government funding.</p>	<p>The Council will continue to monitor its finances closely during 2022/23 including the effects of Covid 19. We expect to live within the original budget “bottom line.” We have set a balanced budget (using reserves) for 2023/24, and know we need to make savings for 24/25 (despite additional resources for social care being announced).</p>
<p><b>Inflation &amp; Supply Chain issues</b> – in addition, to the cost pressures being seen in relation to construction contracts, the Council continues to see similar pressures impacting the revenue budgets. In particular, in relation to both gas and vehicle fuel prices. This in turn is also having an impact on the City residents who are being impacted by cost of living increases, putting additional demands on the Councils services.</p>	<p>The Council will monitor these cost pressures closely during 2022/23 and identify ways to mitigate going forward. The budget for 23/24 includes additional monies for inflation, including £10m for energy costs.</p>
<p><b>Covid-19 Pandemic</b> – like all authorities the Council has continued to be impacted by the pandemic in various ways including ongoing direct incident response including provision of contact tracing and administration of support such as self-isolation payments to residents and grants to businesses. The pandemic has continued to have a financial impact on spending and revenue, and in changing the nature of some service provision. Close political and managerial oversight of the Covid-19 response has been maintained with regular engagement and reporting of the Executive and Scrutiny and via the City Incident Management Group and across Leicester, Leicestershire and Rutland via the Local Resilience Forum.</p>	<p>Many of the restrictions and requirements relating to the pandemic have now been lifted. However, we will continue to monitor the situation closely and be prepared to take early action should the situation change. We will also continue engagement via the Local Resilience Forum.</p>

## Leicester City Council Annual Governance Statement 2021-22 (continued)

Issue Identified	Planned Action:
<p><b>Cyber Risk</b> – loss or compromise of IT systems and/or associated data through a cyber security attack. This is a national issue with an increasing prevalence and sophistication in terms of malware attacks used by cyber attackers to circumvent ICT defences and attack core systems.</p>	<p>The Council will continue to invest in appropriate enhanced measures to guard against malware and will be implementing next generation cyber security tools and advanced monitoring via an external Security Operations Centre. Maintain ongoing staff awareness raising and training to seek to mitigate and continue with a focus on this risk as part of business continuity planning and major incident response. Monitor and respond to guidance issued by the National Cyber Security Council and other industry leading organisations to determine any further measures needed.</p>
<p><b>Safeguarding processes</b> - weak management oversight of safeguarding processes in place leading to the Council inadequately safeguarding vulnerable groups.</p>	<p>The Council will continue to work with both statutory safeguarding partners as well as other system partners, both within the city and across the Leicester, Leicestershire &amp; Rutland footprint, to monitor and review safeguarding processes and ensure that resources and policies are aligned with need, addressing and emerging issues.</p>
<p><b>Care Skills Shortages</b> – services are unable to meet demand due to a shortage of health visitors, occupational therapists, social workers, and other care professionals. This is a national issue, with an increase noted of staff leaving the workforce, both through early retirement and moving to other sectors. In addition, staff shortages are encouraging some staff to leave permanent employment in order to work on an agency basis, reducing service stability and increasing costs.</p>	<p>The Council will continue to review role design, in order to ensure that only tasks that must be done by a registered professionals are included and maximise the scope for developing staff into these roles. The Council will also review its overall reward package and its recruitment approaches, to ensure that it remains an employer of choice.</p>
<p><b>Safeguarding Skill Shortage</b> – a national shortage of Public Health Nurses (Both Health Visitors and School Nurses) meaning vacant posts are impossible to recruit to.</p>	<p>The Council are working with the provider via contract meetings to assess and respond to the situation. The provider is currently using a skill mix, risk-based proportion approach to managing concerns. The Council will continue to work with the provider to assess and monitor staffing capacity and demand.</p>



## Leicester City Council Annual Governance Statement 2021-22 (continued)

### 4. Conclusion

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

Signed:



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City Mayor



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Chief Operating Officer

The Council had the following governance arrangements in place during 2021/22.

## SUMMARY OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS

### Mayor, Executive and Council

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

### Decision making

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

### Risk management

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

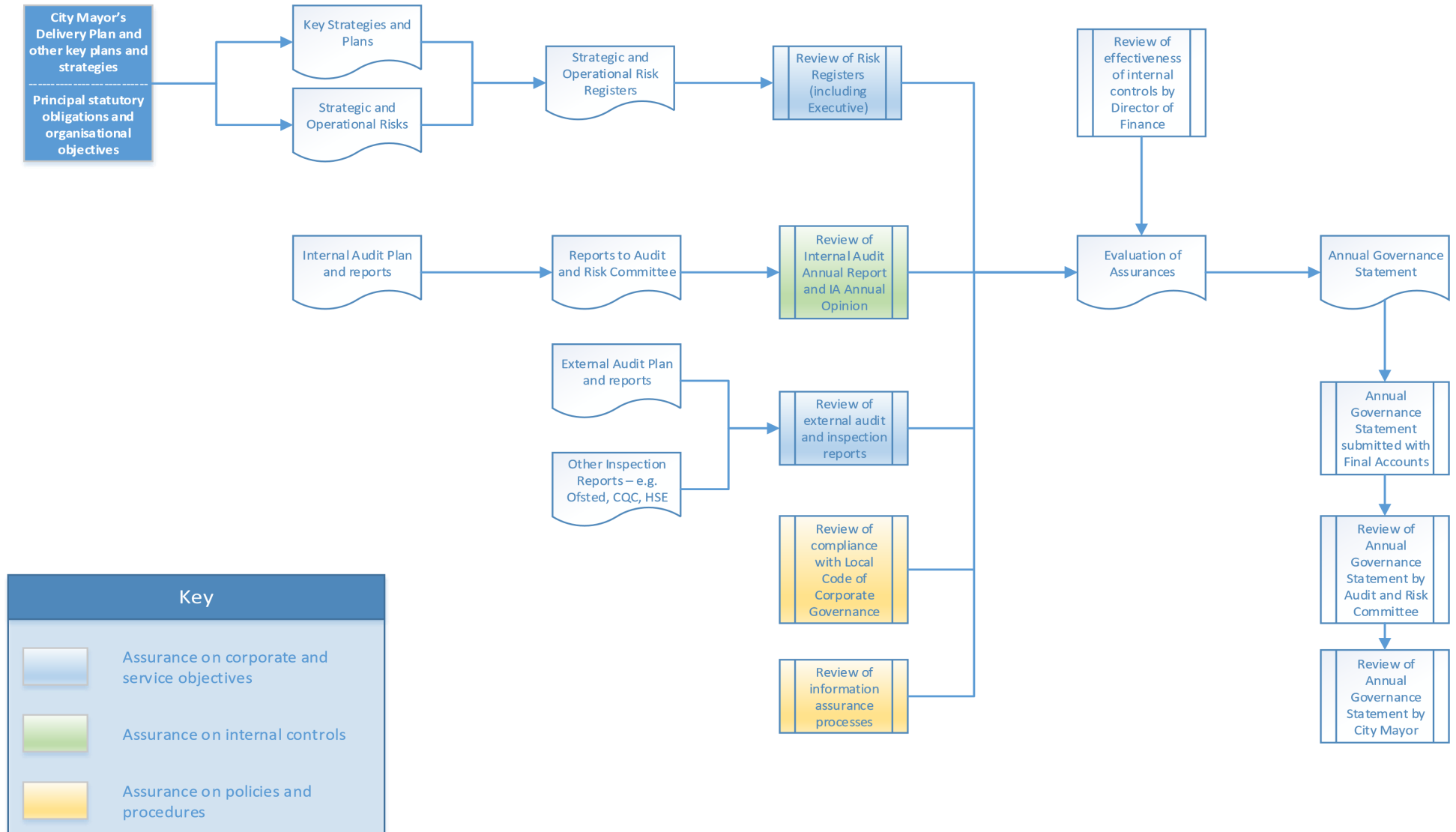
### Scrutiny and review

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

### Corporate Management Team (CMT)

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

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



Key	
	Assurance on corporate and service objectives
	Assurance on internal controls
	Assurance on policies and procedures

# Glossary

# Glossary

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

## Academies

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

## Accountable Body

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

## Accounting Policies

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

## Accruals

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

## Actuarial Basis

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

## Agent

Is where the authority is acting as an intermediary.

## Amortisation

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

## Appropriation

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

## Asset

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

## Assets Held for Sale

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

## Balance Sheet

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

## Bonds

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

## Budget

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

## Capital Expenditure

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

## Capital Financing

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

## Glossary (continued)

### Capital Financing Requirement

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

### Capital Programme

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

### Capital Receipts

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

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

The principal accountancy body dealing with local government finance.

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

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

### Collection Fund

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

### Community Assets

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

### Community Schools

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

### Comprehensive Income and Expenditure Statement

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

### Contingent Liabilities

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

### Council

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

### Council Tax

This is a tax, which is levied on the broad capital

value of domestic properties, and charged to the resident or owner of the property.

### Council Tax Base

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

### Council Tax Precept

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

### Creditors

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

### Debits and Credits

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

## Glossary (continued)

### Debtors

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

### Dedicated Schools Grant

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

### Deficit

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

### Depreciation

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

### Direct Revenue Financing

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

### Equities

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

### Expenditure and Funding Analysis

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

### External audit

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.

### Fair Value

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

### Finance Lease

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

### Financial Instruments

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

### Financial Reporting Standards (FRSs)

Statements prepared by the Financial Reporting

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

### General Fund

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

### Going Concern

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

### Government Grants

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

### Housing Benefits

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

## Glossary (continued)

### Housing Revenue Account (HRA)

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

### Impairment Loss

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

### Internal Audit

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

### International Financial Reporting Standards (IFRSs)

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

### International Financial Reporting Interpretations Committee (IFRIC)

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

### Inventories

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

### Investments

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

### Joint Venture

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

### Leasing

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

### Liabilities

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

### LOBO Loans

Lender Option, Borrower Option loans. This is a loan in which the lender can, at a predetermined

time, request to change the interest rate at which the loan is being charged. If the borrower does not agree to the rate change, the borrower then has the option to repay the loan.

### Local Council Tax Reduction Scheme

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

### Long Term Borrowing

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

### Materiality

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

### Minimum Revenue Provision (MRP)

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



## Glossary (continued)

### Movement In Reserves Statement

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

### National Non-Domestic Rate (NNDR)

Represents the rate of taxation on business properties. Central Government have the responsibility for setting the rate and Local Authorities are responsible for the billing and collection of the tax. Income is shared between Central Government, the Council and Leicestershire Fire authority.

### Net Book Value

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

### Net Expenditure / Net Cost of Service

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

### Non-Current Assets

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

### Operating Lease

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

### Operational Assets

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

### Outflow

This represents cash going out of the Council.

### Precept

An amount charged by another authority to the Council's Collection Fund. There are two preceptors on Leicester's collection fund: the Police and Crime Commissioner and the Leicestershire & Rutland Combined Fire Authority.

### Prior Period Adjustments

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

### Principal

Is where the authority is acting on its own behalf.

### Private Finance Initiative (PFI)

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

### Provision

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

### Public Works Loan Board (PWLB)

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

### Remuneration

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

### Revaluation Reserve

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

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