

# ANNUAL ACCOUNTS

## Leicester City Council

### 2020/21



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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 2020/21.

## 1. Introduction

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

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

Leicester City Council employs more than 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 the employees work within our schools.

2020/21 has of course been dominated by the Covid-19 pandemic. The most significant impacts on our finances have been additional costs in managing the impact of the pandemic locally; and losses of income due to closed facilities and reduced public movement. We have received substantial government grants and it is not believed that the pandemic will affect our financial viability. Further costs will be incurred (and grant received) in 2021/22 and the pandemic remains a significant risk.

Throughout 2020/21 the Council has supported local businesses, administering a significant scheme of grants and reliefs to affected businesses. The Council paid out £105.7m in grants where the authority was acting as an Agent and has therefore not recognised these in the accounts.

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 2020/21 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 2020/21 have been:

- Continuing significant infrastructure works to improve local transport routes through the City.
- The Council continues to manage its budget without crisis.
- Progress was made in relation to the Water-side Regeneration project.
- Continued investment in Council housing and the approval of significant investment in affordable housing going forward.
- The Council has worked with local business and residents to support them through the pandemic.

# Narrative Statement

## 2. Financial Performance

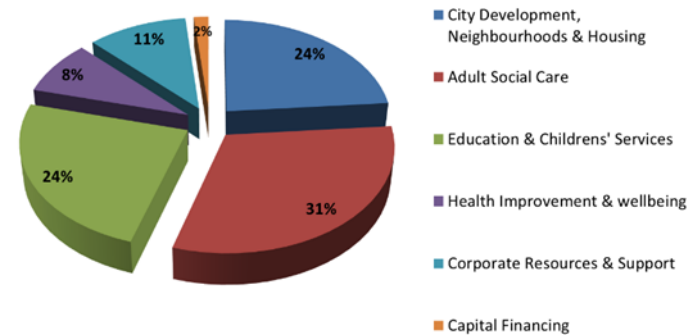
The budget for 2020/21 followed a decade of Government austerity. It was a one year budget, set in anticipation of more detailed spending plans from the Government for 2021/22 onwards. Shortly after the budget was agreed, a pandemic was declared, and the focus became on monitoring the financial impact. The outturn for 2020/21 was achieved without requiring any unbudgeted in-year cuts. Future planning has naturally been disrupted by the pandemic and we do not have Government plans for 2022/23. It is anticipated that future spending cuts will be required as the Government seeks to repair the damage done to national finances by the pandemic.

Net expenditure on provision of services was £331m in 2020/21 and £354m in 2019/20. The chart to the right sets out the spend by General Fund service area.

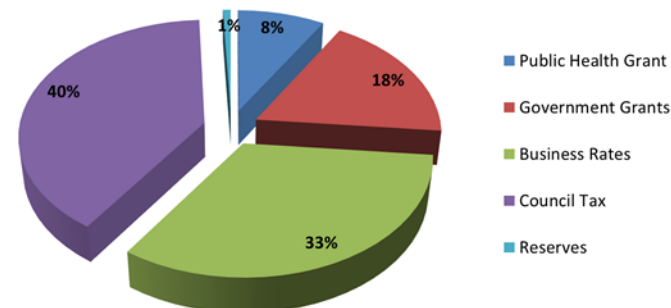
The services above are funded through various resources as demonstrated below.

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

**2020/21 Spend by Category**  
(General Fund Net Spend)



**2020/21 Sources of Funding**  
(General Fund)

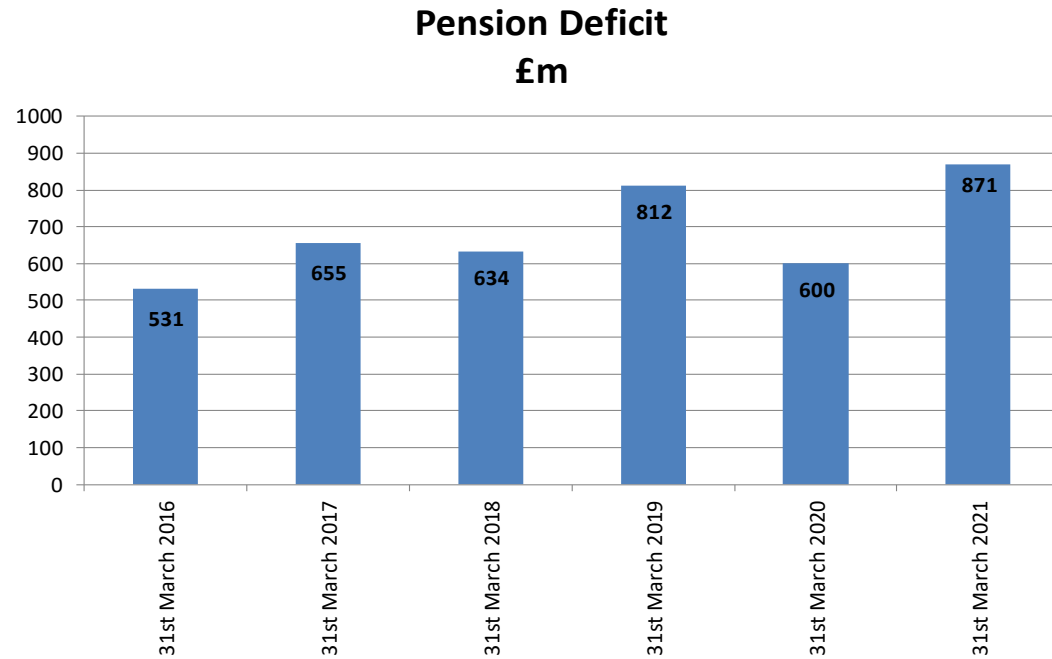


# Narrative Statement

## 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.

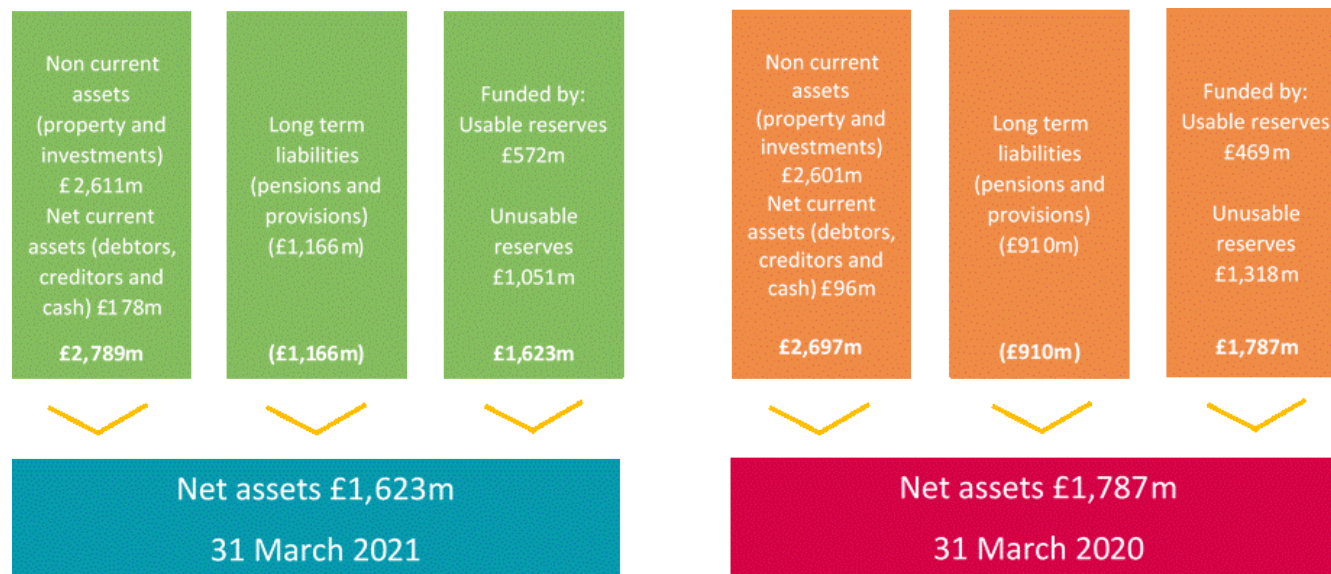


# Narrative Statement

## Net Assets

The Council maintains a strong balance sheet despite financial challenges, with net assets of £1,623m at 31st March 2021 (£1,787m at 31st March 2020).

Within the usable reserve balance as at 31st March 2021 are Government grants in relation to collection fund deficits. It's important to note they are intended to be discharged against the Collection Fund Deficit from 2021/22 and do not represent additional spending power taken forward in to 2021/22. They are currently held in an earmarked reserve (see note 10).



## 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.

The pandemic affected our approach to cash management, with a strong focus on liquidity becoming essential. The position was strengthened by the early receipt of some government grants.

Cash & Cash equivalents at 31st March 2021 were £103m, £44m higher than the previous year, as a result of receiving many 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 £139m was incurred in 2020/21 compared to £120m in 2019/20. Details of the spending can be seen in the table.

The key projects within 2020/21 that are expected to continue during 2021/22 and beyond are Connecting Leicester scheme, redevelopment of Waterside, and creation of additional school places.

Capital Expenditure 2020/21		
Category	£m	Spending includes;
Planning, Development & Transport	50.4	Leicester North West Major Transport Scheme, Connecting Leicester, Waterside Strategic Regeneration area, Pioneer Park Commercial Workspace, Ashton Green
Housing Revenue Account	41.4	Affordable Housing Acquisitions, Council House Improvements; including environment and communal
Schools	25.9	Schools' maintenance, additional Primary, Secondary and SEND places
Tourism, Culture & Inward Investment	2.5	Jewry Wall Museum, Leicester Market redevelopment & Growth Hub
Estates & Building Services	6.4	Haymarket House, Property and Operational Estate Maintenance
Neighbourhood & Environmental Services	4.4	Waste vehicles, St Mary's Allotment improvements, Parks & Open Spaces
Housing General Fund	4.2	Disabled facilities grant, Vehicle Fleet Replacement Programme
Other	3.9	Children's Homes, ICT investment & Public Health capital schemes
<b>TOTAL</b>	<b>139.1</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 2021 the Council was holding £18.2m 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 2020/21.

	<b>20/21</b> £000's
<b>Income</b>	
Grants	640
Contributions	250
National and Local Programme Income	1,422
Fees, Interest and Other Income	511
	<u>2,823</u>
<b>Expenditure</b>	
Staffing	929
Running Costs	332
Accountable Body Costs	182
Programme Delivery	1,307
	<u>2,750</u>
<b>Net Surplus / (Deficit)</b>	<u><b>73</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 152) along with the significant risks facing the authority.

## **4. Looking Ahead**

The Council has set a balanced budget for 2021/22. Further detail on the Council's long-term strategy can be found in the budget report, which is available on the Council's website.

The future outlook is going to be heavily contingent on the long-term consequences of the pandemic and the Government's response (including any new expectations placed on the Council to be ready for any future pandemic). The Government's proposed changes to local government finance, including a review of how funding is allocated, will no longer take place in 2021/22. We do not know the extent to which any fundamental changes to the cost bases of local authorities will be met by Government grant.

It is anticipated that the Government will make spending cuts in order to rebalance the economy, and the Council therefore needs to plan accordingly. Government spending plans for 2022/23 and beyond will not be published until the Comprehensive Spending Review in autumn 2021.

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

## **5. Conclusion**

The Council expects 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 2021. 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 2020/21. 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

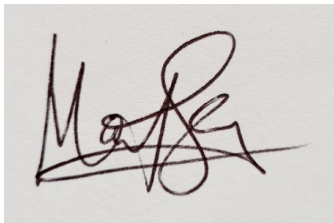
## The Council's Responsibilities

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.

The accounts were approved at a meeting of the Audit & Risk Committee on the 29th September 2021.

**Signed:**

A handwritten signature in black ink, appearing to read 'Manjit Kaur Saini', written on a light-colored background.

**Councillor Manjit Kaur Saini**

**Date: 15/10/2021**

## 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 2021.

Signed:



Alison Greenhill CPFA, Chief Operating Officer & Section 151 Officer

Date: 15/10/21

# 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 2021, which comprise the Comprehensive Income & Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account (HRA) Statements – Income and Expenditure, the Housing Revenue Account (HRA) Statements - Movement in Reserve, the Collection Fund – Income and Expenditure Statement and explanatory 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 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 2020/21; 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 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 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 2020/21 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 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 Section 151 Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements' section of this report.

### Other information

The 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 Section 151 Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on pages 12 and 13, 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 Section 151 Officer. The 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the 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 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 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, 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) and the Local Government Finance Act 2012.
- 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 management's 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 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 focus;
  - challenging assumptions and judgements made by management in its significant account-

ing estimates in respect of the valuation of land and buildings and defined benefit pensions liability;

-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. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from 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.
- 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 complexity 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 2021.

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 2021.

### 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 April 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 2021 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;
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021;

We are satisfied that this work does not have a material effect on the financial statements.

### **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

Date: 15/10/2021

# 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 deficit in 2020/21 of £164m.

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.

2019/20				2020/21		
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp
£000	£000	£000		£000	£000	£000
192,326	(65,792)	126,534	City Development & Neighbourhoods	175,946	(52,696)	123,250
83,625	(79,655)	3,970	Housing Revenue Account (HRA)	80,912	(79,888)	1,024
166,407	(69,333)	97,074	Adult Social Care	189,950	(91,143)	98,807
26,174	(32,972)	(6,798)	Health Improvement & Wellbeing	23,399	(29,000)	(5,601)
401,973	(281,925)	120,048	Education & Children's Services	377,888	(291,964)	85,924
46,919	(18,961)	27,958	Corporate Resources & Support	58,713	(25,863)	32,850
92,276	(94,258)	(1,982)	Housing Benefits	85,246	(86,599)	(1,353)
(4,505)	(7,839)	(12,344)	Corporate Items	1,404	(4,493)	(3,089)
-	(518)	(518)	Capital Financing		(517)	(517)
<b>1,005,195</b>	<b>(651,253)</b>	<b>353,942</b>	<b>Cost of Services</b>	<b>993,458</b>	<b>(662,163)</b>	<b>331,295</b>

## Comprehensive Income and Expenditure Statement (continued)

2019/20			2020/21			
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp
£000	£000	£000	Note	£000	£000	£000
		54,851	Other Operating Expenditure	11		(965)
		35,096	Financing and Investment Income and Expenditure	12		28,324
		(309,592)	Taxation and Non-Specific Grant Income	13		(386,303)
		<b>134,297</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>14</b>		<b>(27,649)</b>
		(74,561)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	26b		(53,456)
		(254,639)	Remeasurement of the Net Defined Benefit Pension Liability	42		245,315
		<b>(329,200)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>191,859</b>
		<b>(194,903)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>164,210</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”).

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>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>
Total Comprehensive Expenditure and Income		(40,856)		(40,856)	13,207				(27,649)	191,859	164,210
Adjustments between accounting basis & Funding basis under regulation	9	(42,922)		(42,922)	(16,139)		(6,357)	(9,403)	(74,821)	74,821	-
Transfers to/(from) Earmarked Reserves	10, 25	83,778	(83,778)	-					-		-
<b>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>(1,051,099)</b>	<b>(1,622,897)</b>

## Movement in Reserves (continued)

2019/20		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 2019 brought forward</b>		<b>(15,000)</b>	<b>(222,005)</b>	<b>(237,005)</b>	<b>(30,508)</b>	-	<b>(105,823)</b>	<b>(69,665)</b>	<b>(443,001)</b>	<b>(1,149,203)</b>	<b>(1,592,204)</b>
Total Comprehensive Expenditure and Income		116,867	-	116,867	17,430	-	-	-	<b>134,297</b>	(329,200)	<b>(194,903)</b>
Adjustments between accounting basis & Funding basis under regulation	9	(139,296)	-	(139,296)	(19,747)	-	(4,618)	3,037	<b>(160,624)</b>	160,624	-
Transfers to/(from) Earmarked Reserves	10, 25	22,429	(22,429)	-	-	-	-	-	-	-	-
<b>Balance at 31st March 2020 carried forward</b>		<b>(15,000)</b>	<b>(244,434)</b>	<b>(259,434)</b>	<b>(32,825)</b>	-	<b>(110,441)</b>	<b>(66,628)</b>	<b>(469,328)</b>	<b>(1,317,779)</b>	<b>(1,787,107)</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 24), 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.

<b>31st March 2020</b>		<b>Note</b>	<b>31st March 2021</b>
<b>£000</b>			<b>£000</b>
2,410,395	Property, Plant & Equipment	15	2,467,179
90,491	Heritage Assets	16	91,439
940	Intangible Assets	17	1,522
85,000	Long Term Investments	18	38,000
13,831	Long Term Debtors	20	13,329
<b>2,600,657</b>	<b>Long Term Assets</b>		<b>2,611,469</b>
153,712	Short Term Investments	18	168,439
2,100	Assets Held For Sale (<1 year)	22	1,847
2,747	Inventories	19	2,811
54,857	Short Term Debtors	20	94,995
59,043	Cash and Cash Equivalents	21	102,791
<b>272,459</b>	<b>Current Assets</b>		<b>370,883</b>

## Balance Sheet (continued)

31st March 2020		Note	31st March 2021
£000			£000
(34,046)	Short Term Borrowing	18	(13,744)
(137,653)	Short Term Creditors	23	(173,656)
(4,620)	Provisions (<1 year)	24	(5,559)
<b>(176,319)</b>	<b>Current Liabilities</b>		<b>(192,959)</b>
(12,524)	Provisions (>1 year)	24	(8,663)
(180,115)	Long Term Borrowing	18	(180,111)
(703,168)	Other Long Term Liabilities	18	(970,902)
(13,884)	Capital Grants Receipts in Advance	35	(6,820)
<b>(909,691)</b>	<b>Long Term Liabilities</b>		<b>(1,166,496)</b>
<b>1,787,106</b>	<b>Net Assets</b>		<b>1,622,897</b>
	<u>Represented by:</u>		
469,328	Usable Reserves	25	571,798
1,317,778	Unusable Reserves	26	1,051,099
<b>1,787,106</b>	<b>Total Reserves</b>		<b>1,622,897</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.

2019/20		2020/21
£000	Note	£000
134,297	Net (surplus) or deficit on the provision of services	(27,649)
(260,918)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	27 (136,161)
76,714	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	27 109,569
<b>(49,907)</b>	<b>Net cash flows from Operating Activities</b>	<b>(54,241)</b>
50,997	Net cash flows from Investing Activities	28 (21,076)
(18,460)	Net cash flows from Financing Activities	29 31,569
<b>(17,370)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(43,748)</b>
41,673	Cash in hand / (overdraft) and cash equivalents at the beginning of the reporting period	59,043
<b>59,043</b>	<b>Cash in hand / (overdraft) and cash equivalents at the end of the reporting period</b>	<b>21 102,791</b>

# Explanatory Notes To The Core Financial Statements

# Note 1 Accounting Policies

## Changes in Accounting Policies

In 2020/21 there are no changes to our accounting policies.

## Accounting Policies for 2020/21

### 1. General Principles

The Statement of Accounts summarises the City Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. 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 2020/21, 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.
- Infrastructure – straight-line allocation over 40 years.

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

## 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 15 – Property, Plant and Equipment.

Heritage Assets are not depreciated.

### 12. Private Finance Initiatives

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

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

## Note 1 Accounting Policies (continued)

The amounts payable to the PFI contractor each year comprise:

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

### 13. Provisions, Contingent Liabilities and Assets

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

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.

## Note 1 Accounting Policies (continued)

### 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.

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	60,775	123,250
Housing Revenue Account (HRA)	(11,942)	12,966	1,024
Adult Social Care	96,086	2,721	98,807
Health Improvement & Wellbeing	(6,039)	438	(5,601)
Education & Children's Services	52,271	33,653	85,924
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>98,184</b>	<b>331,295</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>59,061</b>	<b>(27,649)</b>
<b>Movement in Balances</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	(83,778)	(2,932)	(86,710)
<b>Closing Balance</b>	<b>(343,212)</b>	<b>(35,757)</b>	<b>(378,969)</b>

## Note 2 Expenditure & Funding Analysis (continued)

2019/20	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	53,078	73,456	126,534
Housing Revenue Account (HRA)	(11,191)	15,161	3,970
Adult Social Care	91,440	5,634	97,074
Health Improvement & Wellbeing	(7,795)	997	(6,798)
Education & Children's Services	63,309	56,739	120,048
Corporate Resources & Support	23,840	4,118	27,958
Housing Benefits	(1,982)	-	(1,982)
Corporate Items	6,540	(18,884)	(12,344)
Capital Financing	(518)	-	(518)
<b>Cost of Services</b>	<b>216,721</b>	<b>137,221</b>	<b>353,942</b>
Other Operating Expenditure	(4,675)	59,526	54,851
Financing and Investment Income and Expenditure	27,734	7,362	35,096
Taxation and Non-Specific Grant Income	(264,526)	(45,066)	(309,592)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(24,746)</b>	<b>159,043</b>	<b>134,297</b>
<b>Movement in Balances</b>	<b>General Fund / Earmarked Reserves</b>	<b>HRA</b>	<b>Total</b>
Opening Balance	(237,005)	(30,508)	(267,513)
Surplus or Deficit in the Year	(22,429)	(2,317)	(24,746)
<b>Closing Balance</b>	<b>(259,434)</b>	<b>(32,825)</b>	<b>(292,259)</b>



## Note 3 Accounting Standards Issued But Not Yet Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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:

**Definition of a Business: Amendments to IFRS 3 Business Combinations** provides clarity on the definition of a business, we are not expecting this to affect our accounts when this is implemented from 1st April 2021.

**Interest Rate Benchmark Reform phase 1 and phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.** Interest rate benchmark reform is expected to affect hedge accounting and therefore we are not expecting this to affect our accounts when this is implemented from 1st April 2021.

## 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 £17.1m.

## 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 2021 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 - £2.6bn) (Depreciation - £139m) Refer to Note 15.	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 £2m for every year that useful lives had to be reduced.
Fair Value Measurements (Surplus Assets - £69m) Refer to Note 15.	Some property (surplus) assets are held at Fair Value (see Accounting Policies & Notes 15 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 - £871m)  Refer to Note 42.</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 £48m. A 0.1% increase in the projected rate of Pension Increase would mean an 1.8% increase to the employers' liability amounting to £43m. A 0.1% increase in the projected rate of salary increase would lead to an increased liability of 0.2% or £5m. A 1 year increase in life expectancy would mean an increase to the employers' liability of 4% or £98m.</p>

## Note 6 Material Items of Income and Expense

In 2020/21 there has been a material change in how services have been able to operate and how income is generated due to the pandemic. To compensate the Council has received additional Government grants, which are reflected in Note 35.

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 10.

## Note 7 Events After the Balance Sheet Date

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

## Note 8 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.

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	123,250	(57,192)	(3,057)	(526)	(60,775)	62,475
Housing Revenue Account (HRA)	1,024	(11,696)	(1,352)	82	(12,966)	(11,942)
Adult Social Care	98,807	(1,099)	(1,403)	(219)	(2,721)	96,086
Health Improvement & Wellbeing	(5,601)	(77)	(335)	(26)	(438)	(6,039)
Education & Children's Services	85,924	(30,882)	(3,430)	659	(33,653)	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>331,295</b>	<b>(87,071)</b>	<b>(11,001)</b>	<b>(112)</b>	<b>(98,184)</b>	<b>233,111</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>(27,649)</b>	<b>1,746</b>	<b>(24,928)</b>	<b>(35,880)</b>	<b>(59,061)</b>	<b>(86,710)</b>

## Note 8 Note to the Expenditure and Funding Analysis (continued)

2019/20	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	126,534	(65,745)	(7,634)	(77)	(73,456)	53,078
Housing Revenue Account (HRA)	3,970	(11,986)	(3,272)	97	(15,161)	(11,191)
Adult Social Care	97,074	(2,462)	(3,232)	60	(5,634)	91,440
Health Improvement & Wellbeing	(6,798)	(136)	(873)	12	(997)	(7,795)
Education & Children's Services	120,048	(44,590)	(11,156)	(993)	(56,739)	63,309
Corporate Resources & Support	27,958	(69)	(4,071)	22	(4,118)	23,840
Housing Benefits	(1,982)	-	-	-	-	(1,982)
Corporate Items	(12,344)	12,392	6,490	2	18,884	6,540
Capital Financing	(518)					(518)
<b>Cost of Services</b>	<b>353,942</b>	<b>(112,596)</b>	<b>(23,748)</b>	<b>(877)</b>	<b>(137,221)</b>	<b>216,721</b>
Other Operating Expenditure	54,851	(59,526)	-	-	(59,526)	(4,675)
Financing and Investment Income and Expenditure	35,096	11,770	(19,753)	621	(7,362)	27,734
Taxation and Non-Specific Grant Income	(309,592)	40,685	-	4,381	45,066	(264,526)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>134,297</b>	<b>(119,667)</b>	<b>(43,501)</b>	<b>4,125</b>	<b>(159,043)</b>	<b>(24,746)</b>

## Note 8 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 9 Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustment	2020/21					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movment in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:						
Charges for depreciation, capital expenditure not adding value and amortisation of non-current assets	(78,492)	(25,543)	-	-	-	<b>104,035</b>
Revaluation gains/(losses) on Property Plant and Equipment	2,607	3	-	-	-	<b>(2,610)</b>
Capital grants and contributions applied	77,134	25	-	-	-	<b>(77,159)</b>
Capital expenditure funded from revenue	2,418					<b>(2,418)</b>
Revenue expenditure funded from capital under statute	(13,907)					<b>13,907</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	(8,987)	(11,212)	-	-	-	<b>20,199</b>
Income recognised in respect of donated assets	10					<b>(10)</b>
<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	-	-	-	<b>(13,035)</b>
Voluntary provision for the financing of capital expenditure	680					<b>(680)</b>
Capital expenditure charged against the General Fund and HRA balances		1,682				<b>(1,682)</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	13,943	9,029	(22,972)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure			14,691	-	-	<b>(14,691)</b>
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 9 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment Continued	2020/21					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(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>(42,922)</b>	<b>(16,139)</b>	<b>(6,356)</b>	<b>-</b>	<b>(9,404)</b>	<b>(74,821)</b>

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment	2019/20					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	(85,019)	(26,177)	-	-	-	<b>111,196</b>
Revaluation gain/(losses) on Property Plant and Equipment	(15,311)	(375)	-	-	-	<b>15,686</b>
Capital grants and contributions applied	51,722	22	-	-	-	<b>(51,744)</b>
Capital expenditure funded from revenue	4,712	-	-	-	-	<b>(4,712)</b>
Revenue expenditure funded from capital under statute	(13,071)	-	-	-	-	<b>13,071</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	(63,865)	(21,203)	-	-	-	<b>85,068</b>
Income recognised in respect of donated assets	80	-	-	-	-	<b>(80)</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:</b>						
Statutory provision for the financing of capital investment	11,416	355	-	-	-	<b>(11,771)</b>
Voluntary provision for the financing of capital expenditure	-	-	-	-	-	-
Capital expenditure charged against the General Fund and HRA balances	-	2,881	-	-	-	<b>(2,881)</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	9,216	18,405	(27,621)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	20,806	-	-	<b>(20,806)</b>
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(250)	(532)	782	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,703)	-	1,703	-	-	-

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment Continued	2019/20					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(288)	-	-	288
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	406	-	-	-	-	(406)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Transfer of HRA depreciation costs to Major Repairs Reserve	-	11,662	-	(11,662)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	11,662	-	(11,662)
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	44,545	-	-	-	(44,545)	-
Application of grants to capital financing credited to the Capital Adjustment Account	(47,582)	-	-	-	47,582	-
<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	(79,987)	(10,729)	-	-	-	90,716
Employer's pensions contributions and direct payments to pensioners payable in the year	41,728	5,487	-	-	-	(47,215)
<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	4,381	-	-	-	-	(4,381)
<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	(975)	97	-	-	-	878
<b>Total Adjustments</b>	<b>(139,296)</b>	<b>(19,747)</b>	<b>(4,618)</b>	<b>-</b>	<b>3,037</b>	<b>160,624</b>

## Note 10 - 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.

2020/21	Balance at 31st March 2020 £000	Transfers In 2020/21 £000	Transfers Out 2020/21 £000	Balance at 31st March 2021 £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 Programme	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>

\*Covid-19 Collection Fund Compensation/Grants reserve contains government grant received in relation to collection fund deficits that will be realised in 21/22.

**Note 10 - Movement in Earmarked Reserves  
(continued)**

2019/20	Balance at 31st March 2019 £000	Transfers In 2019/20 £000	Transfers Out 2019/20 £000	Balance at 31st March 2020 £000
<b>Ring-fenced Reserves</b>				
DSG not delegated to schools	8,210	4,659	(7,292)	5,577
School Balances	17,227	5,292	(7,564)	14,955
School Capital Fund	2,958	21	(229)	2,750
Education & Skills Funding Agency Learning Programmes	1,353	139	(629)	863
Arts Council National Portfolio Organisation Funding	666	156	-	822
Schools Buy Back	2,656	189	(359)	2,486
<b>Total Ring-fenced Reserves</b>	<b>33,239</b>	<b>10,456</b>	<b>(16,242)</b>	<b>27,453</b>
<b>Corporate Reserves</b>				
Capital Programme Reserve	50,328	39,348	(32,085)	57,591
Managed Reserves Strategy	55,955	37,642	(26,789)	66,808
Pandemic Reserve	-	10,849	-	10,849
BSF Financing	12,167	511	(5,185)	7,493
Insurance Fund	11,590	2,362	(5,433)	8,519
Severance Fund	6,328	-	(1,507)	4,821
Service Transformation Fund	4,912	-	(1,182)	3,730
Welfare Reserve	3,383	6,738	(4,616)	5,505
Other Corporate Reserves	4,345	669	(410)	4,604
<b>Total Corporate Reserves</b>	<b>149,008</b>	<b>98,119</b>	<b>(77,207)</b>	<b>169,920</b>
<b>Earmarked Reserves Departmental</b>				
Financial Services Reserve	3,708	2,098	(1,736)	4,070
ICT Development Fund	3,495	3,000	(230)	6,265
Delivery, Communications & Political Governance	5,654	26	(1,130)	4,550
Housing	1,580	957	(419)	2,118
City Development (Excl Housing)	3,616	3,601	(1,909)	5,308
Social Care Reserve	15,298	10,768	(8,924)	17,142
Health & Wellbeing Division	3,463	1,712	(1,087)	4,088
NHS Joint Working Projects	1,769	714	-	2,483
Other Departmental Reserves	1,175	-	(138)	1,037
<b>Total Other Reserves</b>	<b>39,758</b>	<b>22,876</b>	<b>(15,573)</b>	<b>47,061</b>
<b>Total Earmarked Reserves</b>	<b>222,005</b>	<b>131,451</b>	<b>(109,022)</b>	<b>244,434</b>

## Note 11 Other Operating Expenditure

	2019/20	2020/21
	£000	£000
Payments to the government Housing Capital Receipts Pool	1,703	1,703
Total (gains)/losses on the disposal of non-current assets	57,824	(2,258)
Other operating income and expenditure	(4,676)	(410)
<b>Total</b>	<b>54,851</b>	<b>(965)</b>

## Note 12 Financing and Investment Income & Expenditure

	2019/20	2020/21
	£000	£000
Interest payable and similar charges	18,550	17,248
Pensions interest cost and expected return on pensions assets	19,753	13,927
Interest receivable and similar income	(3,207)	(2,851)
<b>Total</b>	<b>35,096</b>	<b>28,324</b>



## Note 13 Taxation and Non-Specific Grant Income & Expenditure

	2019/20	2020/21
	£000	£000
Council Tax income	(115,041)	(118,242)
Non-domestic rates	(129,250)	(72,412)
Non-ringfenced government grant Income	(24,536)	(141,093)
Non-ringfenced government grant Expenditure*	-	20,682
Capital grants and contributions	(40,685)	(75,228)
Donated Assets	(80)	(10)
<b>Total</b>	<b>(309,592)</b>	<b>(386,303)</b>

\*Covid-19 related grant expenditure in the form of Business Support and Council Tax Hardship grants.

## Note 14 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.

	2019/20	2020/21
	£000	£000
<b>Expenditure</b>		
Employee Benefit Expenses	411,011	399,812
Other Services expenses	516,109	513,147
Depreciation, amortisation, impairment	111,194	104,035
Interest Payments	38,303	31,175
Precepts & Levies	85	88
Payments to Housing Capital Receipts pool	1,703	1,703
(Gain)/ Loss on the Disposal of Assets	57,824	(2,258)
<b>Total Expenditure</b>	<b>1,136,229</b>	<b>1,047,702</b>
<b>Income</b>		
Fees, charges and other service income	(188,193)	(112,846)
Interest & Investment Income	(3,207)	(2,851)
Income from Council Tax, non domestic rates	(244,291)	(190,654)
Government grants & contributions	(566,241)	(769,000)
<b>Total Income</b>	<b>(1,001,932)</b>	<b>(1,075,351)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>134,297</b>	<b>(27,649)</b>

## Note 15 Property, Plant and Equipment - Movement on Balances in 2020/21

The first table in this note illustrates the change in the value of the Council's property, plant and equipment assets during 2020/21. The following tables provide additional detail on the basis for valuations of these assets and future capital expenditure already committed.

Movements on Balances in 2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1st April 2020	1,001,516	1,079,555	100,599	285,045	4,302	73,633	3,020	<b>2,547,670</b>	137,898
Additions	40,856	24,439	11,401	38,212	183	3,168	4,692	<b>122,951</b>	11,301
Revaluation									
Increases/(Decreases) recognised in the Revaluation Reserve	43,840	(32,268)	(3,540)	-	(82)	330	-	<b>8,280</b>	(7,212)
Revaluation									
Increases/(Decreases) not recognised in the Revaluation Reserve	(12,455)	(8,432)	(38)	(25,375)	(842)	(1,919)	(2,498)	<b>(51,559)</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>1,063,219</b>	<b>106,720</b>	<b>297,834</b>	<b>2,239</b>	<b>68,828</b>	<b>5,214</b>	<b>2,606,599</b>	<b>141,987</b>

## Note 15 Property, Plant and Equipment - Movement on Balances in 2020/21 (continued)

Movements on Balances in 2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation &amp;</b>									
At 1st April 2020	-	(6,668)	(54,590)	(75,991)	-	(26)	-	(137,275)	(15,879)
Depreciation Charge	(10,884)	(24,746)	(7,473)	(7,109)	(29)	(37)	-	(50,278)	(4,775)
Depreciation written out to the Revaluation Reserve	10,884	29,375	4,131	-	29	53	-	44,472	9,625
Depreciation written out to the Surplus/Deficit on the provision of services	-	1,967	-	-	-	10	-	1,977	-
De-recognition – disposals	-	57	1,626	-	-	1	-	1,684	-
Assets reclassified to/(from) Held for Sale	-	-	-	-	-	-	-	-	-
<b>As at 31st March 2021</b>	-	(15)	(56,306)	(83,100)	-	1	-	(139,420)	(11,029)
<b>Net Book Value as at 31st March 2021</b>	<b>1,062,545</b>	<b>1,063,204</b>	<b>50,414</b>	<b>214,734</b>	<b>2,239</b>	<b>68,829</b>	<b>5,214</b>	<b>2,467,179</b>	<b>130,958</b>
As at 1st April 2020	1,001,516	1,072,887	46,009	209,054	4,302	73,607	3,020	2,410,395	122,019

## Note 15 Property, Plant and Equipment - Movement on Balances in 2019/20

Comparative Movements	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1st April 2019	950,471	1,171,025	91,682	275,602	4,047	75,833	2,853	<b>2,571,513</b>	137,717
Additions	42,675	23,754	4,267	26,311	96	4,253	167	<b>101,523</b>	4,460
Revaluation									
Increases/(Decreases) recognised in the Revaluation Reserve	43,621	(13,339)	8,086	15	247	(656)	-	<b>37,974</b>	(2,082)
Revaluation									
Increases/(Decreases) not recognised in the Revaluation Reserve	(14,047)	(40,080)	(3,436)	(16,883)	(88)	(4,444)	-	<b>(78,978)</b>	(2,197)
De-recognition – disposals	(21,204)	(60,730)	-	-	-	(1,599)	-	<b>(83,533)</b>	-
Assets reclassified (to)/from Held for Sale	-	(1,075)	-	-	-	246	-	<b>(829)</b>	-
Asset reclassified (other)	-	-	-	-	-	-	-	-	-
<b>As at 31st March 2020</b>	<b>1,001,516</b>	<b>1,079,555</b>	<b>100,599</b>	<b>285,045</b>	<b>4,302</b>	<b>73,633</b>	<b>3,020</b>	<b>2,547,670</b>	<b>137,898</b>

## Note 15 Property, Plant and Equipment - Movement on Balances in 2019/20 (continued)

Comparative Movements	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1st April 2019	-	(9,181)	(54,301)	(69,066)	-	(28)	-	<b>(132,576)</b>	(13,670)
Depreciation Charge	(10,355)	(26,654)	(6,796)	(6,874)	(13)	(37)	-	<b>(50,729)</b>	(4,773)
Depreciation written out to the Revaluation Reserve	10,355	24,582	3,445	-	13	12	-	<b>38,407</b>	2,564
Depreciation written out to the Surplus/Deficit on the provision of services	-	3,348	3,062	(51)	-	27	-	<b>6,386</b>	-
De-recognition – disposals	-	1,237	-	-	-	-	-	<b>1,237</b>	-
Assets reclassified to/(from) Held for Sale	-	-	-	-	-	-	-	<b>-</b>	-
<b>As at 31st March 2020</b>	<b>-</b>	<b>(6,668)</b>	<b>(54,590)</b>	<b>(75,991)</b>	<b>-</b>	<b>(26)</b>	<b>-</b>	<b>(137,275)</b>	<b>(15,879)</b>
<b>Net Book Value as at 31st March 2020</b>	<b>1,001,516</b>	<b>1,072,887</b>	<b>46,009</b>	<b>209,054</b>	<b>4,302</b>	<b>73,607</b>	<b>3,020</b>	<b>2,410,395</b>	<b>122,019</b>
As at 1st April 2019	950,471	1,161,844	37,381	206,536	4,047	75,805	2,853	<b>2,438,937</b>	124,047

## Note 15 Property, Plant and Equipment - Capital Commitments

At 31<sup>st</sup> March 2021, 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 2020 were £19.5m. The significant commitments are:

<b>Contract for Capital Investment</b>	<b>Period</b>	<b>£000</b>
Council House Acquisitions	2021-22	9,450
Waterside Strategic Regeneration Area	2022-23	4,945
Ashton Green Highway Infrastructure	2021-22	4,565
Fleet Replacement	2021-22	2,412
Jewry Wall Museum Refurbishments	2021-22	2,123
Street Improvements	2021-22	1,104
Leisure Centre Improvement Programme	2021-22	690
Goscote House	2021-22	378
Knighton Fields Centre	2021-22	291
Replacement of Radio Frequency Identification (RFID) Library Self-Service	2021-22	272
<b>Total</b>		<b>26,230</b>

## Note 15 Property, Plant and Equipment - Revaluations

2020/21 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	-	-	81,344	296,515	40	-	5,216	383,115
Valued at fair or nominal value as at:								
Pre 1st April 2012	-	38	-	-	-	-	-	38
1st April 2012	-	-	-	-	-	-	-	-
1st April 2013	-	1	-	-	-	-	-	1
1st April 2014	-	2	-	686	19	-	-	707
1st April 2015	-	-	-	-	-	-	-	-
1st April 2016	-	-	-	-	-	14	-	14
1st April 2017	-	-	-	-	1	-	-	1
Valued @ 31st March 2019	-	23	-	-	3	21	-	47
Valued @ 31st March 2020	-	12	-	-	77	-	-	89
Valued @ 31st March 2021	1,062,545	1,063,143	25,376	633	2,099	68,793	-	2,222,589
<b>Total</b>	<b>1,062,545</b>	<b>1,063,219</b>	<b>106,720</b>	<b>297,834</b>	<b>2,239</b>	<b>68,828</b>	<b>5,216</b>	<b>2,606,601</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 now valued as at the 31<sup>st</sup> March of the financial year using forecast indices, if appropriate, to ensure that the valuation is still correct at the financial year end.

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

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



## Note 16 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 2020/21 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 15).

### *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 rather than current or fair value, reflecting the fact that sales and exchanges are uncommon. Additions to the exhibits collection are initially included at historical cost and are then included as part of the annual insurance revaluation.

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

### *Statues and Monuments*

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

## Note 16 Heritage Assets (continued)

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

Movement on Balances 2020/21	Museum	Statues &	Total	
	Buildings	Exhibits	Monument	Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1st April 2020	2,494	82,121	5,876	90,491
Additions	-	381	-	381
Impairment losses recognised in surplus/deficit on the provision of services		(199)		(199)
Disposals	-	-	-	-
Revaluations	(31)	797	-	766
<b>As at 31st March 2021</b>	<b>2,463</b>	<b>83,100</b>	<b>5,876</b>	<b>91,439</b>
<b>2019/20 Comparative Movements</b>				
	Museum	Statues &	Total	
	Buildings	Exhibits	Monument	Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1st April 2019	2,883	83,468	5,876	92,227
Additions	-	83	-	83
Disposals	-	-	-	-
Revaluations	(389)	(1,430)	-	(1,819)
<b>As at 31st March 2020</b>	<b>2,494</b>	<b>82,121</b>	<b>5,876</b>	<b>90,491</b>

## Note 17 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.

	2019/20	2020/21
	£000	£000
<b>Balance at 1st April</b>		
Gross Carrying Amounts	3,438	3,438
Accumulated Amortisation	(1,838)	(2,498)
<b>Net carrying amount at 1st April</b>	<b>1,600</b>	<b>940</b>
Additions (Purchases)	731	1,806
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(731)	(564)
Write-out of impairment amortisation	-	-
Reclassified from other asset classifications	-	
Amortisation applied in Year	(660)	(660)
Gross Carrying Amount at 31st March	3,438	4,680
Accumulated Amortisation	(2,498)	(3,158)
<b>Net Carrying Amount at 31st March</b>	<b>940</b>	<b>1,522</b>

## Note 18a Financial Instruments - Classifications

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

Category	Amount	Amount	Comment / Reference
	31st March 2020	31st March 2021	
	£000	£000	
<b>Long Term Investments</b>			
<b>Amount in Balance Sheet</b>	<b>85,000</b>	<b>38,000</b>	
Amounts covered in Note 18:	85,000	38,000	This note - section B Table 2
<b>Short Term Investments</b>			
<b>Amount in Balance Sheet</b>	<b>153,712</b>	<b>168,439</b>	
Amounts covered in Note 18:	153,712	168,439	This note - section B Table 2
<b>Short Term Borrowing</b>			
<b>Amount in Balance Sheet</b>	<b>34,046</b>	<b>13,744</b>	
Amounts covered in Note 18:	34,046	13,744	This note - section B Table 1
<b>Long Term Borrowing</b>			
<b>Amount in Balance Sheet</b>	<b>180,115</b>	<b>180,111</b>	
Amounts covered in Note 18:	180,115	180,111	This note - section B Table 1
<b>Other Long Term Liabilities</b>			
<b>Amount in Balance Sheet</b>	<b>703,168</b>	<b>970,902</b>	
Amounts covered in Note 18:	102,518	100,002	This note - section B Table 1
Amounts not covered in Note 18:			
Liability related to defined benefit pension schemes	600,488	870,731	Note 42 - Defined Benefit Pensions
Amounts related to Bonds	162	169	Not separately disclosed

## Note 18b Financial Instruments - Balances

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

**Table 1**

Financial Liabilities	Long Term		Short Term	
	31st March 2020	31st March 2021	31st March 2020	31st March 2021
	£000	£000	£000	£000
Loans at amortised cost:				
- Principal sum borrowed	179,491	179,491	32,529	12,265
- Accrued interest	-	-	1,517	1,479
- EIR adjustments	624	620		
<b>Total Borrowing</b>	<b>180,115</b>	<b>180,111</b>	<b>34,046</b>	<b>13,744</b>
Liabilities at amortised cost:				
- Finance leases	8,816	8,583	224	233
- PFI arrangements	70,794	69,473	4,685	3,421
- Transferred debt liability	22,419	21,484	975	975
<b>Total Other Long-term Liabilities</b>	<b>102,029</b>	<b>99,540</b>	<b>5,884</b>	<b>4,629</b>
Liabilities at amortised cost:				
- Trade payables	-	-	54,816	57,110
- PFI arrangements	489	462	-	-
<b>Included in Creditors</b>	<b>489</b>	<b>462</b>	<b>54,816</b>	<b>57,110</b>
<b>Total Financial Liabilities</b>	<b>282,633</b>	<b>280,113</b>	<b>94,746</b>	<b>75,483</b>

## Note 18b Financial Instruments - Balances (continued)

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

**Table 2**

Financial Assets	Long Term		Short Term	
	31st March 2020	31st March 2021	31st March 2020	31st March 2021
	£000	£000	£000	£000
Amortised cost:				
- Principal at amortised cost	85,000	38,000	145,000	160,000
- Accrued interest	-	-	1,105	977
Other:				
Fair Value	-	-	7,607	7,462
<b>Total Investments</b>	<b>85,000</b>	<b>38,000</b>	<b>153,712</b>	<b>168,439</b>
Amortised cost:				
- Cash (including bank accounts)	-	-	15,943	33,592
Other:				
- Cash equivalents at fair value through profit and loss	-	-	43,100	69,200
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>59,043</b>	<b>102,792</b>
Amortised Cost:				
- Trade receivables	4,305	4,313	8,611	3,413
- Loans made for service purposes	8,959	8,311	758	392
<b>Included in Debtors</b>	<b>13,264</b>	<b>12,624</b>	<b>9,369</b>	<b>3,805</b>
<b>Total Financial Assets</b>	<b>98,264</b>	<b>50,624</b>	<b>222,124</b>	<b>275,036</b>

## Note 18c 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		2020/21 Total	2019/20 Total
	Amortised Cost	Amortised Cost	Other		
	£000	£000	£000	£000	£000
Financial assets measured at fair value through profit or loss	-	-	145	145	685
Financial assets measured at amortised cost	-	(13)	-	(13)	1,487
<b>Net (gains)/losses</b>	<b>-</b>	<b>(13)</b>	<b>145</b>	<b>132</b>	<b>2,172</b>
Interest expense	17,248	-	-	17,248	18,550
<b>Interest payable and similar charges</b>	<b>17,248</b>	<b>-</b>	<b>-</b>	<b>17,248</b>	<b>18,550</b>
Interest income	-	(2,428)	(291)	(2,719)	(2,885)
Dividends	-	-	(132)	(132)	(322)
<b>Interest and investment income</b>	<b>-</b>	<b>(2,428)</b>	<b>(423)</b>	<b>(2,851)</b>	<b>(3,207)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>17,248</b>	<b>(2,441)</b>	<b>(278)</b>	<b>14,529</b>	<b>17,515</b>

## Note 18d Financial Instruments - Fair Values

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

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices. 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 2021 and the fair value reported in the 2020/21 accounts.

		31st March 2020		31st March 2021	
	Fair Value Level	Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	134,491	197,519	134,491	199,399
Long-term LOBO loans	2	20,624	34,176	20,620	33,959
Other long-term loans	2	25,000	36,208	25,000	35,857
Lease payables and PFI liabilities	2	85,008	138,492	83,427	143,231
Transferred debt liabilities	2	23,394	33,069	22,458	34,787
<b>Total</b>		<b>288,517</b>	<b>439,464</b>	<b>285,996</b>	<b>447,233</b>
Liabilities for which fair value is not disclosed *		88,862		70,855	
<b>Total Financial Liabilities</b>		<b>377,379</b>	<b>439,464</b>	<b>356,851</b>	<b>447,233</b>
<i>Recorded on balance sheet as:</i>					
Short-term creditors		61,189		63,455	
Short-term borrowing		34,046		13,744	
Long-term creditors		22,419		21,484	
Long-term borrowing		180,115		180,111	
Other long-term liabilities		79,610		78,057	
<b>Total Financial Liabilities</b>		<b>377,379</b>		<b>356,851</b>	

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



## Note 18d Financial Instruments - Fair Values (continued)

		31st March 2020		31st March 2021	
	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	43,100	43,100	69,200	69,200
Property Unit Trusts	2	7,607	7,607	7,462	7,462
<i>Financial assets held at amortised cost:</i>					
Long-term loans to local authorities	2	85,000	86,089	38,000	38,496
Long-term loans to companies	3	7,913	7,913	7,294	7,294
Finance Lease	3	1,046	1,046	1,017	1,017
<b>Total</b>		<b>144,666</b>	<b>145,755</b>	<b>122,973</b>	<b>123,469</b>
Assets for which fair value is not disclosed *		175,723	-	202,675	-
<b>Total Financial Assets</b>		<b>320,389</b>	<b>145,755</b>	<b>325,648</b>	<b>123,469</b>
<i>Recorded on balance sheet as:</i>					
Long-term debtors		13,264		12,625	
Long-term investments		85,000		38,000	
Short-term debtors		9,370		3,792	
Short-term investments		153,712		168,439	
Cash and cash equivalents		59,043		102,792	
<b>Total Financial Assets</b>		<b>320,389</b>		<b>325,648</b>	

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

## Note 19 Inventories

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

	Balance at 31st March 2020	Balance at 31st March 2021
	£000	£000
Consumable Stores	375	329
Maintenance Materials	2,003	2,148
Work in Progress	369	334
<b>Total</b>	<b>2,747</b>	<b>2,811</b>

## Note 20 Debtors

### Long-Term Debtors

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

	Balance at 31st March 2020	Balance at 31st March 2021
	£000	£000
PFI Lease	2,659	2,845
Other Long Term Debtors	11,172	10,484
<b>Total</b>	<b>13,831</b>	<b>13,329</b>

### Short-Term Debtors

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

	Balance at 31st March 2020	Balance at 31st March 2021
	£000	£000
Central Government bodies	6,342	41,950
Other Local Authorities	2,412	6,983
NHS bodies	3,833	4,984
Public Corporations and Trading Funds	2	1
Other Entities and Individuals	20,853	17,955
Payments in Advance	8,524	7,679
Local Taxation (Council Tax & Business Rates)	12,891	15,443
<b>Total</b>	<b>54,857</b>	<b>94,995</b>

## Note 21 Cash and Cash Equivalents

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

	Balance at 31st March 2020	Balance at 31st March 2021
	£000	£000
Cash held by the Council	33	22
Bank	15,910	33,569
Short-term deposits	43,100	69,200
<b>Total Cash and Cash Equivalents</b>	<b>59,043</b>	<b>102,791</b>

## Note 22 Assets Held for Sale

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

	2019/20	2020/21
	£000	£000
Balance at 1st April	3,863	2,100
Property, Plant and Equipment newly classified as held for sale	1,075	886
Property, Plant and Equipment declassified as held for sale	(246)	-
Assets Sold	(2,592)	(1,075)
Other Adjustments	-	(64)
<b>Balance at 31st March</b>	<b>2,100</b>	<b>1,847</b>

## Note 23 Creditors

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

	Balance at 31st March 2020	Balance at 31st March 2021
	£000	£000
Central Government bodies	27,158	28,490
Other Local Authorities	8,769	10,149
NHS bodies	916	140
Public Corporations and Trading Funds	8	-
Other Entities and Individuals	68,706	71,955
Receipts in Advance	32,096	62,922
<b>Total</b>	<b>137,653</b>	<b>173,656</b>

## Note 24 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 £10.6m is held as an earmarked reserve (as per Note 10), 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 £0.7m.

	Insurance	Housing Benefits	s117 Mental Health Act	Housing	Business Rate Appeals	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1st April 2019</b>	<b>3,942</b>	<b>1,050</b>	<b>39</b>	<b>697</b>	<b>6,926</b>	<b>12,654</b>
Net Movement (additions less amounts used)	(165)	(45)	-	(12)	4,712	4,490
<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>
2020/21 Provisions/(Reductions)	(3,614)	-	-	88	1,770	(1,756)
Amounts used in 2020/21	3,144	(348)	-	-	(3,962)	(1,166)
<b>Balance at 31st March 2021</b>	<b>3,307</b>	<b>657</b>	<b>39</b>	<b>773</b>	<b>9,446</b>	<b>14,222</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 £19.3m (Council share of £9.4m).

## Note 25 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	Movement	Closing Balance	Supporting Note
	£000	£000	£000	
General Fund	(15,000)	-	(15,000)	MIRS and Narrative Statement
Earmarked Reserves	(244,434)	(83,778)	(328,212)	Note 10 and Narrative Statement
<b>Total General Fund Reserves</b>	<b>(259,434)</b>	<b>(83,778)</b>	<b>(343,212)</b>	
Housing Revenue Account	(32,825)	(2,932)	(35,757)	HRA Statements and Notes
Major Repairs Reserve	-	-	-	Note 9 and HRA Note 13
Capital Receipts Reserve	(110,441)	(6,357)	(116,798)	Note 9
Capital Grants Unapplied Reserve	(66,628)	(9,403)	(76,031)	Note 9
<b>Total Usable Reserves</b>	<b>(469,328)</b>	<b>(102,470)</b>	<b>(571,798)</b>	



## Note 26a Unusable Reserves

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

	31st March 2020	31st March 2021
	£000	£000
Revaluation Reserve	(938,563)	(967,158)
Capital Adjustment Account	(1,004,281)	(1,015,424)
Financial Instruments Adjustment Account	20,288	19,668
Deferred Capital Receipts Reserve	(1,416)	(1,123)
Pensions Reserve	600,488	870,731
Collection Fund Adjustment Account	(2,138)	33,630
Accumulated Absences Account	7,844	8,577
<b>Total Unusable Reserves</b>	<b>(1,317,778)</b>	<b>(1,051,099)</b>

## Note 26b 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.

	2019/20	2020/21
	£000	£000
<b>Balance at 1st April</b>	<b>(923,043)</b>	<b>(938,563)</b>
Upward revaluation of assets	(115,818)	(92,520)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	41,257	39,064
<b>(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(74,561)</b>	<b>(53,456)</b>
Difference between fair value depreciation and historical cost depreciation	19,149	19,381
Accumulated gains on assets sold or scrapped	39,892	5,480
<b>Balance at 31st March</b>	<b>(938,563)</b>	<b>(967,158)</b>

## Note 26c 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.

	2019/20	2020/21
	£000	£000
<b>Balance at 1st April</b>	<b>(1,066,605)</b>	<b>(1,004,281)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation & impairment	110,535	103,375
Revaluation (gain)/loss on Property, Plant and Equipment	15,686	(2,610)
Amortisation of intangible assets	660	660
Revenue expenditure funded from capital under statute	13,071	13,907
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	85,069	20,199
	<b>(841,584)</b>	<b>(868,750)</b>
Adjusting amounts written out of the Revaluation Reserve	(59,041)	(24,862)
Net written out amount of the cost of non-current assets consumed in the year	<b>(900,625)</b>	<b>(893,612)</b>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(20,806)	(14,691)
Use of the Major Repairs Reserve to finance new capital expenditure	(11,662)	(12,137)
Capital Grants, Contributions & Donated Assets credited to the Income and Expenditure Statement that have been applied to capital financing	(51,824)	(77,169)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(11,771)	(13,035)
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	-	(680)
Capital expenditure charged against the General Fund and HRA balances	(7,593)	(4,100)
<b>Balance at 31st March</b>	<b>(1,004,281)</b>	<b>(1,015,424)</b>

## Note 26d 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.

	2019/20	2020/21
	£000	£000
<b>Balance at 1st April</b>	<b>20,909</b>	<b>20,288</b>
Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	(621)	(620)
<b>Balance at 31st March</b>	<b>20,288</b>	<b>19,668</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	(621)	(620)

## Note 26e 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.

	2019/20	2020/21
	£000	£000
<b>Balance at 1st April</b>	<b>(1,298)</b>	<b>(1,416)</b>
Transfer of deferred sale proceeds to the DCCR	(406)	-
Transfer to the Capital Receipts Reserve upon receipt of cash	288	293
<b>Balance at 31st March</b>	<b>(1,416)</b>	<b>(1,123)</b>

## Note 26f 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.

	2019/20	2020/21
	£000	£000
<b>Balance at 1st April</b>	<b>811,626</b>	<b>600,488</b>
Remeasurement of the Net Defined Benefit Liability	(254,639)	245,315
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	90,716	74,699
Employer's pensions contributions and direct payments to pensioners payable in the year	(47,215)	(49,771)
<b>Balance at 31st March</b>	<b>600,488</b>	<b>870,731</b>

## Note 26g&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.

	2019/20	2020/21
	£000	£000
<b>Balance at 1st April</b>	<b>2,243</b>	<b>(2,138)</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	(4,381)	35,768
<b>Balance at 31st March</b>	<b>(2,138)</b>	<b>33,630</b>

	2019/20	2020/21
	£000	£000
<b>Balance at 1st April</b>	<b>6,966</b>	<b>7,844</b>
Settlement or cancellation of accrual made at the end of the preceding year	(6,966)	(7,844)
Amounts accrued at the end of the current year	7,844	8,577
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	878	733
<b>Balance at 31st March</b>	<b>7,844</b>	<b>8,577</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 27 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2019/20	2020/21
	£000	£000
Interest received	(3,207)	(2,851)
Interest paid	18,550	17,248
<b>Net interest</b>	<b>15,343</b>	<b>14,397</b>

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

	2019/20	2020/21
	£000	£000
Depreciation	(50,729)	(50,278)
Downward revaluations, impairment losses and reversal of prior year impairments	(78,978)	(52,123)
Amortisation	(660)	(660)
Increase / (decrease) in creditors	(7,894)	(33,621)
(Increase) / decrease in debtors	5,536	39,883
(Increase) / decrease in inventories	(285)	64
Movement in pension liability	(43,501)	(24,928)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(79,233)	(17,274)
Other non-cash items charged to the net surplus or deficit on the provision of services	(5,174)	2,776
	<b>(260,918)</b>	<b>(136,161)</b>



## Note 27 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:

	2019/20	2020/21
	£000	£000
Capital Grants credited to surplus or deficit on the provision of services	49,093	86,597
Proceeds from the sale of property plant and equipment, investment property and intangible assets	27,621	22,972
	<b>76,714</b>	<b>109,569</b>

## Note 28 Cash Flow Statement Investment Activities

	2019/20	2020/21
	£000	£000
Purchase of property, plant and equipment and intangible assets	97,877	113,638
Purchase of short-term and long-term investments	1,095,650	700,900
Other payments for investing activities	5,971	-
Proceeds from sale of property, plant and equipment and intangible assets	(27,621)	(22,972)
Proceeds from short-term and long-term investments	(1,071,649)	(732,899)
Other receipts from investing activities	(49,231)	(79,743)
<b>Net Cash Flows from Investing Activities</b>	<b>50,997</b>	<b>(21,076)</b>

## Note 29 Cash Flow Statement Financing Activities

	2019/20	2020/21
	£000	£000
Cash receipts of short and long-term borrowing	(56,625)	(33,100)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	4,460	11,301
Repayments of short and long-term borrowing	33,705	53,368
<b>Net Cash Flows from Financing Activities</b>	<b>(18,460)</b>	<b>31,569</b>

## Note 30 - 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 £0.62m (Adult Social Care contribution of £0.57m and Education contribution of £0.05m) to the pool during 2020/21 (£0.72m in 2019/20 of which Adult Social Care contributed £0.64m and Education contributed £0.08m) and this expenditure is also included in the Adult Social Care line and the Education of the Comprehensive Income and Expenditure Statement.

	2019/20	2020/21
	£000	£000
<b>Funding provided to the pooled budget:</b>		
Leicester City Council	715	615
Leicestershire County Council	1,224	1,162
Rutland County Council	72	66
Leicester City CCG	1,220	1,265
East Leicestershire and Rutland CCG	1,113	1,313
West Leicestershire CCG	1,138	1,474
<b>Total Funding provided to the pooled budget</b>	<b>5,482</b>	<b>5,895</b>
<b>Total Expenditure met from the pooled budget</b>	<b>5,482</b>	<b>5,895</b>

## Note 30 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.

	2019/20	2020/21
	£000	£000
<b><u>Income</u></b>		
<b>Revenue</b>		
CCG Minimum Fund	23,936	25,250
Improved Better Care Fund (IBCF)	15,467	17,040
Winter Pressures	1,574	-
Additional CCG Contribution	-	3,500
<b>Total Revenue Income</b>	<b>40,977</b>	<b>45,790</b>
Capital-Disabled Facilities Grant	2,392	2,714
<b>Total Income</b>	<b>43,369</b>	<b>48,504</b>
<b><u>Expenditure</u></b>		
<b>Revenue</b>		
Actual Spend incurred by LCC managed schemes incl IBCF	32,693	33,783
Actual spend incurred by LCCCG & LPT (Leicestershire Partnership Trust) managed schemes	6,536	12,007
<b>Total Revenue Expenditure</b>	<b>39,229</b>	<b>45,790</b>
<b>Capital</b>		
Disabled Facilities Grant	2,392	2,714
<b>Total Capital Expenditure</b>	<b>2,392</b>	<b>2,714</b>
<b>Total Expenditure</b>	<b>41,621</b>	<b>48,504</b>
<b>Revenue - Net outturn over/(under) spend:</b>	<b>(1,748)</b>	<b>-</b>

## Note 31 Members' Allowances

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

	2019/20	2020/21
	£	£
Basic Allowance Payments	590,821	597,404
Special Responsibility Payments	384,323	397,006
General Expense Payments	84,855	82,937
<b>Total</b>	<b>1,059,999</b>	<b>1,077,347</b>

## Note 32 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 2020/21, 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 2020/21 with comparative data from 2019/20 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)	2020/21	157,347	36,875	-	<b>194,222</b>
	2019/20	139,838	32,653	-	<b>172,491</b>
Chief Operating Officer (Head of Paid Service) (Note 2)	2020/21	11,987	2,903	-	<b>14,890</b>
Director Delivery, Communications & Political Governance	2020/21	98,467	25,306	-	<b>123,773</b>
	2019/20	95,831	23,670	-	<b>119,501</b>
Director of Finance (Note 3)	2020/21	90,396	21,291	-	<b>111,687</b>
	2019/20	95,831	21,671	-	<b>117,502</b>
City Barrister & Head of Standards (Note 4)	2020/21	80,017	20,518	-	<b>100,535</b>
	2019/20	77,775	19,192	-	<b>96,967</b>
Strategic Director Social Care and Education (Note 5)	2020/21	132,441	34,037	-	<b>166,478</b>
	2019/20	13,129	3,243	-	<b>16,372</b>
Strategic Director - City Development & Neighbourhoods (Note 6)	2020/21	43,252	11,116	-	<b>54,368</b>
Director of Public Health	2020/21	98,467	14,160	-	<b>112,627</b>
	2019/20	96,420	13,865	-	<b>110,285</b>

Notes:

- 1) The Chief Operating Officer left the role on 31st March 2021
- 2) The new Chief Operating Officer took up the role on 1st March 2021
- 3) The Director of Finance left the role on 28th February 2021 to become Chief Operating Officer
- 4) The City Barrister works on a part-time basis
- 5) The Strategic Director –Social Care & Education took up the role on 2nd March 2020
- 6) The Strategic Director– City Development & Neighbourhoods took up the role on 1st December 2020

## Note 32 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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
<b>50,000-54,999</b>	58	70	67	83	125	153
<b>55,000-59,999</b>	40	46	38	48	78	94
<b>60,000-64,999</b>	19	25	29	30	48	55
<b>65,000-69,999</b>	20	20	19	18	39	38
<b>70,000-74,999</b>	5	8	18	16	23	24
<b>75,000-79,999</b>	6	8	10	16	16	24
<b>80,000-84,999</b>	-	1	5	8	5	9
<b>85,000-89,999</b>	1	-	1	5	2	5
<b>90,000-94,999</b>	1	1	3	1	4	2
<b>95,000-99,999</b>	9	9	1	2	10	11
<b>100,000-104,999</b>	-	-	1	2	1	2
<b>105,000-109,999</b>	-	-	-	1	-	1
<b>110,000-114,999</b>	-	-	1	-	1	-
<b>115,000-119,999</b>	-	-	-	1	-	1
<b>120,000-124,999</b>	-	-	-	-	-	-
<b>125,000-129,999</b>	-	-	-	-	-	-
<b>130,000-134,999</b>	-	-	-	-	-	-
<b>Total</b>	<b>159</b>	<b>188</b>	<b>193</b>	<b>231</b>	<b>352</b>	<b>419</b>



## Note 33 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: 2019/20 has been restated to reflect additional charges received.

	<b>Restated</b>	
	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Fees payable with regard to external audit services carried out by the appointed auditor for the year	150	150
Fees payable for the certification of grant claims and returns for the year	54	54
Fees payable in respect of other services provided during the year	11	11
<b>Total</b>	<b>215</b>	<b>215</b>

## Note 34 Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2020/21 are as follows:

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)
Local Authority contribution for 2020/21	-	-	-
<b>Carry forward to 2021/22</b>	<b>1,433</b>	-	<b>1,433</b>

2019/20	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
<b>Final DSG for 2019/20 before Academy recoupment</b>			<b>324,959</b>
Academy figure recouped for 2019/20			(107,452)
<b>Total DSG after Academy recoupment for 2019/20</b>			<b>217,507</b>
Brought forward from 2018/19			8,210
<b>Agreed initial budgeted distribution in 2019/20</b>	<b>85,855</b>	<b>139,862</b>	<b>225,717</b>
In year adjustments	(33)		(33)
<b>Final budgeted distribution for 2019/20</b>	<b>85,822</b>	<b>139,862</b>	<b>225,684</b>
Actual central expenditure for the year	(80,245)	-	(80,245)
Actual ISB deployed to schools	-	(139,862)	(139,862)
<b>Carry forward to 2020/21</b>	<b>5,577</b>	-	<b>5,577</b>

## Note 35 Grant Income

### Capital grants recognised in the year

The Council received the following capital grants in 2020/21.

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.

Most of the £39m increase in 2020/21 for capital grants credited to Taxation & Non-specific grant income can be attributed to Salix Grant and Getting Building Fund totalling £32m.

	2019/20	2020/21
	£000	£000
<b>Credited to Services (All REFCUS related)</b>		
DFE Basic Need Grant	3,935	8,579
Devolved Formula Capital Grant	2,692	1,134
Disabled Facilities Grant	1,563	992
ERDF Growth Hub	-	384
DFT Cleaner Bus Technology Grant	-	242
Other	-	38
Collaborate Business Grants	217	-
<b>Total Credited to Services</b>	<b>8,407</b>	<b>11,369</b>
	2019/20	2020/21
	£000	£000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
Salix Grant	-	24,314
Getting Building Fund	-	7,821
Other DFT Grants	4,170	6,192
Local Growth Fund	4,665	5,986
Homes England Grant	1,412	5,746
Green Homes Grant	-	4,390
DFT Transforming Cities Fund	1,624	4,112
DFE Capital Maintenance Grant	2,827	3,697
S106 Contributions	2,535	3,142
DFT Integrated Transport Grant	2,556	2,556
DFT Maintenance Grant	2,102	2,540
DFE SEND Funding	-	2,148
DFE Basic Need Grant	11,243	1,279
Disabled Facilities Grant	-	869
Other	515	236
ERDF Low Carbon Projects	1,812	200
DFE Devolved Capital Formula Grant	925	-
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>36,386</b>	<b>75,228</b>

## Note 35 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:

	2019/20	2020/21
	£000	£000
<b>Capital Grants Receipts in Advance</b>		
DFE Basic Need Grant	7,252	-
Devolved Formula Capital Grant	4,811	4,376
S106 Contributions	1,549	935
Land Release Fund	-	850
DFT Transport Grants	-	435
DFT Breathe Grants	184	184
<b>Total Capital Grants Receipts in Advance</b>	<b>13,796</b>	<b>6,780</b>
Capital Receipts not Recognised (deposits)	88	40
<b>Total Received in Advance</b>	<b>13,884</b>	<b>6,820</b>

## Note 35 Grant Income (continued)

### Revenue grants recognised in the year

The Council received the following revenue grants in 2020/21.

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. These include grants for testing, infection control, contain outbreak management, support to the clinically vulnerable, support to schools, bus operators and travel schemes.

	2019/20	2020/21
	£000	£000
<b>Credited to Taxation &amp; Non-Specific Grant Income</b>		
Revenue Support Grant	-	28,870
Covid-19 Collection Fund Compensation Grants	-	25,720
Covid-19 LA Support Grant	-	22,703
Business Support Grants	-	20,000
Covid-19 Grants- Sales, Fees & Charges Compensation Scheme	-	11,781
Section 31 Grants	10,216	11,243
Social Services Support Grant	2,689	9,988
New Homes Bonus Scheme	6,858	5,922
Covid-19 Grants- Council Tax Hardship Fund	-	3,738
Other Covid-19 Grants	-	1,129
Other	4,773	-
<b>Total Credited to Taxation &amp; Non-Specific Grant Income</b>	<b>24,536</b>	<b>141,094</b>
<b>Credited to Services</b>		
<b>Children's and Education Services</b>		
Dedicated Schools Grant (see note 34)	217,507	226,543
Other Education	27,671	29,823
Pupil Premium	11,621	11,297
Other Covid-19 Grants	-	1,873
<b>Adults and Housing</b>		
Improved Better Care Fund	15,467	17,040
Other Covid-19 Grants	-	8,946
Other Adult Social Care	2,189	2,187
<b>Public Health</b>		
Public Health Grant	26,117	27,202
Other Public Health	140	134
<b>City Development, Neighbourhoods &amp; Housing</b>		
Other City Development, Neighbourhoods & Housing	11,590	12,872
Waste PFI	2,074	2,074
Other Covid-19 Grants	-	1,026
<b>Corporate and Resources</b>		
Housing Benefit Subsidies	93,129	85,433
Other Covid-19 Grants	10,899	18,066
Other Corporate and Resources	2,353	2,663
Housing Benefit & Council Tax Benefit Admin Grant	1,264	1,399
Waste PFI	517	517
Local Council Tax Support Admin Grant	461	466
Elections	955	224
<b>Total Credited to Services</b>	<b>423,954</b>	<b>449,785</b>
<b>Total Recognised in Year</b>	<b>448,490</b>	<b>590,879</b>

## Note 35 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:

	2019/20	2020/21
	£000	£000
<b>Adult Social Care</b>		
Other Adult Social Care	-	338
<b>City Development, Neighbourhoods &amp; Housing</b>		
City Development, Neighbourhoods & Housing	202	252
<b>Taxation &amp; Non Specific Grant Income</b>		
Section 31 Grants	11,243	-
<b>Total Receipts in Advance</b>	<b>11,445</b>	<b>590</b>

## Note 36 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 35 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 31. Remuneration of senior officers is detailed in Note 32.

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, 15 Members of the Council and 7 senior officers sit (either in a personal capacity or as representatives of the Council) on the governing bodies of 24 different organisations. The Council made a total of £2.7m in payments to eighteen 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 £1.5m was received from fifteen of the organisations, primarily relating to services provided by the Council and interest on an outstanding loan balance.

A balance of £2.4m is outstanding on a loan made to Leicestershire County Cricket Club, the interest rate is at market rate terms.

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 and 2 senior officers from the council sit on various boards, along with representatives from Leicestershire County Council, Leicestershire district councils, the private sector, voluntary sector, government 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 £14.3m was received, £14.1m 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 2021 the council held a balance of £18.2m on behalf of the LLEP.

## Note 37 Capital Expenditure and Capital Financing

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

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

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

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

	2019/20	2020/21
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>560,588</b>	<b>575,632</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	101,524	122,950
Intangible Assets	731	1,806
Heritage Assets	83	381
Revenue Expenditure Funded from Capital Under Statute	13,071	13,907
Capital Loans Expenditure	3,287	-
De Minimis Capital Spend	4	8
Sub-total	<b>118,700</b>	<b>139,052</b>
<b>Sources of Finance</b>		
Capital Receipts	(20,806)	(14,691)
Government Grants & Other Contributions	(51,824)	(77,169)
Sums set aside from revenue:		
Direct Revenue Contributions	(19,255)	(16,237)
(MRP/Loans Fund Principal)	(11,771)	(13,035)
Voluntary provision of financing	-	(680)
Sub-total	<b>(103,656)</b>	<b>(121,812)</b>
<b>Closing Capital Financing Requirement</b>	<b>575,632</b>	<b>592,872</b>
Increase/(Decrease) in underlying need to borrowing	11,067	13,864
HRA CFR adjustment	(138)	(138)
Assets acquired under Finance Leases	1,852	-
Assets acquired under PFI contracts	2,263	3,514
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>15,044</b>	<b>17,240</b>



## Note 38 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 2020 £000	31st March 2021 £000
Other Land and Buildings	4,685	9,031
Vehicles, Plant and Equipment	627	468
<b>Total</b>	<b>5,312</b>	<b>9,499</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 2020 £000	31st March 2021 £000
Finance lease liabilities	9,040	8,816
Finance costs payable in future years	18,198	17,766
<b>Total minimum lease payments</b>	<b>27,238</b>	<b>26,582</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2020 £000	31st March 2021 £000	31st March 2020 £000	31st March 2021 £000
Within one year	657	655	224	233
Within 2 to 5 years	2,689	2,722	804	614
Later than 5 years	23,892	23,205	8,012	7,969
<b>Total</b>	<b>27,238</b>	<b>26,582</b>	<b>9,040</b>	<b>8,816</b>

## Note 38 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
	2021
	£000
Not later than one year	849
Later than one year and not later than 5 years	2,515
Later than 5 years	4,713
<b>Total</b>	<b>8,077</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
	2021
	£000
<b>Finance Lease Debtor</b>	
Current	29
Non-current	1,019
Unearned finance income	1,692
<b>Gross Investment in the lease</b>	<b>2,740</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
	2021
	£000
<b>Minimum Lease Payments</b>	
Within one year	96
Within 2 to 5 years	385
Later than 5 years	2,259
<b>Total</b>	<b>2,740</b>

## Note 38 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 2020	31st March 2021
	£000	£000
Not later than one year	4,836	4,406
Later than one year and not later than 5 years	13,384	13,259
Later than 5 years	79,090	75,221
<b>Total</b>	<b>97,310</b>	<b>92,886</b>

## Note 39 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.

2020/21 was the eighteenth year of the operation of the contract, costing £15m (£14.8m in 2019/20).

### *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 £000	Vehicles, & Equipment £000	Total £000
Balance at 1st April 2020	10,278	2,318	12,596
Additions	-	3,514	3,514
Depreciation	(1,285)	(590)	(1,875)
Revaluation	(141)	-	(141)
<b>Balance at 31st March 2021</b>	<b>8,852</b>	<b>5,242</b>	<b>14,094</b>

## Note 39 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 2021 (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	6,640	747	504	1,377	9,268
Within 2 to 5 years	33,416	3,508	2,730	6,464	46,118
Within 6 to 10 years	7,402	715	155	1,318	9,589
<b>Total</b>	<b>47,457</b>	<b>4,970</b>	<b>3,389</b>	<b>9,158</b>	<b>64,975</b>

	2019/20	2020/21
	£000	£000
Balance outstanding at 1st April	3,239	3,515
Payments during the year	(1,987)	(2,060)
Additions	2,263	3,514
<b>Balance at 31st March</b>	<b>3,515</b>	<b>4,969</b>

## Note 39 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 2020/21 was therefore the twelfth 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 2020	37,200
Additions	2,542
Revaluations	381
Depreciation	(930)
<b>Balance at 31st March 2021</b>	<b>39,193</b>

## Note 39 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 2021 are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Lifecycle Capital Replacement Costs	Total
	£000	£000	£000	£000	£000
Within 1 year	2,390	1,148	2,365	826	6,729
Within 2 to 5 years	10,247	5,579	8,353	3,699	27,878
Within 6 to 10 years	14,563	9,320	7,232	6,624	37,739
Within 11 to 15 years	10,293	10,289	1,978	1,253	23,813
<b>Total</b>	<b>37,493</b>	<b>26,336</b>	<b>19,928</b>	<b>12,402</b>	<b>96,159</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:

	2019/20	2020/21
	£000	£000
Balance outstanding at 1st April	27,976	27,279
Payments during the year	(697)	(943)
<b>Balance at 31st March</b>	<b>27,279</b>	<b>26,336</b>

## Note 39 Private Finance Initiatives and Service Concession Arrangements (continued)

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

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

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

academy, subject to the on-going provisions of the PFI contract. 2020/21 was the eighth year of the operation of the contract costing £6.6m.

#### *Property Plant and Equipment*

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

	<b>Other Land &amp; Buildings</b>
	<b>£000</b>
Balance at 1st April 2020	64,881
Additions	5,243
Revaluations/(Impairment)	2,174
Depreciation	(1,562)
<b>Balance at 31st March 2021</b>	<b>70,736</b>



## Note 39 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 2021 are as follows:

	Payment for Services	Reimbursement of Capital	Interest	Lifecycle Capital Replacement	Total
	£000	£000	£000	£000	£000
Within 1 year	2,593	1,308	2,416	683	7,000
Within 2 to 5 years	11,120	4,859	8,747	4,711	29,437
Within 6 to 10 years	15,751	9,124	8,779	5,165	38,819
Within 11 to 15 years	18,102	11,869	5,297	7,111	42,379
Within 16 to 20 years	10,409	8,022	939	3,894	23,264
<b>Total</b>	<b>57,975</b>	<b>35,182</b>	<b>26,177</b>	<b>21,564</b>	<b>140,898</b>

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

	2019/20	2020/21
	£000	£000
Balance outstanding at 1st April	37,919	36,614
Payments during the year	(1,305)	(1,432)
<b>Balance at 31st March</b>	<b>36,614</b>	<b>35,182</b>

## Note 39 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, of which £935k was funded by a CESP (Community Energy Saving Programme) Grant from LDEC Ltd's parent company, GDF Suez.

### 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 2021 are shown in the table:

<b>Vehicles, Plant &amp; Equipment</b>	
<b>£000</b>	
Balance at 1st April 2020	7,342
Depreciation	(408)
<b>Balance at 31st March 2021</b>	<b>6,934</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 2021 (excluding future inflation increases and the final phase which has yet to be completed) are as follows:

	<b>Payment for Services</b>	<b>Reimbursement of Capital</b>	<b>Interest</b>	<b>Lifecycle Capital Replacement</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	1,793	218	835	215	3,061
Within 2 to 5 years	7,172	1,113	3,098	860	12,243
Within 6 to 10 years	8,965	2,143	3,121	1,076	15,305
Within 11 to 15 years	8,965	3,450	1,814	1,076	15,305
Within 16 to 20 years	3,591	1,411	206	323	5,531
Within 21 to 25 years	833	20	3	-	856
<b>Total</b>	<b>31,319</b>	<b>8,355</b>	<b>9,077</b>	<b>3,550</b>	<b>52,301</b>

## Note 39 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 2021 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.

	2019/20	2020/21
	£000	£000
Liability for capital expenditure incurred for operational phases	8,357	8,095
Payments during the year	(262)	(286)
<b>Balance at 31st March</b>	<b>8,095</b>	<b>7,809</b>

## Note 40 Termination Benefits

The Council terminated the contracts of a number of employees in 2020/21 incurring liabilities of £0.3m (£1.7m in 2019/20). Of this £0.2m (£0.9m in 2019/20) was for redundancy and other departure costs, and £15k (£0.9m in 2019/20) 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 below. In 2020/21 the Council approved 12 compulsory redundancies (44 in 2019/20).

Band	Total number of exit packages by cost band	Total Cost of Exit packages 2019/20	Total number of exit packages by cost band	Total Cost of Exit packages 2020/21
£	2019/20	£	2020/21	£
0 - 20,000	59	427,186	17	159,326
20,001 - 40,000	10	306,333	2	46,663
40,001 - 60,000	8	396,842	1	50,523
60,001 - 80,000	6	421,226	-	-
80,001 - 100,000	2	168,041	-	-
<b>Total</b>	<b>85</b>	<b>1,719,628</b>	<b>20</b>	<b>256,512</b>

# Note 41 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 2020/21, the Council paid £17.7m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2019/20 were £15.5m and 20.66%. The employer rate was increased to 23.68% from September 2019, however additional funding has been provided by central government to fund this increase.

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 42.

## *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 2020/21, the Council paid £0.1m to the NHS Pension Scheme in respect of former NHS staff retirement benefits representing 14.38% of pensionable pay. The employer contribution increased to 20.6% from 1st April 2019, however the increase is paid to the scheme by NHS England.

## Note 42 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 13th September 2021.

The Council participates in three post-employment pension schemes:

- Teachers' Pensions Scheme – see Note 41 for further information
- NHS Pension Scheme – see Note 41 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 42 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.

	2019/20	2020/21
	£000	£000
Comprehensive Income and Expenditure Statement		
<b>Cost of Services</b>		
Current service cost	77,144	60,771
Past service cost	272	1
Settlements and curtailments	(6,453)	-
<b>Total Service Cost</b>	<b>70,963</b>	<b>60,772</b>
Financing and Investment Income and Expenditure		
Expected return on scheme assets	(32,415)	(28,757)
Interest cost	52,168	42,684
<b>Net Interest Cost</b>	<b>19,753</b>	<b>13,927</b>
<b>Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>90,716</b>	<b>74,699</b>
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets excluding amounts included in net interest	138,267	(283,529)
Actuarial (gains)/losses arising from changes in demographic assumptions	(66,409)	29,840
Actuarial (gains)/losses arising from changes in financial assumptions	(201,638)	514,408
Other Experience adjustments	(124,859)	(15,404)
<b>Total remeasurements recognised in the Comprehensive Income and Expenditure Statement</b>	<b>(254,639)</b>	<b>245,315</b>
<b>Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement</b>	<b>(163,923)</b>	<b>320,014</b>
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	90,716	74,699
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	(47,215)	(49,771)
<b>Total Movement in Reserves</b>	<b>43,501</b>	<b>24,928</b>

## Note 42 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):

	2019/20	2020/21
	£000	£000
<b>Balance at 1st April</b>	<b>2,160,400</b>	<b>1,845,164</b>
Current service cost	77,144	60,771
Past service costs (including curtailments)	272	1
Effect of settlements	(12,857)	-
Interest cost	52,168	42,684
Contributions by scheme participants	11,081	11,575
Benefits paid	(50,138)	(48,287)
Remeasurements arising from changes in financial assumptions	(201,638)	514,408
Remeasurements arising from changes in other assumptions	(124,859)	(15,404)
Remeasurements arising from changes in demographic assumptions	(66,409)	29,840
<b>Balance at 31st March</b>	<b>1,845,164</b>	<b>2,440,752</b>

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

	2019/20	2020/21
	£000	£000
<b>Balance at 1st April</b>	<b>1,348,774</b>	<b>1,244,676</b>
Interest income	32,415	28,757
Effect of settlements	(6,404)	-
Contributions by scheme participants	11,081	11,575
Employer contributions	47,215	49,771
Benefits paid	(50,138)	(48,287)
Return on plan assets excluding amounts included in net interest	(138,267)	283,529
<b>Balance at 31st March</b>	<b>1,244,676</b>	<b>1,570,021</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 42 Defined Benefit Pension Schemes (continued)

### Scheme History

	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000
Present value of funded obligations	(1,812,582)	(1,857,800)	(2,108,019)	(1,799,983)	(2,390,572)
Present value of unfunded obligations	(54,424)	(51,855)	(52,381)	(45,181)	(50,180)
Fair value of assets in the scheme	1,211,556	1,275,624	1,348,774	1,244,676	1,570,021
<b>Surplus/(deficit) in the scheme</b>	<b>(655,450)</b>	<b>(634,031)</b>	<b>(811,626)</b>	<b>(600,488)</b>	<b>(870,731)</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 £2,441m has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a negative overall balance of £871.7m. 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 2022 is £48.6m. The maturity profile is as follows:

	Liability Split	Weighted Average Duration
Active members	50.0%	26.0
Deferred members	21.0%	26.0
Pensioner members	29.0%	11.7
<b>Total</b>	<b>100.0%</b>	

## Note 42 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>2019/20</b>	<b>2020/21</b>
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners (years):		
Men	21.5	21.7
Women	23.8	24.2
Longevity at 65 for future pensioners (years):		
Men	22.2	22.6
Women	25.2	25.9
<b>Benefit entitlement assumptions</b>		
Rate of increase in salaries	2.4%	3.4%
Rate of increase in pensions	1.9%	2.9%
Rate for discounting scheme liabilities	2.3%	2.0%
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 42 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:

	Restated 2019/20				2020/21			
	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	3,184		3,184	0%	4,016		4,016	0%
Manufacturing	933		933	0%	1,176		1,176	0%
Energy and Utilities	2,617		2,617	0%	3,302		3,302	0%
Financial Institutions	3,949		3,949	0%	4,982		4,982	0%
Health and Care	916		916	0%	1,156		1,156	0%
Information Technology	1,048		1,048	0%	1,322		1,322	0%
Other	9,025		9,025	1%	11,384		11,384	1%
<b>Debt Securities</b>								
UK Government	105,190	198	105,388	8%	132,685	250	132,935	8%
Other	16,120		16,120	1%	20,333		20,333	1%
<b>Private Equity</b>								
All		57,396	57,396	5%		72,399	72,399	5%
<b>Real Estate</b>								
UK Property		93,030	93,030	7%		117,348	117,348	7%
<b>Investment Fund and Unit Trusts</b>								
Equities *	133,714	366,191	499,905	40%	362,873	267,702	630,575	40%
Bonds	52,595		52,595	4%	66,343		66,343	4%
Hedge Funds	104		104	0%	131		131	0%
Commodities		44,022	44,022	4%		55,529	55,529	4%
Infrastructure		65,461	65,461	5%		82,571	82,571	5%
Other *	80,807	172,471	253,278	20%	112,701	206,780	319,482	20%
<b>Derivatives</b>								
Foreign Exchange	(1,582)	-	(1,582)	0%	(1,995)		(1,995)	0%
<b>Cash and Cash Equivalents</b>								
All	37,287	-	37,287	3%	47,034		47,034	3%
<b>Total</b>	<b>445,907</b>	<b>798,769</b>	<b>1,244,676</b>	<b>100%</b>	<b>767,442</b>	<b>802,579</b>	<b>1,570,021</b>	<b>100%</b>

The restatement in 2019/20 is a reclassification between Quoted Prices in Active Markets & Quoted Prices not in Active Markets.

## Note 42 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 2021</b>	<b>Approximate % increase to Defined Benefit Obligation</b>	<b>Approximate monetary amount (£000)</b>
0.1% decrease in Real Discount Rate	2.0%	48,333
0.1% increase in the Salary Increase Rate	0.2%	4,590
1 Year Increase in Life Expectancy	4.0%	97,630
0.1% increase in the Pension Increase Rate	1.8%	43,208

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 43 Contingent Liabilities

The Council has no contingent liabilities to disclose in the 2020/21 accounts.

## Note 44 Contingent Assets

The council has no contingent assets to disclose in the 2020/21 accounts.

## Note 45 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 45 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 45 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	6 Years	None required	£20m	£300m
Bonds	Local Government Bonds Agency	6 Years	A long term rating of AA-	£20m	
Bonds, Bills and Deposits	UK Public Sector & Quasi-Public Sector	6 Years	A long term rating of AA-	£20m	£40m
Deposits and Treasury Bills	UK Government / UK Government Guarantee	Unlimited	None required	Unlimited	Unlimited
Bonds	International Development Banks	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	AAAmmf Or AAf	£20m	£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 45 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 £69m as at 31st March 2021 (£73m as at 31st March 2020) 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 2020 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 £198m (£200m as at 31st March 2020). Such investments are assessed to be virtually risk free.

As a result of loan repayments in 20/21 and having already made prudent provision in 19/20, the Council has only recognised credit impairments of £0.01m in 2020/21, based on historical experience and market conditions at 31st March 2021. There were credit impairments of £1.5m in 2019/20.

## Note 45 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 2021 was £17.9m (£16.9m as at 31st March 2020). The following matrix is used for both 2019/20 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 2021 will be £9.0m (£8.1m as at 31st March 2020) and that the impaired value of these debts are £8.9m (£8.8m as at 31st March 2020).

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 2020		31st March 2021	
	Due £000	Impaired Value £000	Due £000	Impaired Value £000
Less than 3 months	6,656	6,430	6,246	6,052
Three to six months	1,933	1,450	1,765	1,324
Six months to one year	1,599	608	2,477	1,105
More than one year	6,724	265	7,461	428
<b>Total</b>	<b>16,912</b>	<b>8,753</b>	<b>17,949</b>	<b>8,909</b>

## Note 45 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:

<u>Time to maturity</u> <u>(years)</u>	<u>31st March 2020</u> <u>£000</u>	<u>31st March 2021</u> <u>£000</u>
Not over 1	39,047	19,044
Over 1 but not over 2	5,065	5,608
Over 2 but not over 5	15,108	15,285
Over 5 but not over 10	24,682	25,879
Over 10 but not over 20	42,557	38,449
Over 20 but not over 30	31,023	30,576
Over 30	165,080	165,041
<b>Total</b>	<b>322,562</b>	<b>299,882</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 45 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	692
Increase in interest receivable on short term investments	115
Increase in interest payable on variable rate loans	(123)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>684</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 *	597
Decrease in fair value of fixed rate borrowings/liabilities *	60,375

\*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 45 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 £373k. 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.

2019/20			2020/21	
£000			Note	£000
<b>Income</b>				
(72,938)	Dwelling Rents		5	(73,292)
(391)	Non-dwelling Rents		6	(354)
(5,612)	Service Charges		6	(5,787)
(714)	Contributions & Miscellaneous income			(454)
<b>(79,655)</b>	<b>Total Income</b>			<b>(79,887)</b>
<b>Expenditure</b>				
12,122	General Management			12,037
13,415	Special Management		3	12,860
29,419	Repairs & Maintenance			27,985
1,302	Rent, Rates, Taxes & Other Charges			1,497
46	Increase/ (Decrease) in Bad Debt Provision		4	222
26,551	Depreciation & Impairment of Fixed Assets		12	25,540
60	Debt Management Expenses			60
<b>82,915</b>	<b>Total Expenditure</b>			<b>80,201</b>
710	HRA share of Corporate & Democratic Core			710
<b>3,970</b>	<b>"HRA Comprehensive Income and Expenditure Line"</b>			<b>1,024</b>
<b>3,970</b>	<b>Net Cost of HRA Services</b>			<b>1,024</b>
3,331	(Gain) or Loss on Sale of HRA Assets			2,448
8,739	Loan Charges - Interest			8,840
(579)	Investment Interest			(496)
5,198	Pensions - Interest on Liabilities		14	4,263
(3,229)	Pensions - Expected Return on Assets		14	(2,872)
<b>17,430</b>	<b>(Surplus) / Deficit for the Year</b>			<b>13,207</b>

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

2019/20			2020/21
£000		Note	£000
17,430	<b>(Surplus) / Deficit for the Year (from above)</b>		13,207
<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
(5,241)	HRA share of contributions to/(from) the Pension Reserve	14	(2,743)
(3,331)	Gain or (Loss) on Sale of HRA Fixed Assets		(2,448)
(26,551)	Depreciation and capital expenditure not adding value for Fixed Assets	12	(25,540)
2,903	Capital Expenditure Financed from Revenue Account	10	1,707
355	HRA Set-Aside (MRP)		666
11,662	Transfers to/(from) the Major Repairs Reserve	13	12,137
97	Transfers to/(from) the Employee Benefits Reserve		(277)
<b>(19,747)</b>	<b>Total value of items reversed as part of determining the statutory movement on the Housing Revenue Account Balance</b>		<b>(16,139)</b>
<b>(2,317)</b>	<b>Net (Surplus)/Deficit on the Housing Revenue Account in the year</b>		<b>(2,932)</b>
(30,508)	Balance Brought Forward 1st April 2020		(32,825)
<b>(32,825)</b>	<b>Balance Carried Forward 31st March 2021</b>		<b>(35,757)</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

	2019/20	2020/21
	£000	£000
Total Rent income from Dwellings	72,938	73,292
Less Housing Benefit	(33,200)	(30,311)
<b>Total</b>	<b>39,738</b>	<b>42,981</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 2021 was £1.0m (£0.8m at 31st March 2020). This is calculated on a rent and service charge arrears balance of £3.2m (£3.6m in 2019/20).

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

### 7. Housing Stock

Changes to Housing Stock:

	2019/20	2020/21
Number of Dwellings at 1st April	20,366	20,142
Construction of new dwellings	-	29
Acquisitions	184	109
Right to Buy sales	(409)	(204)
Other Disposals	1	(10)
<b>Number of Dwellings at 31st March</b>	<b>20,142</b>	<b>20,066</b>

### 8. Value of HRA Assets

	31st March 2020	31st March 2021
	£000	£000
Dwellings	1,001,516	1,062,545
Other Land and Buildings	20,136	20,032
Vehicles, Plant, Furniture & Equipment	181	87
Surplus Assets	283	283
Intangible Assets	300	58
<b>Total</b>	<b>1,022,416</b>	<b>1,083,005</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 2021 was £2.5bn. At the same date the balance sheet value of council dwellings was £1.1bn. The difference of £1.4bn reflects the fact that social housing rents generate a lower

income stream than could be obtained in the open market. The value placed on operational assets in a commercial environment will reflect the required economic rate of return in relation to the income streams that the assets might be

expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for council housing will be reduced.

	31st March 2020	31st March 2021
	£000	£000
Vacant possession values	2,383,539	2,529,861

### 10. Capital Expenditure

HRA capital expenditure on land, houses and other property in 2020/21 totalled £42m, financed as follows:

	2019/20	2020/21
	£000	£000
Major Repairs Reserve	11,662	12,137
Use of borrowing	13,387	13,622
Usable capital receipts	15,348	14,178
Financing from revenue account	2,903	1,707
<b>Total</b>	<b>43,300</b>	<b>41,644</b>

### 11. Capital Disposals

HRA capital disposals in 2020/21 were as follows:

	2019/20		2020/21	
	Total Receipt	Usable/ Retained	Pooled/ Set aside	Total Receipt
	£000	£000	£000	£000
Right to Buy (RTB) sales	(19,552)	(6,261)	(4,295)	(10,556)
<b>Total</b>	<b>(19,552)</b>	<b>(6,261)</b>	<b>(4,295)</b>	<b>(10,556)</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.

	2019/20			2020/21		
	Depreciation	Capital expenditure not adding value	Total	Depreciation	Capital expenditure not adding value	Total
	2019/20 £000	2019/20 £000	2019/20 £000	2020/21 £000	2020/21 £000	2020/21 £000
Dwellings*	10,355	14,047	24,402	10,884	12,455	23,339
Other Land and Buildings	535	419	954	541	410	951
Vehicles, Plant, Furniture & Equipment	528		528	466	-	466
Surplus Assets	2	(43)	(41)	4	(4)	-
Intangible Assets	242	466	708	242	542	784
<b>Total</b>	<b>11,662</b>	<b>14,889</b>	<b>26,551</b>	<b>12,137</b>	<b>13,403</b>	<b>25,540</b>

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

### 13. Use of Major Repairs Reserve

	2019/20	2020/21
	£000	£000
Balance at 1st April	-	-
Depreciation credited	(11,662)	(12,137)
Capital expenditure on land, houses and other property	11,662	12,137
<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 42 to the core financial statements.

	2019/20	2020/21
	£000	£000
Pension costs incurred in Net Cost of Services:		
Current service cost	(3,272)	(1,352)
	<b>(3,272)</b>	<b>(1,352)</b>
Pension interest cost and expected return on assets:		
Interest on liabilities	(5,198)	(4,263)
Expected return on assets	3,229	2,872
	<b>(1,969)</b>	<b>(1,391)</b>
<b>Total Transfer to Pension Reserve</b>	<b>(5,241)</b>	<b>(2,743)</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.

2019/20			2020/21			
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000	Note	£000	£000	£000
<b>Income</b>						
(138,823)		(138,823)	2	(145,804)		(145,804)
	(113,496)	(113,496)			(62,374)	(62,374)
	(3,395)	(3,395)			(1,101)	(1,101)
		<b>(255,714)</b>				<b>(209,279)</b>
<b>Expenditure</b>						
Precepts and Demands:						
			3			
114,696	-	114,696		122,845		122,845
16,495	-	16,495		17,749		17,749
4,924	-	4,924		5,172		5,172
		136,115				145,766
Business Rates:						
			4			
-	27,419	27,419			56,957	56,957
-	1,097	1,097			1,139	1,139
-	81,159	81,159			55,818	55,818
-	482	482			483	483
		110,157				114,397
1,704	(7,359)	(5,655)	6	970	2,007	2,977
Bad and Doubtful Debts:						
			7			
1,366	1,879	3,245		1,600	1,406	3,006
932	723	1,655		3,901	2,627	6,528
	1,592	1,592			3,550	3,550
		<b>247,109</b>				<b>276,224</b>
1,294	(9,899)	(8,605)		6,433	60,512	66,945
(2,038)	8,139	6,101	5	(744)	(1,760)	(2,504)
<b>(744)</b>	<b>(1,760)</b>	<b>(2,504)</b>	<b>1</b>	<b>5,689</b>	<b>58,752</b>	<b>64,441</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:

	2019/20			2020/21		
	Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
	£000	£000	£000	£000	£000	£000
Leicester City Council	(627)	(1,497)	(2,124)	4,793	28,850	33,643
Government	-	(245)	(245)	-	29,315	29,315
Leicestershire & Rutland Combined Fire Authority	(27)	(18)	(45)	202	588	790
Police & Crime Commissioner for Leicestershire	(90)	-	(90)	693	-	693
<b>Fund Balance Allocations as at 31st March</b>	<b>(744)</b>	<b>(1,760)</b>	<b>(2,504)</b>	<b>5,688</b>	<b>58,753</b>	<b>64,441</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 2020/21 was £145.8m including arrears from prior years.

The collectable Council Tax specifically for 2020/21 was £172.1m (including sums paid under the Local Council Tax Reduction Scheme). After taking into account the total amount of this reduction (£25.1m), the average number of Band D dwellings equates to 76,121. This is an increase from the 76,101 dwellings existing when the 2020/21 budget was prepared due to the net effect of the following:

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

Band	Estimated No. of Taxable Properties After Effect of Discount	Ratio	Band D Equivalent Dwellings	Less Band D Equivalent - LCTR Scheme Dwellings	Net Band D Equivalent Dwellings
A-	265	5/9	147	52	95
A	69,711	6/9	46,474	9,645	36,829
B	24,017	7/9	18,680	1,946	16,734
C	14,007	8/9	12,451	916	11,535
D	5,866	9/9	5,866	287	5,579
E	3,214	11/9	3,928	113	3,815
F	1,460	13/9	2,109	40	2,069
G	568	15/9	947	7	940
H	30	18/9	60	0	60
	<b>119,138</b>		<b>90,662</b>	<b>13,006</b>	<b>77,656</b>
					Less adjustments for collection rates and other adjustments. (1,555)
					<b>Council Tax Base 76,101</b>

## Collection Fund Explanatory Notes (continued)

### 3. Precepts and Demands

The following sums were paid from the collection fund.

	2019/20 £000	2020/21 £000
Leicester City Council	114,696	122,845
Police & Crime Commissioner for Leicestershire	16,495	17,749
Leicestershire & Rutland Combined Fire Authority	4,924	5,172
<b>Total</b>	<b>136,115</b>	<b>145,766</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 2020 £	31st March 2021 £
<b>Non Domestic Rateable Value</b>	<b>305,198,096</b>	<b>304,089,891</b>
	<b>2019/20</b>	<b>2020/21</b>
Non Domestic Rating Multiplier	50.4p	51.2p
Non Domestic Rating Multiplier- Small Business	49.1p	49.9p

## Collection Fund Explanatory Notes (continued)

### 5. Collection Fund Surpluses & Deficits

The Collection Fund account shows a cumulative deficit of £64.4m at 31<sup>st</sup> March 2021 (£2.5m surplus at 31<sup>st</sup> March 2020). The 2020/21 deficit is unusually high due to Covid-19 Business Rate reliefs given in year. The council has been compensated through government grants, that will offset future deficits as they are realised. There is a smaller element of the deficit due to changes in the bad debt provision and appeals, this will be spread over the next 3 years.

The deficit arising on the Council Tax is £5.7m (£0.7m surplus 31st March 2020). This is a result of the bad debt provision and will be distributed between Leicester City Council, the Police & Crime Commissioner for Leicestershire and the Leicester, Leicestershire & Rutland Combined Fire Authority in proportion to the respective precepts and demands.

## 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 (Surplus) – Jan 2020</b>	<b>(817)</b>	<b>(118)</b>	<b>(35)</b>	<b>(970)</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>Government</b>	<b>Fire</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Estimated (Surplus) – Jan 2020</b>	<b>(1,680)</b>	<b>(307)</b>	<b>(20)</b>	<b>(2,007)</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 2020	Bad Debt Write- offs In year	Increase/ (Decrease) to Provision	Balance at 31st March 2021
	£000	£000	£000	£000
Council Tax	8,021	(1,600)	5,501	11,922
NNDR	4,759	(1,406)	4,033	7,386
<b>Total</b>	<b>12,780</b>	<b>(3,006)</b>	<b>9,534</b>	<b>19,308</b>

# Annual Governance Statement



# Leicester City Council Annual Governance Statement 2020-21

## 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.

Key plans were changed during the year as the focus moved to managing the COVID-19 pandemic in the City and the recovery. Although the pandemic has presented a significant challenge, the Council continued to work within its governance framework even under pandemic conditions.

### 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
- 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
- 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 2020-21 (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:

**"The HoIAS\* will conclude Leicester City Council's control environment (its framework of governance, risk management and control) is 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 2020-21 (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 2019/20

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. In addition to growing social care pressures and the absence of Government spending plans beyond 20/21, we will also need to plan for permanent changes in the way we provide services as a consequence of the COVID-19 pandemic.</p>	<p>The Covid-19 pandemic has challenged the underlying assumptions on which the 2020/21 budget was based. However, the Council has shown during 2020/21 to be financially resilient and has set a balanced budget for 2021/22.</p>
<p><b>Covid-19 Pandemic</b> – like all local authorities, the Council has been affected by the pandemic in various ways, including:</p> <ul style="list-style-type: none"> <li>• Providing additional services to support the city during the pandemic.</li> <li>• Assessing the long-term impact of the pandemic on the local economy.</li> <li>• In year and future financial impacts.</li> </ul> <p>Maintaining good governance and effective scrutiny nonetheless remains essential.</p>	<p>The Council has been involved in providing an extensive response to Covid-19. Many aspects of which have received national recognition and been rolled out as models of good practice. This has included for example, an extensive programme of local testing and contact tracing.</p> <p>A significant and ongoing programme of support has been provided to vulnerable residents along with the administration of a significant number of grant schemes to support businesses across the city. There has been continued robust oversight of this with weekly reporting to the City Mayor and Executive, regular briefings for all elected members and progress updates to each meeting of the Overview Select Committee and to individual scrutiny commissions.</p> <p>The Council has also continued to engage in the Local Resilience Forum wider governance of the response.</p>

## Leicester City Council Annual Governance Statement 2020-21 (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 2020/21

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

Issue Identified	Planned Action:
<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.</p> <p>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 Council will continue to monitor its finances closely during 2021/22 including the short &amp; long term impacts of COVID-19. A major exercise will take place to review the budget for 2022/23.</p>
<p><b>Covid-19 Pandemic</b> – like all local authorities, the Council has been affected by the pandemic in various ways, including:</p> <ul style="list-style-type: none"> <li>• Providing additional services to support the city during the pandemic.</li> <li>• In year and future financial impacts.</li> </ul> <p>Maintaining good governance and effective scrutiny nonetheless remains essential.</p>	<p>The Council will continue to deliver the ongoing response including testing and contact tracing as well as ongoing work with health in relation to supporting the Covid-19 vaccination programme. In addition, support for residents and businesses will continue as appropriate.</p> <p>This work will continue to be overseen by the political leadership including reporting to scrutiny committees and the Council will continue to play an active role in the Local Resilience Forum response and recovery structures for Covid-19.</p>

## Leicester City Council Annual Governance Statement 2020-21 (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 2020/21.

## 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

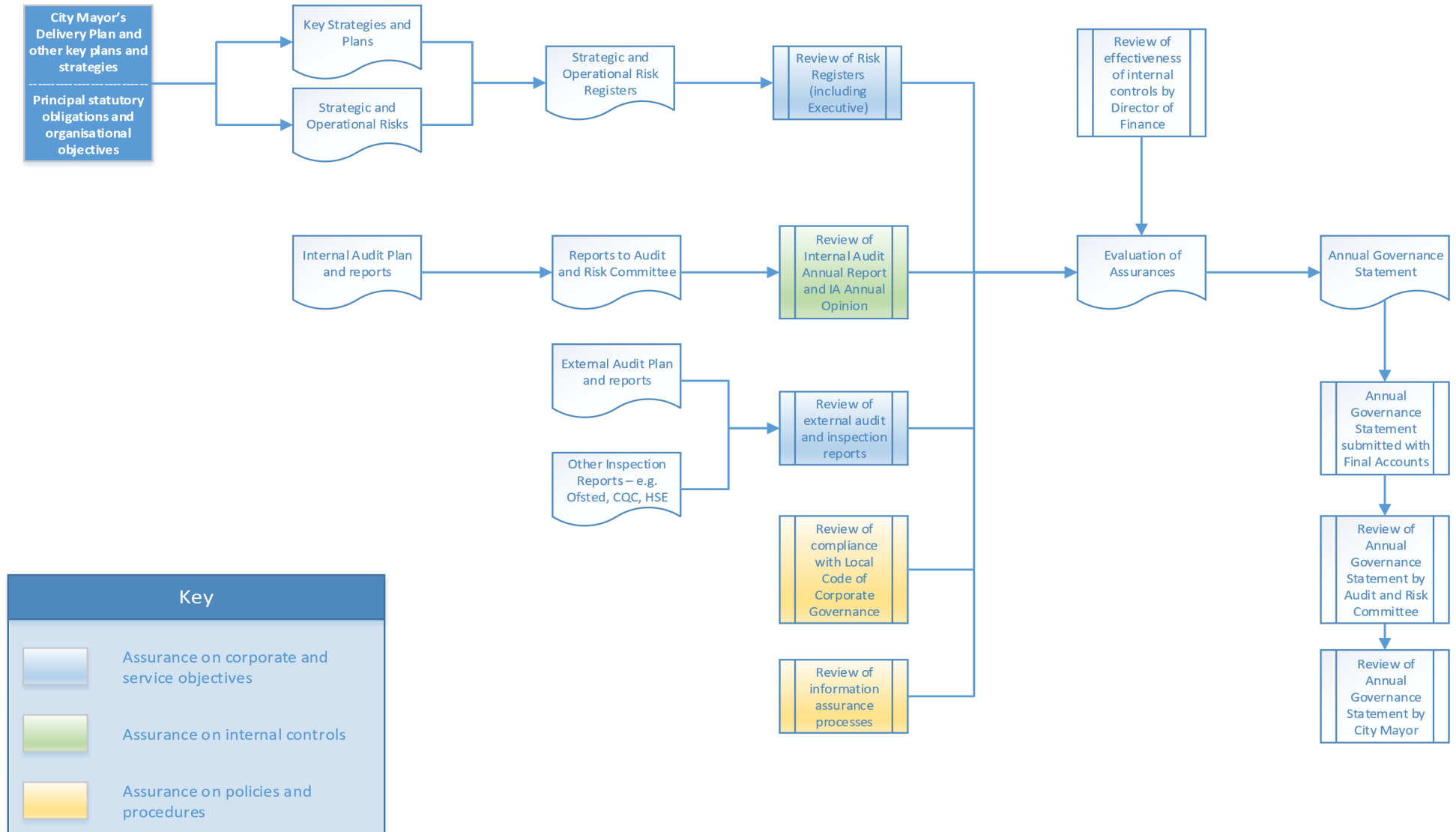
### Scrutiny and review

- 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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