



ANNUAL ACCOUNTS

2022/23



Leicester
City Council

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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 2022/23.

1. Introduction

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

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

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

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

During 2022/23, the Council faced increased costs due to the higher levels of cost and pay inflation since the budget was prepared, which alongside continuing pandemic related income shortfalls resulted in a £4.4m overspend. The Council was able to fund this overspend from reserves due to its managed reserves strategy. However, this has reduced the amount of reserves available to support future budgets. High inflation is anticipated to continue into 2023/24 and will have a long-term impact on the finances of the Council. In contrast, rising interest rates have meant that our investment income increased since the budget was set, which offset the overspend to a limited extent.

During this year, the Council continued to support local businesses through the cost of living crisis by administering business grants and reliefs to those affected. The Council paid out £18.8m in grants where acting as an Agent for the Government and has therefore not recognised these in the accounts. In addition, the Council has helped to support its residents and local businesses through schemes such as the Household Support Fund, Covid-19 Additional Relief Fund and the Retail, Hospitality and Leisure Business Rates Relief.

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 2022/23 are:

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

Some of the key outcomes from the Mayor's pledges in 2022/23 have been:

- Investment in regeneration schemes, including three significant levelling up schemes
- Investment in council housing
- Work with local businesses and residents to support them through the cost of living crisis

Narrative Statement

2. Financial Performance

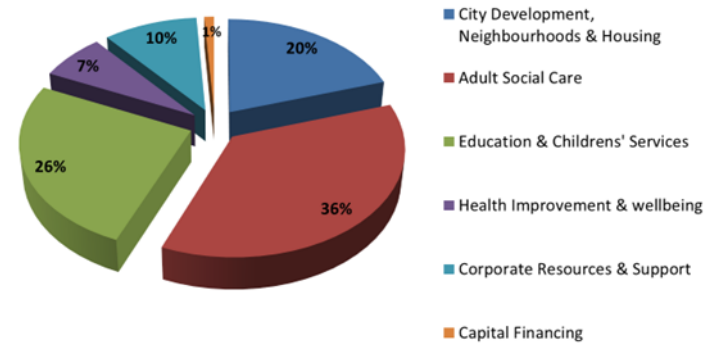
The budget for 2022/23 was set in an unprecedented and difficult financial situation. Following on from severe spending cuts for over a decade and the pandemic, that put pressure on service spend and on income streams. It is positive to note the Council has managed to remain within its resources for this financial year.

Net expenditure on provision of services was £443m in 2022/23 and £360m in 2021/22. The chart to the right sets out the spend by General Fund service area.

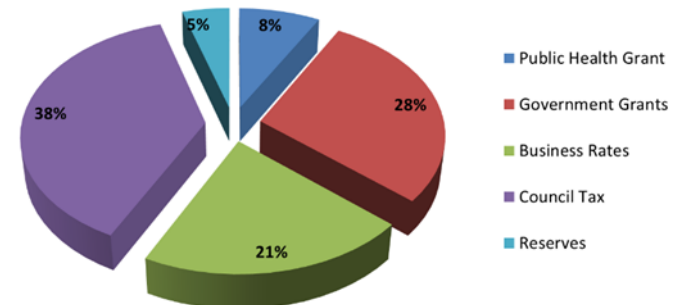
The services above are funded through various resources as demonstrated below right.

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

2022/23 Spend by Category
(General Fund Net Spend)



2022/23 Sources of Funding
(General Fund)



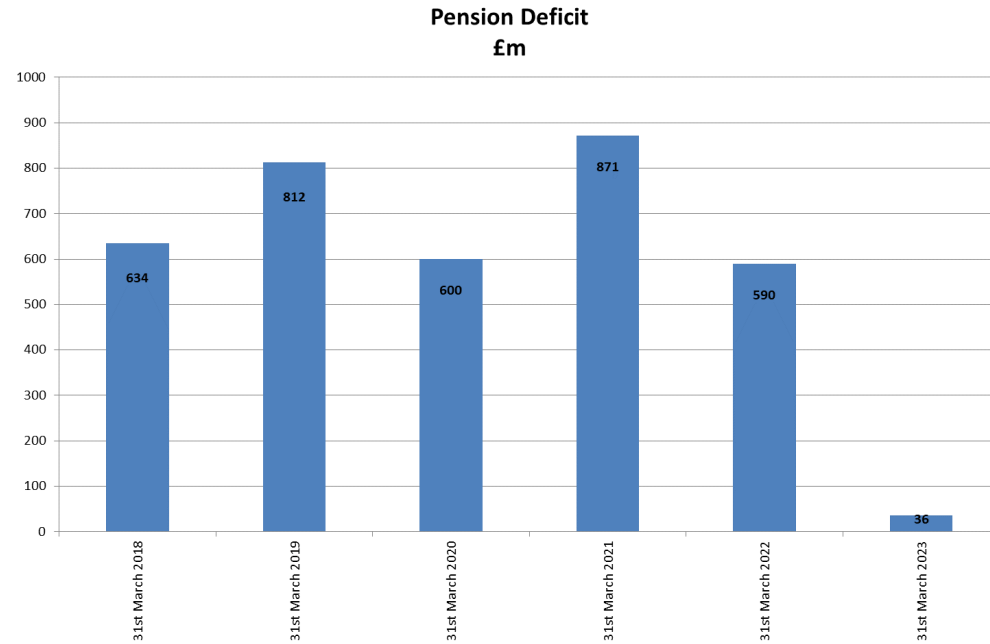
Narrative Statement

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 has shown a significant deficit in recent years. 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 has occurred on a year-by-year basis because of these changes, and hence, the limited context in which annual movements should be viewed.

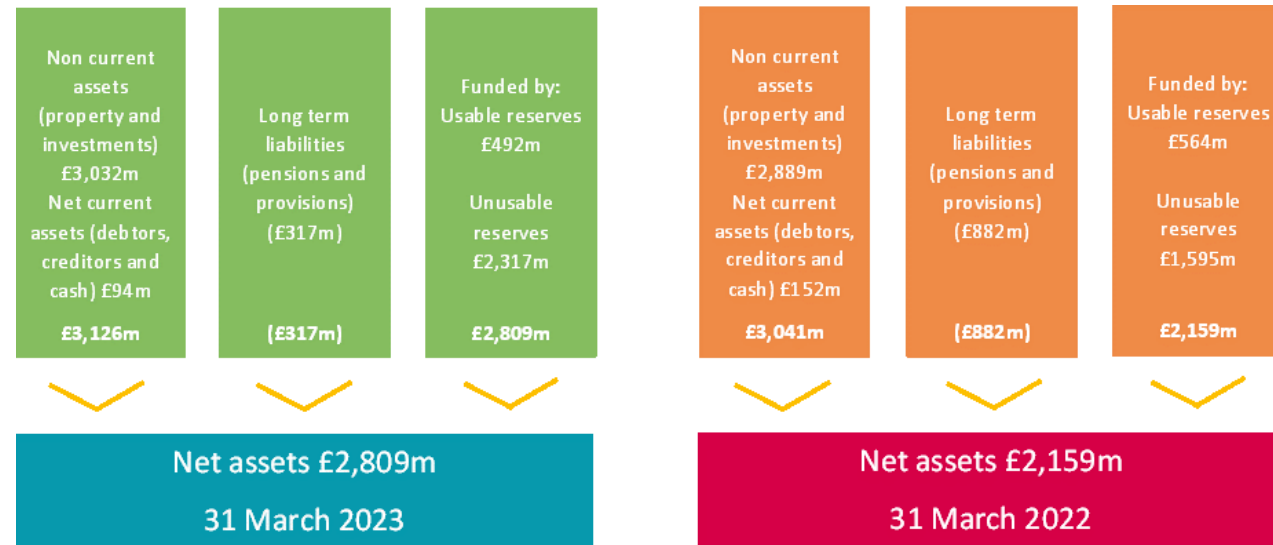
This year, however, there is a net asset on the pension fund, due to the significant change in economic indicators. However, due to asset ceiling accounting requirements, the only element that is recognised is a £36m deficit relating to unfunded liabilities. This is explained further in the pension fund disclosures in Note 42.



Narrative Statement

Net Assets

The Council maintains a strong balance sheet despite financial challenges, with net assets of £2,809m at 31st March 2023 (£2,159m at 31st March 2022).



Cash Flow Management

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

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

Cash & Cash equivalents at 31st March 2023 were £83m, £73m lower than the previous year, as a result of previously receiving government grants ahead of need. A substantial portion of the cash balances have resulted from funds set aside to repay long term borrowing, which has not been practical as Government rules have made it prohibitively expensive to repay PWLB debt early.

Narrative Statement

Capital

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

- Neighbourhood works
- Levelling up schemes
- Council house improvements
- Additional school places
- Affordable Housing

Capital expenditure of £144m was incurred in 2022/23, compared to £153m in 2021/22. Details of the spending can be seen in the table.

The key projects within 2022/23 that are expected to continue during 2023/24 and beyond are the Connecting Leicester scheme, redevelopment of the Waterside, Leicester Market Redevelopment and our Levelling Up projects.

Capital Expenditure 2022/23		
Category	£m	Spending includes:
Planning, Development & Transport	56.0	Connecting Leicester, Waterside Strategic Regeneration area, Leicester Railway Station, Electric bus investment, Transport Improvement Works, Highways Maintenance
Housing Revenue Account	31.3	Affordable Housing Acquisitions, Council House Improvements; including environment and communal
Schools	13.3	Schools' maintenance, additional Primary, Secondary and SEND places
Tourism, Culture & Inward Investment	10.1	Jewry Wall Museum, Leicester Market Redevelopment, Pilot House & Growth Hub
Estates & Building Services	18.8	Energy Efficiency Technology, Property and Operational Estate Maintenance, Green Homes
Neighbourhood & Environmental Services	2.4	Waste vehicles, Western Park Sanitisation Tree Works, Reuse shop expansion and Parks & Open Spaces
Housing General Fund	5.6	Disabled facilities grant, Central Vehicle Fleet Replacement Programme
Other	6.9	Public Health schemes, Children's Homes, IT and Getting Building Fund
TOTAL	144.4	

Narrative Statement

Leicester and Leicestershire Enterprise Partnership (LLEP)

The Council is the accountable body for the LLEP. The LLEP is a strategic body made up of local government and business leaders as well as senior education and third sector representatives. It is formally constituted as a company limited by guarantee, although has remained dormant. 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 associated finances. As at the 31st March 2023 the Council held £26.9m associated with the LLEP which comprises the LLEP's operating reserve of £3.2m and £23.7m for the local business rates pool and enterprise zones which is managed by the LLEP. The total is shown as a creditor in the balance sheet. The LLEP's operating 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 2022/23. The £1.520m surplus includes income of £449k relating to specific programmes that will be spent in 2023/24.

	<u>2022/2023</u>
	£000's
Income	
Grants	440
Contributions	188
National and Local Programme Income	1,752
Fees, Interest and Other Income	1,417
Total Income	3,797
Expenditure	
Staffing	555
Running Costs	237
Accountable Body Costs	167
Programme Delivery	1,318
Total Expenditure	2,277
Net Surplus / (Deficit)	1,520

In March 2023, the Government announced its intention to cease providing 'core funding' to Local Enterprise Partnerships from April 2024, and set out its expectation that in future their functions will be delivered by local democratically elected leaders. The LLEP Board and local stakeholders will work through the implications during 2023/24, which are expected to include the LLEP ceasing to exist in its present form.

Narrative Statement

3. Governance

Details regarding the Council's governance arrangements can be found in the Annual Governance Statement (page 149) along with the significant risks facing the authority.

4. Looking Ahead

The Council has set a balanced budget for 2023/24, with a contribution from managed reserves. Further detail on the Council's long-term strategy can be found in the budget report, which is available on the Council's website.

However, the future outlook continues to be uncertain. The recent spike in inflation has led to significant pressures particularly in respect of pay, energy and packages of social care which will continue to impact future years. Whilst new money was made available for social care, it is insufficient to meet our forecast cost growth.

The Council is forecasting future substantial budget gaps and estimates that available managed reserves will run out during 2024/25, requiring the use of the General Fund Balance. Departments within the Council are working on achieving savings and reducing pressures where possible to remove the use of General Fund Balance.

In addition to the General Fund budget pressures highlighted above, the Dedicated Schools Grant (High Needs Block) budgets for children

and young people with special educational needs and disabilities continue to be under severe pressure.

These budgets have recorded a £2.4m overspend in 2022/23, resulting from unavoidable overspends, with the cumulative balance on the DSG deficit reserve being £6m. Under a "statutory override" available until 2025/26, this deficit does not reduce our General Fund reserves. However, a deficit recovery plan is being prepared, which all authorities are required to do. Nonetheless, it remains unclear how the situation is retrievable without further government support, given the continued increase in demand for these services.

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

5. Conclusion

The Council expects to continue to operate with a revenue budget that fails to keep pace with cost increases 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 2023. 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 2022/23. This is based on International Financial Reporting Standards adopted for use in the public sector context.

The Core Statements are:

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

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

The Supplementary Financial Statements are:

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

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

Group Accounts Preparation:

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

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

These accounts are not yet approved by the Governance & Audit Committee.

Signed:



Chair of Audit and Risk Committee

Date: 18 April 2024

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 31st March 2023.

Signed:



Amy Oliver CPFA, Director of Finance & Section 151 Officer

Date: 18 April 2024

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 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

In our evaluation of the Director of Finance and 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 2022/23 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 2022) on the application of ISA (UK) 570 Going Concern to public Commercial in confidence 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.

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

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.

Our responsibilities and the responsibilities of the Director of Finance and Section 151 Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance and Section 151 Officer's is responsible for the other information. 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.

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 themselves. If, based on the work we have performed, we conclude that

there is a material misstatement of this 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, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

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

As explained more fully 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 Director of Finance and Section 151 Officer. The Director of Finance and Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

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 assur-

ance 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, 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, and 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 management and the Governance and Audit 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 management, internal audit and the Governance and Audit 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 enquired of management, internal audit and the Governance and Audit 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, Commercial in confidence 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:

- Potential management bias in determining accounting estimates for the valuation of land and buildings and council dwellings
- Potential management bias in determining accounting estimates for the valuation of the net pension liability including application of IFRIC 14 - IAS 19 - the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction
- incomplete recognition of year-end non-pay operating expenditure

We determined that the principal risks were in relation to period end journal entries, and those posted on behalf of others. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a particular focus on segregation of duties conflicts within the IT control environment, and significant journals at the end of the financial year, which impacted on the Authority's financial performance,
- substantive testing on payments and receipts to ensure appropriate cut-off had been applied, and therefore that income and expenditure had been recognised in the correct period;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of other land and buildings, and council dwellings

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations.

Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and significant accounting estimates related to other land and buildings, council dwellings, and the net pension liability.. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and 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.

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. This description forms part of our auditor's report.

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 2023.

We have nothing to report in respect of the above matter except on 18 April 2024 we identified a significant weakness in how the Authority plans and manages its resources to ensure it can continue to deliver its services. This was in relation to the Authority’s increasing budget gaps that will need to be supported by the use of reserves, and the forecast that both managed and general fund working balance reserves will be exhausted by 2025/26. We recommend that the Authority re-consider all aspects of service delivery in order to ensure financial sustainability, with efforts being directed toward:

- The identification and delivery of savings that reduce the indicative budget gap in 2024/25 and in future years, along with supporting the replenishment of reserves. These savings should be realistic, evidence-based targets as opposed to unachievable or overly-optimistic.

- Reducing reliance on one-off measures to support the revenue budget (including non-recurrent savings, one-off grants and reserves)
- Rebuilding the reserves balance to ensure it can be maintained to provide financial security and cushioning in the future.

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.

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 January 2023. 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 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of an objection brought to our attention by a local authority elector under section 27 of the Local Audit and Accountability Act 2014

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

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 44 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

29 April 2024

Core Financial Statements

Comprehensive Income and Expenditure Statement

The **Comprehensive Income and Expenditure Statement** shows the Council's actual financial performance for the year on the accounting basis, measured in terms of the resources consumed and generated over the financial period under the relevant accounting standards. This statement shows a surplus in 2022/23 of £649m.

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.

2021/22				2022/23		
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp
£000	£000	£000		£000	£000	£000
182,872	(68,914)	113,958	City Development & Neighbourhoods	209,128	(81,717)	127,411
103,652	(81,550)	22,102	Housing Revenue Account (HRA)	104,586	(84,451)	20,135
197,086	(97,013)	100,073	Adult Social Care	217,945	(79,780)	138,165
32,537	(33,678)	(1,141)	Health Improvement & Wellbeing	36,720	(38,214)	(1,494)
399,417	(291,310)	108,107	Education & Children's Services	431,969	(314,809)	117,160
62,360	(39,544)	22,816	Corporate Resources & Support	60,982	(17,911)	43,071
77,441	(78,380)	(939)	Housing Benefits	73,038	(73,363)	(325)
(4,151)	(349)	(4,500)	Corporate Items	93	(296)	(203)
-	(517)	(517)	Capital Financing	-	(517)	(517)
1,051,214	(691,255)	359,959	Cost of Services	1,134,461	(691,058)	443,403

Comprehensive Income and Expenditure Statement (continued)

2021/22			2022/23			
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp
£000	£000	£000	Note	£000	£000	£000
		31,677	Other Operating Income and Expenditure	11		(8,228)
		31,600	Financing and Investment Income and Expenditure	12		31,802
		(360,240)	Taxation and Non-Specific Grant Income	13		(367,809)
		62,996	(Surplus) or Deficit on Provision of Services	14		99,168
		(243,445)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	26b		(146,062)
		(335,358)	Remeasurement of the Net Defined Benefit Pension Liability	42		(602,486)
		(578,803)	Other Comprehensive Income & Expenditure			(748,548)
		(515,807)	Total Comprehensive Income & Expenditure			(649,380)

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”).

2022/23	Note	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
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
31st March 2022 brought forward		(15,000)	(342,013)	(357,013)	(32,532)	-	(105,489)	(69,121)	(564,155)	(1,595,034)	(2,159,189)
Total Comprehensive Expenditure and Income		66,653	-	66,653	32,515	-	-	-	99,168	(748,548)	(649,380)
Adjustments between accounting basis & Funding basis under regulation	9	(26,986)	-	(26,986)	(25,360)	-	(17,633)	43,299	(26,680)	26,680	-
Transfers (from)/to Earmarked Reserves	10, 25	(39,667)	39,667	-	-	-	-	-	-	-	-
Balance at 31st March 2023 carried forward		(15,000)	(302,346)	(317,346)	(25,377)	-	(123,122)	(25,822)	(491,667)	(2,316,902)	(2,808,569)

Movement in Reserves (continued)

2021/22		General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31st March 2021 brought forward		(15,000)	(328,212)	(343,212)	(35,757)	-	(116,798)	(76,031)	(571,798)	(1,071,582)	(1,643,380)
Total Comprehensive Expenditure and Income		27,417	-	27,417	35,577	-	-	-	62,994	(578,803)	(515,809)
Adjustments between accounting basis & Funding basis under regulation	9	(41,218)	-	(41,218)	(32,352)	-	11,309	6,910	(55,351)	55,351	-
Transfers (from)/to Earmarked Reserves	10, 25	13,801	(13,801)	-	-	-	-	-	-	-	-
Balance at 31st March 2022 carried forward		(15,000)	(342,013)	(357,013)	(32,532)	-	(105,489)	(69,121)	(564,155)	(1,595,034)	(2,159,189)

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.

31st March 2022		Note	31st March 2023
£000			£000
2,682,982	Property, Plant & Equipment	15	2,830,261
132,086	Heritage Assets	16	120,731
1,007	Intangible Assets	17	954
60,000	Long Term Investments	18	70,000
13,003	Long Term Debtors	20	10,220
2,889,078	Long Term Assets		3,032,166
142,053	Short Term Investments	18	135,895
19	Assets Held For Sale (<1 year)	22	6,583
3,373	Inventories	19	3,158
77,970	Short Term Debtors	20	79,465
155,680	Cash and Cash Equivalents	21	82,773
379,095	Current Assets		307,874

Balance Sheet (continued)

31st March 2022		Note	31st March 2023
£000			£000
(13,960)	Short Term Borrowing	18	(25,589)
(207,109)	Short Term Creditors	23	(184,262)
(5,825)	Provisions (<1 year)	24	(4,373)
(226,894)	Current Liabilities		(214,224)
(7,498)	Provisions (>1 year)	24	(6,237)
(180,107)	Long Term Borrowing	18	(180,103)
(683,577)	Other Long Term Liabilities	18, 42A	(125,211)
(10,908)	Capital Grants Receipts in Advance	35	(5,696)
(882,090)	Long Term Liabilities		(317,247)
2,159,189	Net Assets		2,808,569
	<u>Represented by:</u>		
564,156	Usable Reserves	25	491,667
1,595,033	Unusable Reserves	26	2,316,902
2,159,189	Total Reserves		2,808,569

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.

2021/22		2022/23
£000		£000
62,996	Net (surplus) or deficit on the provision of services	99,168
(243,852)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	27 (133,214)
98,994	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	27 96,326
(81,862)	Net cash flows from Operating Activities	62,280
28,640	Net cash flows from Investing Activities	28 21,163
334	Net cash flows from Financing Activities	29 (10,535)
(52,888)	Net (increase) or decrease in cash and cash equivalents	72,908
102,791	Cash in hand / (overdraft) and cash equivalents at the beginning of the reporting period	155,681
155,679	Cash in hand / (overdraft) and cash equivalents at the end of the reporting period	21 82,773

Explanatory Notes To The Core Financial Statements

Note 1 Accounting Policies

Changes in Accounting Policies

In 2022/23 there are no changes to our accounting policies.

Accounting Policies for 2022/23

1. General Principles

The Statement of Accounts summarises the City Council's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. 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 2022/23, 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.

Other PPE valuations are carried out by the Council's qualified valuers "to existing" assets included in the Balance Sheet at current value are revalued annually, with the exception of low value and de minimis assets. Annual valuations of council dwellings are carried out by a specialist external valuer.

Note 1 Accounting Policies (continued)

11. Property Plant and Equipment (continued)

Impairment:

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

Disposals:

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

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

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

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

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

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

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

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

Depreciation:

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

Depreciation is calculated on the following bases:

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

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

Note 1 Accounting Policies (continued)

11. Property Plant and Equipment (continued)

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

Schools:

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

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

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

Heritage Assets

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

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

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.

Highways Infrastructure Assets

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

Recognition

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

Measurement

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

Note 1 Accounting Policies (continued)

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

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

Depreciation

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

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

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

Disposals and derecognition

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

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

12. Private Finance Initiatives

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

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

The amounts payable to the PFI contractor each year comprise:

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

Note 1 Accounting Policies (continued)

13. Provisions, Contingent Liabilities and Assets

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

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

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

14. Reserves

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

Balance.

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

15. Revenue Expenditure Funded from Capital Under Statute

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

16. Schools

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

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

17. VAT

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

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

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

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

Note 2 Expenditure & Funding Analysis

The expenditure and funding analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. A breakdown of adjustments is included in note 8.

2022/23	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	58,611	68,800	127,411
Housing Revenue Account (HRA)	(2,791)	22,926	20,135
Adult Social Care	134,224	3,941	138,165
Health Improvement & Wellbeing	(2,624)	1,130	(1,494)
Education & Children's Services	77,872	39,288	117,160
Corporate Resources & Support	38,377	4,694	43,071
Housing Benefits	(325)	-	(325)
Corporate Items	7,537	(7,740)	(203)
Capital Financing	(517)	-	(517)
Cost of Services	310,364	133,039	443,403
Other Operating Expenditure	(2,617)	(5,611)	(8,228)
Financing and Investment Income and Expenditure	30,250	1,552	31,802
Taxation and Non-Specific Grant Income	(291,175)	(76,634)	(367,809)
(Surplus) or Deficit on Provision of Services	46,822	52,346	99,168
Movement in Balances	General Fund / Earmarked Reserves	HRA	Total
Opening Balance	(357,013)	(32,532)	(389,545)
Surplus or Deficit in the Year	39,666	7,155	46,821
Closing Balance	(317,347)	(25,377)	(342,724)

Note 2 Expenditure & Funding Analysis (continued)

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

Note 3 Accounting Standards Issued But Not Yet Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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:

- **IAS 8 (Accounting Estimates)** - amendment to the definitions of accounting estimates.
- **IAS 1 (Accounting Policies)** - requires entities to disclose their material accounting policy information, instead of significant accounting policies.
- **IAS 12 (Income Taxes)** - the amendment places a requirement to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- **IFRS 3 (Business Combinations)** - updated so that this standard now refers to the 2018 Conceptual Framework instead of the 1989 Framework without significantly changing its requirements.

These changes are not envisaged to have a significant effect on our accounts when implemented from 1st April 2023.

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 £21m.

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 31st March 2023 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 - £2.8bn) (Depreciation - £80m) 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 £3.3m for every year that useful lives had to be reduced.
Fair Value Measurements (Surplus Assets - £73m) 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 £3.7m.

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—£36m) 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 calculations undertaken by the actuary imply that, in accordance with accounting standards, the net asset on the pension fund is unlikely to be realisable. Therefore this amount has not been recognised in the accounts.</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 £30m. A 0.1% increase in the Pension Increase rate (CPI) would mean a 2.0% increase to the employers' liability amounting to £27m. A 0.1% increase in the projected rate of salary increase would lead to an increased liability of 0.2% or £3m. A 1 year increase in life expectancy would mean an increase to the employers' liability of 4% or £67m.</p> <p>If this assessment changes, the Council's balance sheet would show a net asset of £38m instead of the net liability of £36m on the LGPS Fund.</p>

Note 6 Material Items of Income and Expense

In 2022/23 one of the exhibits at a City Council museum saw a decrease in insurance value, going from £45m to £30m. This is due to the anticipated level of demand for the exhibit not materialising following an auction sale of a similar exhibit at the end of the 21/22 financial year. This revaluation is reflected in Note 16 Heritage Assets.

Note 7 Events After the Balance Sheet Date

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

2022/23	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	127,411	(60,840)	(8,011)	51	(68,800)	58,611
Housing Revenue Account (HRA)	20,135	(19,522)	(3,759)	355	(22,926)	(2,791)
Adult Social Care	138,165	(324)	(3,608)	(9)	(3,941)	134,224
Health Improvement & Wellbeing	(1,494)	(1)	(1,099)	(30)	(1,130)	(2,624)
Education & Children's Services	117,160	(24,065)	(11,673)	(3,550)	(39,288)	77,872
Corporate Resources & Support	43,071	(336)	(4,454)	96	(4,694)	38,377
Housing Benefits	(325)	-	-	-	-	(325)
Corporate Items	(203)	7,237	242	261	7,740	7,537
Capital Financing	(517)	-	-	-	-	(517)
Cost of Services	443,403	(97,851)	(32,362)	(2,826)	(133,039)	310,364
Other Operating Expenditure	(8,228)	5,611	-	-	5,611	(2,617)
Financing and Investment Income and Expenditure	31,802	14,795	(16,347)	-	(1,552)	30,250
Taxation and Non-Specific Grant Income	(367,809)	52,489	-	24,145	76,634	(291,175)
(Surplus) or Deficit on Provision of Services	99,168	(24,956)	(48,709)	21,319	(52,346)	46,822

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

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

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 officer's 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	2022/23					Movemt in Unusable Reserves £000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account:						
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	(48,686)	(33,854)	-	-	-	82,540
Revaluation gains/(losses) on Property Plant and Equipment	(8,114)	(1,605)	-	-	-	9,719
Capital grants and contributions applied	104,456	24	-	-	-	(104,480)
Capital expenditure funded from revenue	262	-	-	-	-	(262)
Revenue expenditure funded from capital under statute	(30,461)	(450)	-	-	-	30,911
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	(6,307)	(22,576)	-	-	-	28,883
Income recognised in respect of donated assets	4	-	-	-	-	(4)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:						
Statutory provision for the financing of capital investment	13,541	1,254	-	-	-	(14,795)
Capital expenditure charged against the General Fund and HRA balances	-	805	-	-	-	(805)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	14,095	21,076	(35,173)	-	-	(2)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	16,892	-	-	(16,892)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(250)	(428)	678	-	-	-

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

Adjustment Continued	2022/23					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movemt in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(30)	-	-	30
Adjustments primarily involving the Major Repairs Reserve:						
Transfer of HRA depreciation costs to Major Repairs Reserve	-	15,558	-	(15,558)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	15,558	-	(15,558)
Adjustments primarily involving the Capital Grants Unapplied Reserve:						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	53,657	-	-	-	(53,657)	-
Application of grants to capital financing credited to the Capital Adjustment Account	(96,956)	-	-	-	96,956	-
Adjustments primarily involving the Financial Instruments Adjustments Account:						
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)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(95,279)	(12,176)	-	-	-	107,455
Employer's pensions contributions and direct payments to pensioners payable in the year	52,090	6,656	-	-	-	(58,746)
Adjustments primarily involving the Collection Fund Adjustment Account:						
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	24,142	-	-	-	-	(24,142)
Adjustment primarily involving the Accumulated Absences Account:						
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	(1,090)	(4)	-	-	-	1,094
Adjustment primarily involving DSG Deficit:						
School budget deficit transferred from General Fund in accordance with statutory requirements	(2,351)	-	-	-	-	2,351
Total Adjustments	(26,986)	(25,360)	(17,633)	-	43,299	(26,680)

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

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

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

Adjustment Continued	2021/22					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movemt in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(28)	-	-	28
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(50)	-	-	-	-	50
Adjustments primarily involving the Major Repairs Reserve:						
Transfer of HRA depreciation costs to Major Repairs Reserve	-	12,680	-	(12,680)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	12,680	-	(12,680)
Adjustments primarily involving the Capital Grants Unapplied Reserve:						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	73,937	-	-	-	(73,937)	-
Application of grants to capital financing credited to the Capital Adjustment Account	(80,847)	-	-	-	80,847	-
Adjustments primarily involving the Financial Instruments Adjustments Account:						
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)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(94,256)	(13,001)	-	-	-	107,257
Employer's pensions contributions and direct payments to pensioners payable in the year	46,436	6,405	-	-	-	(52,841)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	17,906	-	-	-	-	(17,906)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(390)	89	-	-	-	301
Adjustment primarily involving Earmarked Reserves:						
Transfers from the General Fund and Housing Revenue Account to Earmarked Reserves	-	-	-	-	-	-
Transfers to the General Fund and Housing Revenue Account from Earmarked Reserves	-	-	-	-	-	-
Adjustment primarily involving DSG Deficit:						
School budget deficit transferred from General Fund in accordance with statutory requirements	(3,643)	-	-	-	-	3,643
Total Adjustments	(41,217)	(32,352)	11,309	-	6,910	(55,350)

Note 10 - Movement in Earmarked Reserves

Earmarked reserves are amounts set side 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.

2022/23	Balance at 31st March 2022	Transfers In 2022/23	Transfers Out 2022/23	Balance at 31st March 2023
	£000	£000	£000	£000
Ring-fenced Reserves				
DSG not delegated to schools	-	3,422	(3,422)	-
School Balances	30,095	6,317	(5,256)	31,156
School Capital Fund	2,491	31	(105)	2,417
Education & Skills Funding Agency Learning Programmes	971	-	(84)	887
Arts Council National Portfolio Organisation Funding	319	63	(194)	188
NHS Joint Working Projects	25,013	6,457	(12,431)	19,039
Schools Buy Back	1,915	170	(1,214)	871
Business Support Grants	-	-	-	-
Covid-19 Collection Fund Compensation Grants*	13,397	945	(17,622)	(3,280)
Total Ring-fenced Reserves	74,201	17,405	(40,328)	51,278
Corporate Reserves				
Capital Programme Reserve	98,834	6,394	(2,185)	103,043
Managed Reserves Strategy	83,270	18,577	(36,019)	65,828
BSF Financing	9,034	229	(103)	9,160
Insurance Fund	11,495	483	(5,819)	6,159
Severance Fund	4,827	-	(104)	4,723
Service Transformation Fund	5,195	-	(25)	5,170
Welfare Reserve	2,551	742	(1,177)	2,116
Anti- Poverty Reserve	3,000	-	(228)	2,772
Other Corporate Reserves	-	-	-	-
Total Corporate Reserves	218,206	26,425	(45,659)	198,971
Earmarked Reserves Departmental				
Financial Services Reserve	5,119	1,176	(1,863)	4,432
ICT Development Fund	10,480	-	-	10,480
Elections Reserve	2,440	-	-	2,440
Housing	2,802	3,180	(1,377)	4,605
City Development (Excl Housing)	12,672	5,687	(4,566)	13,793
Social Care Reserve	9,998	6,720	(5,780)	10,938
Health & Wellbeing Division	5,631	444	(1,130)	4,945
Other Departmental Reserves	464	-	-	464
Total Other Reserves	49,606	17,207	(14,716)	52,097
Total Earmarked Reserves	342,013	61,037	(100,703)	302,346

*Covid-19 Collection Fund Compensation/Grants reserve is showing a negative balance due to a shortfall in budgeted government grant in relation to the collection fund, which will be resolved in future years through the collection fund surplus.

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

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

Note 11 Other Operating Income and Expenditure

	2021/22	2022/23
	£000	£000
Payments to the government Housing Capital Receipts Pool	1,703	-
Total (gains)/losses on the disposal of non-current assets	28,546	(5,610)
Other operating income and expenditure	1,428	(2,618)
Total	31,677	(8,228)

Note 12 Financing and Investment Income & Expenditure

	2021/22	2022/23
	£000	£000
Interest payable and similar charges	15,834	19,825
Pensions interest cost and expected return on pensions assets	17,762	16,347
Interest receivable and similar income	(1,996)	(4,370)
Total	31,600	31,802

Note 13 Taxation and Non-Specific Grant Income & Expenditure

	2021/22	2022/23
	£000	£000
Council Tax income	(128,881)	(135,778)
Non-domestic rates	(90,577)	(95,892)
Non-ringfenced government grant Income	(77,921)	(84,497)
Non-ringfenced government grant Expenditure (Note 1)	7,603	851
Capital grants and contributions	(70,464)	(52,489)
Donated Assets	-	(4)
Total	(360,240)	(367,809)

(Note 1) This line is Covid-19 related grant expenditure in the form of Business Support and Local Council Tax Support 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.

"Other service expenses" , "Depreciation ,amortisation , impairment" , "Fees, charges and other service income" , "Government Grants & Contributions" lines for 2021/22 have been adjusted to correctly classify income and expenditure by nature.

	Restated 2021/22	2022/23
	£000	£000
Expenditure		
Employee Benefit Expenses	436,976	457,559
Other Services expenses	526,699	588,144
Depreciation, amortisation, impairment	99,290	90,607
Interest Payments	33,596	36,172
Precepts & Levies	88	91
Payments to Housing Capital Receipts pool	1,703	-
(Gain)/ Loss on the Disposal of Assets	28,546	(5,611)
Total Expenditure	1,126,898	1,166,962
Income		
Fees, charges and other service income	(164,658)	(183,488)
Interest & Investment Income	(1,996)	(4,370)
Income from Council Tax, non domestic rates	(219,457)	(231,670)
Government grants & contributions	(677,793)	(648,266)
Total Income	(1,063,904)	(1,067,794)
(Surplus) or Deficit on Provision of Services	62,994	99,168

Note 15 Property, Plant and Equipment - Movement on Balances in 2022/23

The first table in this note illustrates the change in the value of the Council's property, plant and equipment assets during 2022/23. The following tables provide additional detail on the basis for valuations of these assets and future capital expenditure already committed.

Movements on Balances in 2022/23	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
Cost or Valuation									
As at 1st April 2022	1,161,367	1,153,383	76,922	1,269	2,580	76,803	8,452	2,480,776	149,461
Additions	31,030	35,645	8,965	-	1,062	1,373	5,960	84,035	961
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	78,607	34,486	2,121	124	31	1,564	-	116,933	9,605
Revaluation Increases/(Decreases) not recognised in the Revaluation Reserve	(18,296)	(11,154)	(336)	-	(1,022)	(5,060)	(87)	(35,955)	(9)
De-recognition – disposals	(22,794)	(853)	(2,455)	-	-	(21)	-	(26,123)	-
De-recognition – other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(4,486)	-	-	-	(1,680)	-	(6,166)	-
Asset reclassified (other)	-	12,873	-	-	-	(152)	(12,721)	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-	-	-
As at 31st March 2023	1,229,914	1,219,894	85,217	1,393	2,651	72,827	1,604	2,613,500	160,018

Note 15 Property, Plant and Equipment - Movement on Balances in 2022/23 (continued)

Movements on Balances in 2022/23	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
Accumulated Depreciation & Impairment									
As at 1st April 2022	-	(28)	(29,481)	(255)	-	-	-	(29,764)	(7,540)
Depreciation Charge	(12,534)	(27,694)	(7,394)	(17)	(37)	(64)	-	(47,740)	(5,882)
Depreciation written out to the Revaluation Reserve	12,318	24,740	3,512	-	34	-	-	40,604	4,410
Depreciation written out to the Surplus/Deficit on the provision of services	-	2,690	-	-	-	56	-	2,746	-
De-recognition – disposals	217	27	2,449	-	-	1	-	2,694	-
As at 31st March 2023	1	(265)	(30,914)	(272)	(3)	(7)	-	(31,460)	(9,012)
Net Book Value as at 31st March 2023	1,229,915	1,219,629	54,303	1,121	2,648	72,820	1,604	2,582,040	151,006
1st April 2022	1,161,367	1,153,355	47,441	1,014	2,580	76,803	8,452	2,451,012	141,921

Note 15 Property, Plant and Equipment - Movement on Balances in 2021/22

Comparative Movements 21/22	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
Cost or Valuation									
As at 1st April 2021	1,062,545	1,083,679	106,720	1,322	2,239	68,829	5,214	2,330,548	145,285
Additions	49,447	41,026	6,763	-	997	1,909	8,616	108,758	540
Revaluation									
Increases/(Decreases) recognised in the Revaluation Reserve	99,506	65,112	(792)	(11)	628	150	-	164,593	9,254
Revaluation									
Increases/(Decreases) not recognised in the Revaluation Reserve	(28,967)	(13,341)	(220)	(42)	(996)	(536)	(162)	(44,264)	(14)
De-recognition – disposals	(19,492)	(25,068)	(35,549)	-	(288)	(378)	-	(80,775)	(5,604)
Assets reclassified (to)/from Held for Sale	-	1,916	-	-	-	-	-	1,916	-
Asset reclassified (other)	(1,672)	59	-	-	-	6,829	(5,216)	-	-
As at 31st March 2022	1,161,367	1,153,383	76,922	1,269	2,580	76,803	8,452	2,480,776	149,461

Note 15 Property, Plant and Equipment - Movement on Balances in 2021/22 (continued)

Comparative Movements 21/22	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
Accumulated Depreciation & Impairment									
As at 1st April 2021	-	(16)	(56,306)	(238)	-	-	-	(56,560)	(11,027)
Depreciation Charge	(11,456)	(25,223)	(8,934)	(17)	(39)	(79)	-	(45,748)	(6,191)
Depreciation written out to the Revaluation Reserve	11,273	23,137	3,625	-	34	30	-	38,099	4,074
Depreciation written out to the Surplus/Deficit on the provision of services	-	1,509	-	-	-	49	-	1,558	-
De-recognition – disposals	183	565	32,134	-	5	-	-	32,887	5,604
As at 31st March 2022	-	(28)	(29,481)	(255)	-	-	-	(29,764)	(7,540)
Net Book Value as at 31st March 2022	1,161,367	1,153,355	47,441	1,014	2,580	76,803	8,452	2,451,012	141,921
1st April 2021	1,062,545	1,083,662	50,414	1,085	2,239	68,830	5,214	2,273,989	134,258

Note 15 Property, Plant and Equipment - Highways Infrastructure Assets

Highways Infrastructure Assets - Movements on balances

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

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

	2021/22	2022/23
	£000	£000
Net book value (modified historical cost)		
As at 1 April	213,650	231,970
Additions	28,336	27,428
Derecognition	-	(1,186)
Depreciation	(10,016)	(9,991)
Net book value at 31 March	231,970	248,221

Total PPE Assets

	2021/22	2022/23
	£000	£000
Highways Infrastructure assets	231,970	248,221
Other PPE assets	2,451,012	2,582,040
Total PPE assets	2,682,982	2,830,261

Note 15 Property, Plant and Equipment - Capital Commitments

At 31st March 2023, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23. Similar commitments at 31st March 2022 were £36.3m. The significant commitments are:

Contract for Capital Investment	Period	£000
Pioneer Park	2023-24	15,290
Electric Bus Investment	2023-24	5,024
Leicester Station	2023-24	4,052
Connecting Leicester	2023-24	2,705
Waterside	2023-24	2,667
Jewry Wall Museum Improvements	2024-25	1,844
Greener Homes	2023-24	1,750
Tower Block Sprinkler Systems	2023-24	786
Expansion of Children's Homes	2023-24	588
Council Housing - External Property Works	2023-24	523
Highways Maintenance	2023-24	507
Goscote House Demolition	2023-24	454
Total		36,190

Note 15 Property, Plant and Equipment - Revaluations

2022/23 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	-	2,261	58,513	3	40	-	1,604	62,421
Valued at fair or nominal value as at:								
Pre 1st April 2012	-	161	-	-	-	-	-	161
1st April 2012	-	-	-	-	-	-	-	-
1st April 2013	-	1	-	-	-	-	-	1
1st April 2014	-	2	-	686	1	-	-	689
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	-	25	-	-	14	-	-	39
Valued @ 31st March 2022	-	7,406	-	72	460	792	-	8,730
Valued @ 31st March 2023	1,229,914	1,210,003	26,704	632	2,055	72,000	-	2,541,308
Total	1,229,914	1,219,894	85,217	1,393	2,651	72,827	1,604	2,613,500

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 at least every 5 years with the majority of assets being valued annually. The few exceptions to this rule appear in the table above. All property and land assets that are valued at Market Value are subject to annual review.

Properties are valued as at the 31st 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 2022/23 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, reflecting the replacement cost of these assets. Additions to the exhibits collection are initially included at historical cost and are then included as part of the insurance revaluation.

One of the exhibits at a City Council museum saw a decrease in insurance value, going from £45m to £30m. This is due to the level of demand not increasing in line with expectations in the market for exhibits of a similar nature. This decrease is reflected in the table on the following page.

Statues and Monuments

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

Note 16 Heritage Assets (continued)

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

Movement on Balances 2022/23	Buildings	Museum Exhibits	Statues & Monuments	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
At 1st April 2022	2,598	123,612	5,876	132,086
Additions	-	24	-	24
Impairment losses recognised in surplus/deficit on the provision of services	-	(19)	-	(19)
Disposals	-	-	-	-
Revaluations	10	(11,370)	-	(11,360)
As at 31st March 2023	2,608	112,247	5,876	120,731
2021/22 Comparative Movements				
2021/22 Comparative Movements	Buildings	Museum Exhibits	Statues & Monuments	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
At 1st April 2021	2,487	83,100	5,876	91,463
Additions	-	45	-	45
Impairment losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	-	(39)	-	(39)
Disposals	-	(49)	-	(49)
Revaluations	111	40,555	-	40,666
As at 31st March 2022	2,598	123,612	5,876	132,086

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.

	2021/22	2022/23
	£000	£000
Balance at 1st April		
Gross Carrying Amounts	4,680	4,370
Accumulated Amortisation	(3,158)	(3,363)
Net carrying amount at 1st April	1,522	1,007
Additions (Purchases)	370	202
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(370)	-
Disposals in year (gross)	(310)	-
Disposals in year (amortisation)	310	-
Amortisation applied in Year	(515)	(255)
Gross Carrying Amount at 31st March	4,370	4,572
Accumulated Amortisation	(3,363)	(3,618)
Net Carrying Amount at 31st March	1,007	954

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.

Some balance sheet categories, for example current debtors, include both items which are financial instruments and items which are not financial instruments. The tables below shows the carrying values of financial instruments included within the various lines of the council's balance sheet.

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

Financial Assets	Long Term		Short Term	
	31st March 2022	31st March 2023	31st March 2022	31st March 2023
	£000	£000	£000	£000
<i>Measured at Amortised cost:</i>				
- Principal at amortised cost	60,000	70,000	133,000	127,300
- Accrued interest	-	-	405	1,599
<i>Measured at fair value</i>	-	-	8,648	6,997
Total Investments	60,000	70,000	142,053	135,896
<i>Measured at Amortised cost:</i>				
- Cash (including bank accounts)	-	-	35,680	49,323
<i>Measured at fair value</i>				
- Cash equivalents	-	-	120,000	33,450
Total Cash and Cash Equivalents	-	-	155,680	82,773
<i>Measured at Amortised cost:</i>				
- Trade receivables and other debtors	4,403	4,121	47,001	42,508
- Loans made for service purposes	8,600	6,099	416	354
Included in Debtors	13,003	10,220	47,417	42,862
Total Financial Assets	73,003	80,220	345,150	261,531

Note 18a Financial Instruments - Classifications (continued)

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

Financial Liabilities	Long Term		Short Term	
	31st March 2022	31st March 2023	31st March 2022	31st March 2023
	£000	£000	£000	£000
<i>Measured at Amortised cost:</i>				
- Principal sum borrowed	179,491	179,491	12,475	23,975
- Accrued interest	-	-	1,485	1,614
- EIR adjustments	616	612	-	-
Total Borrowing	180,107	180,103	13,960	25,589
<i>Measured at Amortised cost:</i>				
- Finance leases	7,930	7,715	-	-
- PFI arrangements	64,736	61,265	-	-
- Transferred debt liability	20,585	19,723	-	-
- Other	102	89	-	-
Included in Other Long-term Liabilities	93,353	88,792	-	-
<i>Measured at Amortised cost:</i>				
- Finance leases	-	-	188	216
- PFI arrangements	-	-	5,187	4,396
- Transferred debt liability	-	-	975	975
- Trade payables and other creditors	-	-	72,522	77,654
Included in Short term Creditors	-	-	78,872	83,241
Total Financial Liabilities	273,460	268,895	92,832	108,830

Note 18b 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		2022/23 Total	2021/22 Total
	Amortised Cost	Amortised Cost	Other		
	£000	£000	£000	£000	£000
Financial assets measured at fair value through profit or loss	-	-	1,651	1,651	(1,186)
Financial assets measured at amortised cost	-	(104)	-	(104)	(140)
Net (gains)/losses	-	(104)	1,651	1,547	(1,326)
Interest expense	19,830	-	-	19,830	15,834
Interest payable and similar charges	19,830	-	-	19,830	15,834
Interest income	-	(2,359)	(1,726)	(4,085)	(1,956)
Dividends	-	-	(290)	(290)	(41)
Interest and investment income	-	(2,359)	(2,016)	(4,375)	(1,997)
Net (Gain)/Loss for the Year	19,830	(2,463)	(365)	17,002	12,511

Note 18c Financial Instruments - Fair Values

The majority of the council's financial instruments are held at amortised cost with the exception of some financial assets which are carried in the balance sheet at fair value.

When considering the fair value of financial instruments, the authority categorises inputs to valuations within the following hierarchy :

- 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 Money Market funds 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 following tables show amounts held for financial instruments as at 31st March 2023 and their corresponding fair values.

The fair value of financial liabilities held at amortised cost are broadly in line with their balance sheet carrying amount because the money was borrowed when interest rates were at a similar rate to what they are now.

	31st March 2022		31st March 2023		
	Fair Value Level	Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial assets held at fair value:</i>					
Cash equivalents - Money market funds	1	120,000	120,000	33,450	33,450
Property Unit Trusts	2	8,648	8,648	6,997	6,997
<i>Financial assets held at amortised cost:</i>					
Long-term loans to local authorities	2	60,000	58,896	70,000	67,515
Long-term loans to companies	3	7,613	7,613	5,142	5,142
Finance Lease	3	987	987	957	957
Total		197,248	196,144	116,546	114,061
Assets for which fair value is not disclosed *		220,905	-	225,204	-
Total Financial Assets		418,153	196,144	341,750	114,061
<i>Recorded on balance sheet as:</i>					
Long-term debtors		13,003		10,220	
Long-term investments		60,000		70,000	
Short-term debtors		47,417		42,862	
Short-term investments		142,053		135,896	
Cash and cash equivalents		155,680		82,773	
Total Financial Assets		418,153		341,751	

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

Note 18c Financial Instruments - Fair Values (continued)

	31st March 2022		31st March 2023		
	Fair Value	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	Level	£000	£000	£000	£000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	134,491	171,657	134,491	118,891
Long-term LOBO loans	2	20,616	30,327	20,612	23,327
Other long-term loans	2	25,000	31,473	25,000	23,536
Lease payables and PFI liabilities	2	78,042	114,301	73,591	91,376
Transferred debt liabilities	2	21,560	29,740	20,698	22,600
Total		279,709	377,498	274,392	279,730
Liabilities for which fair value is not disclosed *		86,583		103,332	
Total Financial Liabilities		366,292	377,498	377,724	279,730
<i>Recorded on balance sheet as:</i>					
Short-term creditors		78,872		83,241	
Short-term borrowing		13,960		25,589	
Long-term creditors		-		-	
Long-term borrowing		180,107		180,103	
Other long-term liabilities		93,353		88,792	
Total Financial Liabilities		366,292		377,725	

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

Note 18d 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.

a) Credit Risk

Credit risk is the risk that amounts due to the council may not be received. Amounts due to the council from financial assets can arise either from loans and investments made, or from income receivable for goods or services provided by the council.

The majority of the council's loans and investments are made for treasury management purposes; the parameters within which these investments are made are set out within the Council's approved Treasury Management Strategy. Credit risk is minimised through the strategy as it stipulates a number of controls for different investment types such as limits on the maximum sum to be invested, the investment period and required independent credit ratings institutions must hold.

The Council's maximum exposure to credit risk in relation to its investments in commercial institutions (banks and building societies) of £33m as at 31st March 2023 (£125m as at 31st March 2022) 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. The Council's exposure to credit risk in relation to its investments in other local authorities is £197m (£188m as at 31st March 2022). Such investments are assessed to be virtually risk free. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at 31st March 2023 or subsequently that this was likely to crystallise.

The financial standing of remaining long-term loan recipients and finance lessees are checked before they 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 operates an active debt recovery policy, to ensure that amounts due are collected as promptly as possible. Trade debtors are carried in the council's balance sheet net of an impairment provision, which is estimated on the basis of known factors affecting individual debtors and previous history of collectability for different types of debtor. This represents the extent to which the council estimates that the debt may be uncollectable (this is known as the expected credit loss) and a provision of £19.4m was made in in 2022/23 (£19.1m in 2021/22). 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.

Note 18d 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 included to the right

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. In 2022/23 due to increases in interest rates, it is becoming more likely that the lender could exercise this option and the Council is likely to repay these loans. Therefore in the 22/23 column in the tables above these are shown as maturing on the next option date.

Time to maturity (years)	31st March 2022	31st March 2023
	£000	£000
Not over 1	19,032	30,250
Over 1 but not over 2	4,249	25,099
Over 2 but not over 5	14,833	15,629
Over 5 but not over 10	25,942	26,971
Over 10 but not over 20	34,528	27,772
Over 20 but not over 30	75,393	135,526
Over 30	119,692	38,734
Total	293,669	299,981

Note 18d 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	417
Increase in interest receivable on short term investments	36
Increase in interest payable on variable rate loans	(240)
Impact on Surplus or Deficit on the Provision of Services	213
Decrease in fair value of available for sale financial assets	0
Impact on Comprehensive Income and Expenditure	0
Decrease in fair value of loans and receivables *	936
Decrease in fair value of fixed rate borrowings/liabilities *	31,833

*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 19 Inventories

The value of inventories as at 31st March :

	Balance at 31st March 2022	Balance at 31st March 2023
	£000	£000
Consumable Stores	368	415
Maintenance Materials	2,627	2,494
Work in Progress	378	249
Total	3,373	3,158

Note 20 Debtors

Long-Term Debtors

The value of long-term debtors as at 31st March :

	Balance at 31st March 2022	Balance at 31st March 2023
	£000	£000
PFI Lease	3,031	3,215
Other Long Term Debtors	9,972	7,005
Total	13,003	10,220

Short-Term Debtors

The value of short-term debtors as at 31st March:

	Balance at 31st March 2022	Balance at 31st March 2023
	£000	£000
Central Government bodies	20,969	14,903
Other Local Authorities	4,595	6,429
NHS bodies	8,293	5,794
Public Corporations and Trading Funds	1	-
Other Entities and Individuals	20,634	25,740
Payments in Advance	7,362	8,558
Local Taxation (Council Tax & Business Rates)	16,116	18,041
Total	77,970	79,465

Note 21 Cash and Cash Equivalents

The value of cash and cash equivalents as at 31st March:

	Balance at 31st March 2022	Balance at 31st March 2023
	£000	£000
Cash held by the Council	10	21
Bank	35,670	49,302
Short-term deposits	120,000	33,450
Total Cash and Cash Equivalents	155,680	82,773

Note 22 Assets Held for Sale

The value of assets held for sale as at 31st March:

	2021/22	2022/23
	£000	£000
Balance at 1st April	1,847	19
Property, Plant and Equipment newly classified as held for sale	-	6,183
Property, Plant and Equipment declassified as held for sale	(1,916)	(17)
Assets Sold	-	-
Other Adjustments	88	398
Balance at 31st March	19	6,583

Note 23 Creditors

The value of creditors as at 31st March:

	Balance at 31st March 2022	Balance at 31st March 2023
	£000	£000
Central Government bodies	33,666	45,160
Other Local Authorities	9,233	8,435
NHS bodies	298	812
Public Corporations and Trading Funds	-	562
Other Entities and Individuals	81,260	86,315
Receipts in Advance	82,652	42,978
Total	207,109	184,262

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 £3.6m is held as a provision, being the amount that the Council estimates will be required to meet claims already received. A further sum of £6.2m 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
Balance at 1st April 2021	3,307	657	39	773	9,446	14,222
Net Movement (additions less amounts used)	(15)	-	-	(337)	(547)	(899)
Balance at 1st April 2022	3,292	657	39	436	8,899	13,323
2022/23 Provisions/(Reductions)	3,062	-	(39)	49	(572)	2,500
Amounts used in 2022/23	(2,742)	-	-	-	(2,471)	(5,213)
Balance at 31st March 2023	3,612	657	-	485	5,856	10,610

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 £12m (Council share of £5.9m).

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	(342,013)	39,667	(302,346)	Note 10 and Narrative Statement
Total General Fund Reserves	(357,013)	39,667	(317,346)	
Housing Revenue Account	(32,532)	7,155	(25,377)	HRA Statements and Notes
Major Repairs Reserve	-	-	-	Note 9 and HRA Note 13
Capital Receipts Reserve	(105,490)	(17,632)	(123,122)	Note 9 and HRA Note 13
Capital Grants Unapplied Reserve	(69,121)	43,299	(25,822)	Note 9 and HRA Note 13
Total Usable Reserves	(564,156)	72,489	(491,667)	

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 2022	31st March 2023
	£000	£000
Revaluation Reserve	(1,195,684)	(1,316,634)
Capital Adjustment Account	(1,035,385)	(1,061,239)
Financial Instruments Adjustment Account	19,047	18,426
Deferred Capital Receipts Reserve	(1,045)	(1,015)
Pensions Reserve	589,789	36,012
Collection Fund Adjustment Account	15,723	(8,419)
Accumulated Absences Account	8,879	9,973
Dedicated Schools Grant Adjustment Account	3,643	5,994
Total Unusable Reserves	(1,595,033)	(2,316,902)

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 1st 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.

	2021/22	2022/23
	£000	£000
Balance at 1st April	(987,052)	(1,195,684)
Upward revaluation of assets	(271,282)	(189,315)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	27,838	43,254
(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(243,444)	(146,061)
Difference between fair value depreciation and historical cost depreciation	21,595	24,437
Accumulated gains on assets sold or scrapped	13,217	674
Balance at 31st March	(1,195,684)	(1,316,634)

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 1st 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.

	2021/22	2022/23
	£000	£000
Balance at 1st April	(1,016,011)	(1,035,385)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation & impairment	98,482	82,285
Revaluation (gain)/loss on Property, Plant and Equipment	(892)	9,719
Amortisation of intangible assets	515	255
Revenue expenditure funded from capital under statute	15,081	30,911
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	49,803	28,883
	(853,022)	(883,332)
Adjusting amounts written out of the Revaluation Reserve	(34,814)	(25,111)
Net written out amount of the cost of non-current assets consumed in the year	(887,836)	(908,443)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(30,942)	(16,892)
Use of the Major Repairs Reserve to finance new capital expenditure	(12,680)	(15,558)
Capital Grants, Contributions & Donated Assets credited to the Income and Expenditure Statement that have been applied to capital financing	(83,949)	(104,484)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(13,814)	(14,795)
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(92)	-
Capital expenditure charged against the General Fund and HRA balances	(6,072)	(1,067)
Balance at 31st March	(1,035,385)	(1,061,239)

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.

	2021/22	2022/23
	£000	£000
Balance at 1st April	19,668	19,047
Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	(621)	(621)
Balance at 31st March	19,047	18,426
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)	(621)

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.

	2021/22	2022/23
	£000	£000
Balance at 1st April	(1,123)	(1,045)
Transfer of deferred sale proceeds to the DCCR	50	-
Transfer to the Capital Receipts Reserve upon receipt of cash	28	30
Balance at 31st March	(1,045)	(1,015)

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 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.

	2021/22	2022/23
	£000	£000
Balance at 1st April	870,731	589,789
Remeasurement of the Net Defined Benefit Liability	(335,358)	(602,486)
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	107,257	107,455
Employer's pensions contributions and direct payments to pensioners payable in the year	(52,841)	(58,746)
Balance at 31st March	589,789	36,012

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.

	2021/22	2022/23
	£000	£000
Balance at 1st April	33,630	15,723
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(17,907)	(24,142)
Balance at 31st March	15,723	(8,419)

	2021/22	2022/23
	£000	£000
Balance at 1st April	8,577	8,879
Settlement or cancellation of accrual made at the end of the preceding year	(8,577)	(8,879)
Amounts accrued at the end of the current year	8,879	9,973
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	302	1,094
Balance at 31st March	8,879	9,973

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 31st March each year). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Note 26i Unusable Reserves (continued)

Dedicated Schools Grant Adjustment Account

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

	2021/22	2022/23
	£000	£000
Balance at 1st April	-	3,643
School budget deficit transferred from General Fund in accordance with statutory requirements	3,643	2,351
Balance at 31st March	3,643	5,994

Note 27 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2021/22	2022/23
	£000	£000
Interest received	(1,996)	(4,370)
Interest paid	15,834	16,347
Net interest	13,838	11,977

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

	2021/22	2022/23
	£000	£000
Depreciation	(55,764)	(57,731)
Downward revaluations, impairment losses and reversal of prior year impairments	(44,673)	(35,497)
Amortisation	(515)	(255)
Increase / (decrease) in creditors	(27,643)	28,630
(Increase) / decrease in debtors	(17,108)	1,336
(Increase) / decrease in inventories	562	(215)
Movement in pension liability	(54,416)	(48,709)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(46,379)	(21,834)
Other non-cash items charged to the net surplus or deficit on the provision of services	2,084	1,061
	(243,852)	(133,214)

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:

	2021/22	2022/23
	£000	£000
Capital Grants credited to surplus or deficit on the provision of services	77,032	61,154
Proceeds from the sale of property plant and equipment, investment property and intangible assets	21,962	35,172
	98,994	96,326

Note 28 Cash Flow Statement - Investing Activities

	2021/22	2022/23
	£000	£000
Purchase of property, plant and equipment and intangible assets	136,969	110,729
Purchase of short-term and long-term investments	170,000	162,800
Proceeds from sale of property, plant and equipment and intangible assets	(21,962)	(35,172)
Proceeds from short-term and long-term investments	(174,999)	(158,499)
Other receipts from investing activities	(81,368)	(58,695)
Net Cash Flows from Investing Activities	28,640	21,163

Note 29 Cash Flow Statement - Financing Activities

	2021/22	2022/23
	£000	£000
Cash receipts of short and long-term borrowing	(31,950)	(49,350)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	540	961
Repayments of short and long-term borrowing	31,744	37,854
Net Cash Flows from Financing Activities	334	(10,535)

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 Integrated Care Board (ICB) in the areas covered by the councils. Leicester City Council acts as the host partner.

The City Council contributed £0.73m (Adult Social Care contribution of £0.65m and Education contribution of £0.08m) to the pool during 2022/23 (£0.71m in 2021/22 of which Adult Social Care contributed £0.63m 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.

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

	2021/22	2022/23
	£000	£000
Funding provided to the pooled budget:		
Leicester City Council	712	733
Leicestershire County Council	1,232	1,463
Rutland County Council	72	78
Leicester City CCG	1,387	-
East Leicestershire and Rutland CCG	1,473	-
West Leicestershire CCG	1,707	-
NHS Leicester, Leicestershire & Rutland ICB	-	4,778
Total Funding provided to the pooled budget	6,583	7,052
Total Expenditure met from the pooled budget	6,583	7,052

*Integrated Care Boards (ICB's) replaced Clinical Commissioning Groups (CCG's) from 1st July 2022.

Note 30 Pooled Budgets (continued)

Better Care Fund

This is an arrangement between Leicester City Council and NHS Leicester, Leicestershire and Rutland integrated care board (ICB) 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 ICB and LCC establish a pooled fund/budget for this purpose. The ICB acts as the host partner.

The City Council contributed £20.3m to the pool in 22/23 (£18.4m Adult Social Care and £1.9m City Development and Neighbourhoods). In 21/22 this was £19.8m (£17.9m Adult Social Care and £1.9m City Development and Neighbourhood). This expenditure is also included in those respective lines in the Comprehensive Income and Expenditure statement.

	2021/22	2022/23
	£000	£000
Income		
Revenue		
ICB Minimum Fund	26,617	28,136
Improved Better Care Fund (iBCF)	17,040	17,556
Additional ICB Contribution	15,984	-
Total Revenue Income	59,641	45,692
Capital-Disabled Facilities Grant	2,714	2,714
Total Income	62,355	48,406
Expenditure		
Revenue		
Actual Spend incurred by LCC managed schemes incl IBCF	34,622	36,198
Actual spend incurred by LCCCG & LPT (Leicestershire Partnership Trust) managed schemes	25,019	9,494
Total Revenue Expenditure	59,641	45,692
Capital		
Disabled Facilities Grant	2,714	2,714
Total Capital Expenditure	2,714	2,714
Total Expenditure	62,355	48,406

Details of the income and expenditure in the pool are provided in the table above.

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

Note 31 Members' Allowances

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

	2021/22	2022/23
	£	£
Basic Allowance Payments	614,452	625,276
Special Responsibility Payments	423,424	403,191
General Expense Payments	72,415	73,947
Total	1,110,291	1,102,414

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 2022/23, 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 2022/23 with comparative data from 2021/22 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 - Alison Greenhill (Head of Paid Service)	2022/23	152,629	38,904	-	191,533
	2021/22	148,742	36,461	-	185,203
Director Delivery, Communications & Political Governance	2022/23	108,527	30,062	-	138,589
	2021/22	107,149	28,603	-	135,752
Director of Finance - S151 Officer (Note 1)	2022/23	31,976	8,857	-	40,833
City Barrister & Head of Standards - Monitoring Officer (Note 2)	2022/23	82,775	22,879	-	105,654
	2021/22	81,215	21,636	-	102,851
Strategic Director Social Care and Education	2022/23	143,033	39,620	-	182,653
	2021/22	141,108	37,676	-	178,784
Strategic Director - City Development & Neighbourhoods	2022/23	143,033	39,620	-	182,653
	2021/22	135,616	36,210	-	171,826
Director of Public Health	2022/23	101,869	12,913	-	114,782
	2021/22	99,944	13,215	-	113,159

Notes:

- 1) The new Director of Finance took up the role in December 2022
- 2) The City Barrister works on a part time basis

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 to the right. 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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
50,000-54,999	84	97	77	97	161	194
55,000-59,999	50	44	40	37	90	81
60,000-64,999	33	26	43	49	76	75
65,000-69,999	12	32	14	21	26	53
70,000-74,999	12	14	14	11	26	25
75,000-79,999	3	1	15	15	18	16
80,000-84,999	8	7	3	7	11	14
85,000-89,999	-	1	9	5	9	6
90,000-94,999	-	1	-	4	-	5
95,000-99,999	7	-	-	-	7	-
100,000-104,999	1	7	2	1	3	8
105,000-109,999	-	-	1	2	1	2
110,000-114,999	-	-	1	2	1	2
115,000-119,999	-	-	1	-	1	-
130,000-134,999	1	-	-	-	1	-
135,000-139,999	-	-	-	1	-	1
Total	211	230	220	252	431	482

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:

	2021/22	2022/23
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	173	179
Fees payable for the certification of grant claims and returns for the year	62	54
Fees payable in respect of other services provided during the year	26	30
Total	261	263

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.

Regulations for DSG deficits which affect the financial years between the 1st April 2020 to 31st March 2023 require where Local Authorities incur a deficit that it must be carried forward in the schools budget to be funded from future DSG income. Therefore, this deficit is included in the unusable reserve titled DSG Grant Adjustment Account in Note 26.

Details of the deployment of DSG receivable for 2022/23 are as follows:

2022/23	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2022/23 before Academy recoupment	-	-	391,732
Academy figure recouped for 2022/23	-	-	(143,152)
Total DSG after Academy recoupment for 2022/23	-	-	248,580
Brought forward from 2021/22	-	-	-
Agreed initial budgeted distribution in 2022/23	92,992	155,588	248,580
In year adjustments	332	204	536
Final budgeted distribution for 2022/23	93,324	155,792	249,116
Actual central expenditure for the year	(95,675)	-	(95,675)
Actual ISB deployed to schools	-	(155,792)	(155,792)
Local Authority contribution for 2022/23	-	-	-
In year Carry forward to 2023/24	(2,351)	-	(2,351)
DSG unusable Reserve at the end of 2021/22			(3,643)
Total of DSG unusable reserve at the end of 2022/23			(5,994)

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

Note 35 Grant Income

Capital grants recognised in the year

The Council received the following capital grants in 2022/23.

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.

	2021/22	2022/23
	£000	£000
Credited to Services (All REFCUS related)		
Devolved Formula Capital Grant	2,020	2,821
Levelling Up Fund	-	1,672
Green Homes Grant	456	1,274
Disabled Facilities Grant	1,028	1,136
S106 Contributions	-	752
ERDF Growth Hub	792	371
Other	97	303
High Streets Heritage Action Zones	583	174
DFT Transforming Cities Fund	271	145
Affordable Warmth	262	17
Phoenix Square Cladding	373	-
DFT Cleaner Bus Technology Grant	195	-
Business Rates Pool	490	-
Total Credited to Services	6,567	8,665

Note 35 Grant Income (continued)

	2021/22	2022/23
	£000	£000
Credited to Taxation & Non-Specific Grant Income		
DFT Transforming Cities Fund	12,402	12,736
High Needs Provision Capital	2,014	8,420
DFE Capital Maintenance Grant	6,812	7,043
Levelling Up Fund	1,017	6,628
Social Housing Decarbonisation Grant	-	3,376
DFT Integrated Transport Grant	2,576	2,576
Other	249	1,302
DFT Maintenance Grant	1,812	1,812
DFE Basic Need Grant	-	1,688
Other DFT Grants	4,102	1,450
Green Homes Grant	(752)	1,116
Business Rates Pool	3,405	1,100
Devolved Formula Capital Grant	1,633	1,032
ERDF Low Carbon Projects	657	801
ERDF Growth Hub	168	742
Disabled Facilities Grant	833	
Other DFE Grants	-	500
High Streets Heritage Action Zones	359	118
Affordable Warmth	-	40
S106 Contributions	1,234	9
Salix Grant	26	-
DFT ZEBRA Grant	18,997	-
Homes England Grant	2,842	-
Land Release Fund	850	-
Phoenix Square Cladding	189	-
Brownfield Land Release Fund	443	-
Green Recovery Fund	202	-
THI Grant	160	-
Getting Building Fund	8,235	-
Total Credited to Taxation & Non-Specific Grant Income	70,465	52,489

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:

	2021/22	2022/23
	£000	£000
Capital Grants Receipts in Advance		
Other DFT Grants	738	2,348
Devolved Formula Capital Grant	3,053	2,025
Green Homes Grant	2,877	366
Disabled Facilities Grant	-	725
DFT Breathe Grants	184	184
Social Housing Decarbonisation Grant	4,008	-
Total Capital Grants Receipts in Advance	10,860	5,648
Capital Receipts not Recognised (deposits)	48	48
Total Received in Advance	10,908	5,696

Note 35 Grant Income (continued)

Revenue grants recognised in the year

The Council received the following revenue grants in 2022/23.

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.

	2021/22	2022/23
	£000	£000
Credited to Taxation & Non-Specific Grant Income		
Revenue Support Grant	29,029	29,923
Social Services Support Grant	13,094	17,659
Section 31 Grants	12,264	21,130
Covid-19 LA Support Grant	11,455	-
Covid-19 Collection Fund Compensation Grants	10,301	4,347
New Homes Bonus Scheme	4,732	2,803
Other	4,173	8,618
Covid-19 Grants- Sales, Fees & Charges Compensation Scheme	3,556	-
Business Support Grants	3,013	-
Other Covid-19 Grants	1,145	430
Total Credited to Taxation & Non-Specific Grant Income	92,762	84,910
Credited to Services		
Children's and Education Services		
Dedicated Schools Grant (see note 34)	238,170	248,580
Other Education	23,270	31,044
Pupil Premium	11,047	12,917
Other Covid-19 Grants	2,458	2,346
Adults and Housing		
Improved Better Care Fund	17,040	17,556
Other Covid-19 Grants	10,150	534
Other Adult Social Care	2,199	4,163
Public Health		
Public Health Grant	27,476	28,248
Other Public Health	1,102	2,097
City Development, Neighbourhoods & Housing		
Other City Development, Neighbourhoods & Housing	16,312	19,717
Waste PFI	2,074	2,591
Other Covid-19 Grants	1,288	702
Corporate and Resources		
Housing Benefit Subsidies	77,495	72,711
Other Covid-19 Grants	7,762	4
Other Corporate and Resources	6,896	10,597
Housing Benefit & Council Tax Benefit Admin Grant	1,152	1,116
Local Council Tax Support Admin Grant	553	433
Waste PFI	517	-
Elections	89	94
Total Credited to Services	447,050	455,450
Total Recognised in Year	539,812	540,360

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:

	2021/22	2022/23
	£000	£000
Children's and Education Services		
Other Education	-	1,022
Adult Social Care		
Other Adult Social Care	500	386
City Development, Neighbourhoods & Housing		
City Development, Neighbourhoods & Housing	1,540	1,720
Corporate and Resources		
Other Corporate and Resources	-	1,928
Public Health		
Public Health	-	72
Total Receipts in Advance	2,040	5,128

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 6 senior officers sit (either in a personal capacity or as representatives of the Council) on the governing bodies of 25 different organisations. The Council made a total of £2.2m in payments to twenty one 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 £0.9m was received from fifteen of the organisations, primarily relating to services provided by the Council and interest on an outstanding loan balance.

A senior officer from the Council sits on the board of directors at Leicestershire County Cricket Club, where there is a balance of £2m outstanding on a loan the Council made.

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

Leicester & Leicestershire Enterprise Partnership (LLEP)

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

The Council made total payments of £4.3m to the LLEP, in the form of contributions and interest payments due on the balances that the Council holds on their behalf. In addition £1.6m was received, £1.4m 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 2023 the council held a balance of £26.9m as accountable body to 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
- The underlying need to borrow does not necessarily represent external loans taken out, but is generally financed by the Council's free cash flows. This minimises the cost of external borrowing to the Council

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

	2021/22	2022/23
	£000	£000
Opening Capital Financing Requirement	592,872	599,378
Capital Investment		
Property, Plant and Equipment	138,540	111,467
Intangible Assets	370	202
Heritage Assets	45	19
Revenue Expenditure Funded from Capital Under Statute	15,081	30,911
Capital Loans Expenditure	-	1,877
De Minimis Capital Spend	19	4
Sub-total	154,055	144,480
Sources of Finance		
Capital Receipts	(30,942)	(16,892)
Government Grants & Other Contributions	(83,949)	(104,484)
Sums set aside from revenue:		
Direct Revenue Contributions	(18,752)	(16,625)
(MRP/Loans Fund Principal)	(13,814)	(14,795)
Voluntary provision of financing	(92)	-
Sub-total	(147,549)	(152,796)
Closing Capital Financing Requirement	599,378	591,062
Increase/(Decrease) in underlying need to borrow	5,067	(9,266)
HRA CFR adjustment	-	-
Assets acquired under Finance Leases	914	-
Assets acquired under PFI contracts	525	952
Increase/(Decrease) in Capital Financing Requirement	6,506	(8,314)

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 2022	31st March 2023
	£000	£000
Other Land and Buildings	2,388	2,376
Vehicles, Plant and Equipment	351	263
Total	2,739	2,639

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 2022	31st March 2023
	£000	£000
Finance lease liabilities	7,930	7,713
Finance costs payable in future years	13,245	12,818
Total minimum lease payments	21,175	20,531

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2022	31st March 2023	31st March 2022	31st March 2023
	£000	£000	£000	£000
Within one year	644	479	217	59
Within 2 to 5 years	1,918	1,918	254	267
Later than 5 years	18,613	18,134	7,459	7,387
Total	21,175	20,531	7,930	7,713

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 2023
	£000
Not later than one year	456
Later than one year and not later than 5 years	1,756
Later than 5 years	3,172
Total	5,384

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 2023
	£000
Finance Lease Debtor	
Current	30
Non-current	983
Unearned finance income	1,555
Gross Investment in the lease	2,568

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 2023
	£000
Minimum Lease Payments	
Within one year	96
Within 2 to 5 years	385
Later than 5 years	2,087
Total	2,568

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 2022	31st March 2023
	£000	£000
Not later than one year	6,288	5,861
Later than one year and not later than 5 years	18,964	16,999
Later than 5 years	87,758	84,818
Total	113,010	107,678

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.

2022/23 was the twentieth year of the operation of the contract, costing £18m (£16m in 2021/22).

Property Plant and Equipment

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

	Other Land & Buildings	Vehicles, Plant & Equipment	Total
	£000	£000	£000
Balance at 1st April 2022	7,583	4,058	11,641
Additions	-	952	952
Depreciation	(1,285)	(1,064)	(2,349)
Revaluation	15	-	15
Balance at 31st March 2023	6,313	3,946	10,259

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 31st March 2023 (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	6,660	465	662	1,513	9,300
Within 2 to 5 years	27,507	1,898	1,421	6,169	36,995
Total	34,167	2,363	2,083	7,682	46,295

	2021/22	2022/23
	£000	£000
Balance outstanding at 1st April	4,969	3,371
Payments during the year	(2,123)	(1,959)
Additions	525	952
Balance at 31st March	3,371	2,364

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

Building Schools for the Future – Phase 1 - Rebuild of Judgemeanow 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 – Judgemeanow 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. Judgemeanow became an academy in 2018 and Soar Valley remains under the Council's control. When a PFI school converts, the Council continues 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 2022/23 was therefore the fourteenth year of the operation of the contract costing £7.1m.

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:

	Other Land & Buildings
	£000
Balance at 1st April 2022	43,611
Additions	-
Revaluations	5,486
Depreciation	(1,148)
Balance at 31st March 2023	47,949

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 31st March 2023 are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Lifecycle Capital Replacement Costs	Total
	£000	£000	£000	£000	£000
Within 1 year	2,525	1,157	2,142	1,194	7,018
Within 2 to 5 years	10,829	6,708	7,314	3,744	28,595
Within 6 to 10 years	15,390	11,707	5,446	5,757	38,300
Within 11 to 15 years	3,902	4,283	400	156	8,742
Total	32,646	23,855	15,302	10,851	82,655

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:

	2021/22	2022/23
	£000	£000
Balance outstanding at 1st April	26,336	25,188
Payments during the year	(1,148)	(1,333)
Balance at 31st March	25,188	23,855

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

assets will revert to City Council control. Under the Government's current policies the trend of more schools becoming academies is likely to continue. Crown Hills and City of Leicester Community Colleges remain under the Council's control. When a PFI school converts, the Council continues 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 ongoing provisions of the PFI contract. 2022/23 was the tenth year of the operation of the contract costing £7.1m.

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:

	Other Land & Buildings
	£000
Balance at 1st April 2022	80,140
Additions	-
Revaluations/(Impairment)	8,514
Depreciation	(1,977)
Balance at 31st March 2023	86,677

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 31st March 2023 are as follows:

	Payment for Services	Reimbursement of Capital	Interest	Lifecycle Capital Replacement	Total
	£000	£000	£000	£000	£000
Within 1 year	2,740	960	2,216	1,455	7,372
Within 2 to 5 years	11,753	5,762	8,064	4,575	30,154
Within 6 to 10 years	16,652	10,342	7,519	5,441	39,954
Within 11 to 15 years	19,141	13,291	3,561	8,007	44,000
Within 16 to 20 years	2,430	1,908	75	982	5,396
Total	52,717	32,263	21,435	20,461	126,876

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

	2021/22	2022/23
	£000	£000
Balance outstanding at 1st April	35,182	33,876
Payments during the year	(1,306)	(1,613)
Balance at 31st March	33,876	32,263

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

District Energy Heating & Combined Heat Power Scheme

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

The scheme involves the replacement of existing heating boilers, the use of existing

heating networks and the construction of additional heating networks in the City Centre and some outer Council estates. Leicester University are part of the scheme and their heating and electricity networks are linked into the overall network scheme.

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

Property Plant and Equipment

The assets used to provide the service and directly attributable to the City Council are recognised on the Council's Balance Sheet. The value of fixed assets attributable to the Council and operational as at 31st March 2023 are shown in the table:

	Vehicles, Plant & Equipment £000
Balance at 1st April 2022	6,526
Depreciation	(408)
Balance at 31st March 2023	6,118

Payments

The Council will make payments each year which 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 31st March 2023 (excluding future inflation increases and the final phase which has yet to be completed) are as follows:

	Payment for Services £000	Reimbursement of Capital £000	Interest £000	Lifecycle Capital Replacement £000	Total £000
Within 1 year	1,793	301	752	215	3,061
Within 2 to 5 years	7,172	1,282	2,929	860	12,243
Within 6 to 10 years	8,965	2,516	2,748	1,076	15,305
Within 11 to 15 years	7,542	3,607	1,130	968	13,247
Within 16 to 20 years	2,262	46	15	-	2,323
Within 21 to 25 years	-	-	-	-	-
Total	27,734	7,752	7,574	3,119	46,179

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

Liability

The liability outstanding to the contractor for capital expenditure incurred up to 31st March 2023 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.

	2021/22	2022/23
	£000	£000
Liability for capital expenditure incurred for operational phases	7,809	7,515
Payments during the year	(294)	(310)
Balance at 31st March	7,515	7,205

Note 40 Termination Benefits

The Council terminated the contracts of a number of employees in 2022/23 incurring liabilities of £0.3m (£0.6m in 2021/22). Of this £0.3m (£0.5m in 2021/22) was for redundancy and other departure costs, and £34k (£77k in 2021/22) was the cost arising from the early release of pension benefits as required by the regulations of the Local Government Pension Scheme (LGPS).

The number and cost of exit packages are set out in the table to the right. In 2022/23 the Council approved 12 compulsory redundancies (27 in 2021/22).

Band	Total number of exit packages by cost band	Total Cost of Exit packages 2021/22	Total number of exit packages by cost band	Total Cost of Exit packages 2022/23
£	2021/22	£	2022/23	£
0 - 20,000	46	290,432	15	111,032
20,001 - 40,000	5	171,132	5	139,620
40,001 - 60,000	2	98,297	1	42,508
Total	53	559,861	21	293,160

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 2022/23, the Council paid £18.5m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2021/22 were £18.1m and 23.68%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 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 2022/23, the Council paid £0.1m to the NHS Pension Scheme in respect of former NHS staff retirement benefits representing 14.38% of pensionable pay.

Note 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 8th June 2023.

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 and the General Fund Balance via the Movement in Reserves Statement during the year.

	2021/22	2022/23
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service cost	93,713	91,073
Past service cost	725	35
Settlements and curtailments	(4,943)	-
Total Service Cost	89,495	91,108
Financing and Investment Income and Expenditure		
Expected return on scheme assets	(31,442)	(47,757)
Interest cost	49,204	64,104
Net Interest Cost	17,762	16,347
Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services	107,257	107,455
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets excluding amounts included in net interest	(151,650)	69,449
Actuarial (gains)/losses arising from changes in demographic assumptions	(12,738)	(14,652)
Actuarial (gains)/losses arising from changes in financial assumptions	(172,019)	(899,704)
Other Experience adjustments	1,049	168,492
Effect of Asset Ceiling Adjustment	-	73,929
Total remeasurements recognised in the Comprehensive Income and Expenditure Statement	(335,358)	(602,486)
Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement	(228,101)	(495,031)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	107,257	107,455
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	(52,841)	(58,746)
Total Movement in Reserves	54,416	48,709

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):

	2021/22	2022/23
	£000	£000
Balance at 1st April	2,440,752	2,349,900
Current service cost	93,713	91,073
Past service costs (including curtailments)	725	35
Effect of settlements	(11,637)	-
Interest cost	49,204	64,104
Contributions by scheme participants	11,779	12,826
Benefits paid	(50,928)	(51,645)
Remeasurements arising from changes in financial assumptions	(172,019)	(899,704)
Remeasurements arising from changes in other assumptions	1,049	115,230
Remeasurements arising from changes in demographic assumptions	(12,738)	(14,652)
Balance at 31st March	2,349,900	1,667,167

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

	2021/22	2022/23
	£000	£000
Balance at 1st April	1,570,021	1,760,111
Interest income	31,442	47,757
Effect of settlements	(6,694)	-
Contributions by scheme participants	11,779	12,826
Employer contributions	52,841	58,746
Benefits paid	(50,928)	(51,645)
Other Experience	-	(53,262)
Return on plan assets excluding amounts included in net interest	151,650	(69,449)
Balance at 31st March	1,760,111	1,705,084

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

	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Present value of funded obligations	(2,108,019)	(1,799,983)	(2,390,572)	(2,306,075)	(1,631,155)
Present value of unfunded obligations	(52,381)	(45,181)	(50,180)	(43,825)	(36,012)
Fair value of assets in the scheme	1,348,774	1,244,676	1,570,021	1,760,111	1,705,084
Asset Ceiling Adjustment	-	-	-	-	(73,929)
Surplus/(deficit) in the scheme	(811,626)	(600,488)	(870,731)	(589,789)	(36,012)

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. In previous years the Council has shown a significant liability on the pension fund. However, this year the Council's share of the pension fund assets, exceeds the Council's obligation. This is due to the rise in long term interest rates, leading to expected higher returns on investments. Furthermore, the accounting standards require this to be shown as nil due to the Council's minimum funding contributions for future years being more than the future years service cost which means this asset cannot be realised by the Council. Therefore, following the asset ceiling requirements, this year the final position shown is neither an asset nor liability.

Accounting standards require that we do not recognise the net asset on the main part of the pension fund, due to the Council's minimum funding contributions for future years being more than the future years' service cost which means the asset cannot be realised by the Council. Therefore, the final position shown is a £36m liability which relates to unfunded obligations that cannot be met from scheme assets.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31st March 2024 is £56.0m. The maturity profile is as follows:

Liability Split	
Active members	40.0%
Deferred members	18.0%
Pensioner members	42.0%
Total	100.0%

The weighted average duration of the defined benefit obligation for scheme members is 18 years as at the date of the most recent valuation.

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 31st March 2022.

The main assumptions used by the actuary have been:

Local Government Pension Scheme	2021/22	2022/23
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	21.5	20.8
Women	24.0	23.9
Longevity at 65 for future pensioners (years):		
Men	22.4	21.7
Women	25.7	25.3
Benefit entitlement assumptions		
Rate of increase in salaries	3.7%	3.45%
Rate of increase in pensions	3.2%	2.95%
Rate for discounting scheme liabilities	2.7%	4.75%
Take-up of option to convert annual pension into retirement lump-sum – relating to service pre April 2008	50.0%	55.0%
Take-up of option to convert annual pension into retirement lump-sum – relating to service post April 2008	75.0%	55.0%

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:

	2021/22				2022/23			
	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
Equity								
Consumer	2,048		2,048	0%	181		181	0%
Manufacturing	255		255	0%	856		856	0%
Energy and Utilities	2,533		2,533	0%	1,761		1,761	0%
Financial Institutions	3,557		3,557	0%	540		540	0%
Health and Care	1,428		1,428	0%	293		293	0%
Information Technology	734		734	0%	329		329	0%
Other	4,125		4,125	0%	1,397		1,397	0%
Debt Securities								
UK Government	88,151	208	88,359	5%	78,327	203	78,530	5%
Other	3,301		3,301	0%	7,202		7,202	0%
Private Equity								
All		117,708	117,708	7%		116,736	116,736	7%
Real Estate								
UK Property		135,420	135,420	8%		120,840	120,840	7%
Investment Fund and Unit Trusts								
Equities	504,385	306,006	810,391	46%	742,970	3,654	746,624	44%
Bonds			-	0%			-	0%
Hedge Funds			-	0%	8		8	0%
Commodities		44,169	44,169	3%		43,795	43,795	3%
Infrastructure		92,025	92,025	5%		139,484	139,484	8%
Other	149,647	211,883	361,530	21%	231,827	175,540	407,367	24%
Derivatives								
Foreign Exchange	3,652		3,652	0%	783		783	0%
Cash and Cash Equivalents								
All	88,876		88,876	5%	38,359		38,359	2%
Total	852,692	907,419	1,760,111	100%	1,104,834	600,250	1,705,084	100%

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.

Changes in assumptions at 31st March 2023	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2.0%	29,925
0.1% increase in the Salary Increase Rate	0.0%	3,343
1 Year Increase in Life Expectancy	4.0%	66,687
0.1% increase in the Pension Increase Rate	2.0%	27,028

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

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

Note 44 Contingent Assets

The council has no contingent assets to disclose in the 2022/23 accounts.

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.

2021/22			2022/23
£000			Note £000
Income			
(74,564)	Dwelling Rents	5	(77,085)
(373)	Non-dwelling Rents	6	(352)
(5,861)	Service Charges	6	(6,036)
(752)	Contributions & Miscellaneous income		(978)
(81,550)	Total Income		(84,451)
Expenditure			
13,194	General Management		14,097
13,456	Special Management	3	15,074
32,137	Repairs & Maintenance		36,489
1,428	Rent, Rates, Taxes & Other Charges		1,901
13	Increase/ (Decrease) in Bad Debt Provision	4	346
42,165	Depreciation & Impairment of Fixed Assets	12	35,459
60	Debt Management Expenses		60
489	Other Expenditure		450
102,942	Total Expenditure		103,876
710	HRA share of Corporate & Democratic Core		710
22,102	"HRA Comprehensive Income and Expenditure Line"		20,135
22,102	Net Cost of HRA Services		20,135
3,124	(Gain) or Loss on Sale of HRA Assets		1,928
8,737	Loan Charges - Interest		9,434
(306)	Investment Interest		(742)
5,318	Pensions - Interest on Liabilities	14	6,902
(3,398)	Pensions - Expected Return on Assets	14	(5,142)
35,577	(Surplus) / Deficit for the Year		32,515

Housing Revenue Account (HRA) Statements - Movement in Reserve

2021/22		2022/23
£000	Note	£000
35,577		32,515
	(Surplus) / Deficit for the Year (from above)	
<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>		
359	Amounts charged to the HRA for amortisation of Premia and Discounts for the year determined in accordance with statute	359
(6,595)	HRA share of contributions to/(from) the Pension Reserve	(5,519)
(3,124)	Gain or (Loss) on Sale of HRA Fixed Assets	(1,928)
(42,165)	Depreciation and capital expenditure not adding value for Fixed Assets	(35,459)
5,946	Capital Expenditure Financed from Revenue Account	829
947	HRA Set-Aside (MRP)	1,253
12,680	Transfers to/(from) the Major Repairs Reserve	15,558
89	Transfers to/(from) the Employee Benefits Reserve	(4)
(489)	Other Adjustments	(450)
(32,352)	Total value of items reversed as part of determining the statutory movement on the Housing Revenue Account Balance	(25,361)
3,225	Net (Surplus)/Deficit on the Housing Revenue Account in the year	7,154
(35,757)	Balance Brought Forward 1st April 2022	(32,532)
(32,532)	Balance Carried Forward 31st March 2023 - (Surplus)/Deficit	(25,378)

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

	2021/22	2022/23
	£000	£000
Total Rent income from Dwellings	74,564	77,085
Less Housing Benefit	(27,633)	(26,029)
Total	46,931	51,056

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 2023 was £1.0m (£1.0m at 31st March 2022). This is calculated on a rent and service charge arrears balance of £2.8m (£3m in 2021/22).

Housing Revenue Account (HRA) Explanatory Notes (continued)

7. Housing Stock

Changes to Housing Stock:

	2021/22	2022/23
Number of Dwellings at 1st April	20,066	19,847
Acquisitions	92	51
Right to Buy sales	(311)	(329)
Other Disposals	-	(134)
Number of Dwellings at 31st March	19,847	19,435

8. Value of HRA Assets

	31st March 2022	31st March 2023
	£000	£000
Dwellings	1,161,369	1,229,917
Other Land and Buildings	21,848	23,140
Assets Under Construction	-	1,563
Vehicles, Plant, Furniture & Equipment	22	-
Surplus Assets	298	910
Assets Held for Sale	-	441
Intangible Assets	14	7
Total	1,183,551	1,255,978

Housing Revenue Account (HRA) Explanatory Notes (continued)

9. Vacant Possession Value of Council Dwellings

The vacant possession value of council dwellings at 31st March 2023 was £3bn. At the same date the balance sheet value of council dwellings was £1.2bn. The difference of £1.8bn 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 2022	31st March 2023
	£000	£000
Vacant possession values	2,764,841	2,968,075

10. Capital Expenditure

HRA capital expenditure on land, houses and other property in 2022/23 totalled £33m, financed as follows:

	2021/22	2022/23
	£000	£000
Major Repairs Reserve	12,680	15,558
Use of borrowing	14,859	6,195
Other grants and contributions	-	1,239
Usable capital receipts	16,865	9,328
Financing from revenue account	5,946	829
Total	50,350	33,149

11. Capital Disposals

HRA capital disposals in 2022/23 were as follows:

	2021/22	2022/23		
	Total	Usable/	Pooled/	Total
	Receipt	Retained	Set aside	Receipt
	£000	£000	£000	£000
Right to Buy (RTB) sales	(17,993)	(14,202)	(5,027)	(19,229)
Total	(17,993)	(14,202)	(5,027)	(19,229)

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.

	2021/22				2022/23			
	Depreciation	Capital expenditure not adding value	Other Impairments	Total	Depreciation	Capital expenditure not adding value	Other Impairments	Total
	2021/22 £000	2021/22 £000	2021/22	2021/22 £000	2022/23 £000	2022/23 £000	2022/23 £000	2022/23 £000
Dwellings	11,459	20,138	8,828	40,425	12,536	18,296	-	30,832
Other Land and Buildings	736	132	-	868	2,623	868	-	3,491
Vehicles, Plant, Furniture & Equipment	437	-	-	437	388	-	-	388
Surplus Assets	4	(4)	-	-	4	-	737	741
Intangible Assets	44	391	-	435	7	-	-	7
Total	12,680	20,657	8,828	42,165	15,558	19,164	737	35,459

Housing Revenue Account (HRA) Explanatory Notes (continued)

13. Use of Major Repairs Reserve

	2021/22	2022/23
	£000	£000
Balance at 1st April	-	-
Depreciation credited	(12,680)	(15,558)
Capital expenditure on land, houses and other property	12,680	15,558
Balance at 31st March	-	-

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.

	2021/22	2022/23
	£000	£000
Pension costs incurred in Net Cost of Services:		
Current service cost	(4,676)	(3,759)
	(4,676)	(3,759)
Pension interest cost and expected return on assets:		
Interest on liabilities	(5,318)	(6,902)
Expected return on assets	3,398	5,142
	(1,920)	(1,760)
Total Transfer to Pension Reserve	(6,596)	(5,519)

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.

2021/22			2022/23			
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000	Note	£000	£000	£000
Income						
(155,104)		(155,104)	2	(164,961)		(164,961)
	(89,458)	(89,458)			(97,885)	(97,885)
	(24)	(24)			333	333
		(244,586)				(262,513)
Expenditure						
Precepts and Demands:						
126,790		126,790	3	134,424		134,424
18,569		18,569		19,884		19,884
5,183		5,183		5,720		5,720
		150,542				160,028
Business Rates:						
	55,789	55,789	4		46,982	46,982
	1,116	1,116			940	940
	54,673	54,673			46,043	46,043
	478	478			483	483
		112,056				94,448
(1,933)	(49,474)	(51,407)	6	(1,043)	(37,019)	(38,062)
Bad and Doubtful Debts:						
988	969	1,957	7	1,150	1,688	2,838
1,093	(1,780)	(687)		2,162	(66)	2,096
	(1,116)	(1,116)			(6,209)	(6,209)
		154				(1,275)
		211,345				215,139
(4,414)	(28,827)	(33,241)		(2,663)	(44,710)	(47,374)
5,688	58,752	64,440	5	1,274	29,925	31,199
1,274	29,925	31,199	1	(1,389)	(14,785)	(16,175)

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:

	2021/22			2022/23		
	Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
	£000	£000	£000	£000	£000	£000
Leicester City Council	1,073	14,663	15,736	(1,160)	(7,244)	(8,404)
Government	-	14,963	14,963	-	(7,393)	(7,393)
Leicestershire & Rutland Combined Fire Authority	46	299	345	(51)	(148)	(199)
Police & Crime Commissioner for Leicestershire	155	-	155	(178)	-	(178)
Fund Balance Allocations as at 31st March	1,274	29,925	31,199	(1,389)	(14,785)	(16,174)

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 2022/23 was £165m including arrears from prior years.

The collectable Council Tax specifically for 2022/23 was £190.3m (including sums paid under the Local Council Tax Reduction Scheme). After taking into account the total amount of this reduction (£24.3m), the average number of Band D dwellings equates to 79,304. This is an increase from the 77,001 dwellings existing when the 2022/23 budget was prepared.

Band	Estimated No. of Taxable Properties After Effect of Discount	Ratio	Band D Equivalent Dwellings	Less Band D Equivalent - LCTR Scheme Dwellings	Net Band D Equivalent Dwellings
A-	254	5/9	141	48	93
A	70,166	6/9	46,777	9,324	37,453
B	24,198	7/9	18,821	1,857	16,964
C	14,086	8/9	12,521	899	11,622
D	6,001	9/9	6,001	263	5,738
E	3,205	11/9	3,917	104	3,813
F	1,477	13/9	2,133	41	2,092
G	567	15/9	945	7	938
H	30	18/9	60	0	60
	119,984		91,316	12,543	78,773
Less adjustments for collection rates and other adjustments.					(1,772)
Council Tax Base					77,001

Collection Fund Explanatory Notes (continued)

3. Precepts and Demands

The following sums were paid from the collection fund.

	2021/22	2022/23
	£000	£000
Leicester City Council	126,790	134,424
Police & Crime Commissioner for Leicestershire	18,569	19,884
Leicestershire & Rutland Combined Fire Authority	5,183	5,720
Total	150,542	160,028

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 2022	31st March 2023
	£	£
Non Domestic Rateable Value	303,993,706	302,917,580

	2021/22	2022/23
Non Domestic Rating Multiplier	51.2p	51.2p
Non Domestic Rating Multiplier- Small Business	49.9p	49.9p

Collection Fund Explanatory Notes (continued)

5. Collection Fund Surpluses & Deficits

The Collection Fund account shows a cumulative surplus of £16.2m at 31st March 2023 (£31.2m deficit at 31st March 2022) for Council Tax and Business Rates.

The surplus arising from business rates is £14.8m (£29.9m deficit at 31st March 2022). This has arisen due to less business rates reliefs than originally budgeted and changes in the forecast for loss of business rate appeals. In addition, there was a requirement for the 2020/21 deficit to be realised over three years, which is reducing the surplus. However, it should be noted that the Council was compensated through government grants and these are recognised in the main financial statements.

The surplus arising on Council Tax is £1.4m (£1.3m deficit 31st March 2022). The surplus that has arisen on Council Tax 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.

Similar to business rates, in 2020/21 as a result of the pandemic the Council incurred a significant deficit on Council Tax that was required to be spread the over 3 years. The third year of this spreading is 2023/24. This will continue to be distributed between Leicester City Council, the Police & Crime Commissioner for Leicestershire and the Leicester, Leicestershire & Rutland Combined Fire Authority.

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.

	City	Police	Fire	Total
	£000	£000	£000	£000
Estimated Deficit – Jan 2022	879	126	38	1,043

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.

	City	Government	Fire	Total
	£000	£000	£000	£000
Estimated Deficit – Jan 2022	18,139	18,510	370	37,019

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 2022	Bad Debt Write- offs In year	Increase/ (Decrease) to Provision	Balance at 31st March 2023
	£000	£000	£000	£000
Council Tax	13,014	(1,150)	3,312	15,176
NDR	5,607	(1,688)	1,622	5,541
Total	18,621	(2,838)	4,934	20,717

Annual Governance Statement

Leicester City Council Annual Governance Statement 2022-23

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

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

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

- The Council's governance arrangements
- The role of those responsible for the development and maintenance of the governance environment

- Any significant risks or priorities that have been identified
- An assessment of the effectiveness of key elements of the Council's governance framework

2. The Arrangements

The Council has an approved Local Code of Corporate Governance which is based on seven core principles taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the ‘International Framework’). A diagram showing the seven core principles is included in Appendix 1.

Appendix 2 is then a summary of the governance arrangements within which the Council works; and Appendix 3 shows how the Council assesses its governance arrangements to inform the Annual Governance Statement.

The following section details the systems, policies and procedures the Council has in place for governance and how this links to the seven core principles for good governance in the public sector included in the diagram at Appendix 1.

A) The Council behaves with Integrity, demonstrates strong commitment to ethical values, and respects the rule of law by having the following codes and rules which are followed:

- Constitution
- Financial Procedure Rules

- Code of Conduct for Members
 - Code of Conduct for Employees
 - Anti-fraud, Bribery and Corruption Policy
 - Whistleblowing Policy
 - Anti-Money Laundering Policy
 - Information Governance & Risk Policy
- B) The Council ensures Openness and Comprehensive Stakeholder Engagement through the following:**
- Open Council & committee meetings with published minutes
 - Published Executive decisions
 - Scrutiny of Executive projects through scrutiny commissions
 - Call in periods for Executive decisions
 - Public engagement through consultation, representations and petitions
 - Use of social media engagement on key projects and partnership working
 - Publication of Freedom of Information Act responses and transparency data
 - A range of communication channels including press-release and other communications linked to significant decisions and council activity

Leicester City Council Annual Governance Statement 2022-23 (continued)

2. The Arrangements (continued)

C) The Council defines outcomes in terms of sustainable economic, social and environmental benefits through the City Mayor's strategic vision which contain a number of key pledges and which have been regularly scrutinised:

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

D) The Council determines the interventions necessary to optimise the achievement of the intended outcomes by supporting the above key pledges with the following key plans:

- Economic Recovery
- Budget Strategy (updated annually)
- Corporate Estate Annual Report
- Leicester Labour Market Partnership (Textile) Review 2020-22

- Leicester Street Design Guide
- Joint Health & Wellbeing Strategy 2019-2024
- Knife Crime and Serious Violence Strategy 2021-2023
- Local Transport Plan 2011-2026
- Tourism Action Plan 2020-2025
- Economic Action Plan

E) The Senior Leadership team continue to develop the entity's capacity, including the capability of its leadership and the individuals within it and this is 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

F) The Council manages risks and performance through robust internal control and strong public financial management by reviewing 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 risk management strategy and policy and regular monitoring, evaluation and reporting on strategic and operational risks
- Annual review of the Assurance Framework

Leicester City Council Annual Governance Statement 2022-23 (continued)

G) The Council Implements good practices in transparency, reporting, and audit to deliver effective accountability. This is demonstrated through:

- External Audit
- Annual Financial Statements
- Annual Governance Statement
- Open Council & committee meetings with published minutes
- Published Executive decisions accompanied by external communications
- Compliance with CIPFA codes of Practice (including the Financial Management Code)
- Scrutiny Commissions and regulatory committees
- External inspections and reviews of services

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

www.leicester.gov.uk

3. Review of Effectiveness

The Audit & Risk Committee considers a wide range of business as part of its central role as part of the Council's system of corporate governance, risk management, fraud and internal control. The Audit & Risk Committee is complemented by the various scrutiny committees.

Any areas or activities that identify significant weaknesses in financial controls, governance arrangements or the management of risk through the Council's review of processes are then reported to the Audit & Risk Committee.

Key items that the Audit and Risk Committee considered throughout the year were:

- Annual review of local code of corporate governance
- Progress against internal audit plans
- Regular progress updates on the external audit of the statement of accounts
- Performance of the Council in authorising regulatory investigation powers
- Procurement annual report
- Insurance annual report
- Fraud, corruption and anti-money laundering reports
- Strategic & operational risk registers
- Business continuity strategies and policies
- Whistleblowing policy review
- Corporate complaints
- Complaints made to the Local Government and Social Care Ombudsman and the Housing Ombudsman

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 is supported by Appendix 4 which demonstrates how the Council complies with the CIPFA Financial Management Code and the internal audit opinion which stated:

"A return to more stable working environments following covid-19, along with a fully staffed Internal Audit Service throughout the year, resulted in increases to both the number of audits undertaken and days provided. There was a noticeable shift back to assurance based audits.

There was a reduction in the proportion of audits returning partial assurance ratings and management accepted and has responded to internal audit recommendations. Nothing else of significance has been brought to his attention so the HoIAS* considers that during 2022-23, reasonable assurance can be given that the Council's control environment remained overall adequate and effective"

*Head of Internal Audit Service

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 2022-23 (continued)

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

Issues Identified in 2021/22

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

Issue Identified	Action taken to Date
<p>Construction cost inflation pressures – It is nationally documented that construction cost inflation is increasing the cost of capital projects. There are several issues affecting construction prices such as:</p> <ul style="list-style-type: none"> • Covid 19, • Brexit effect on imported materials, • Ukraine war and Russia's economic sanctions. 	<p>The Council has been monitoring and reviewing construction costs against both local and national indices. Through project boards and governance structures, where appropriate inflation profiles are being monitored and reflected in project, finance and risk profiles reports.</p> <p>To date, circa £5m is identified as likely to be required, which aligns to provisions previously made early within the capital programme to mitigate this issue.</p>
<p>Medium Term Financial Strategy - We set a balanced budget for 2022/23. We only had the government finance settlement for 2022/23 when we set the budget, but national spending plans suggested we faced major problems in paying for the rising cost of adult social care without adequate government funding.</p>	<p>The Council continuously reviewed budgets throughout the year and took savings once identified which helped reduce the scale of expected future deficits.</p> <p>The Council has set a balanced budget for 2023/24, with the use of managed reserves.</p>
<p>Inflation & Supply Chain issues – in addition to the cost pressures being seen in relation to construction contracts, the Council saw similar pressures impacting revenue budgets: in particular, gas and vehicle fuel prices. This in turn had an impact on city residents who were affected by cost of living increases, putting additional demands on the Council's services.</p>	<p>The Council has continued to monitor these costs and has implemented a series of cost mitigation strategies for energy usage.</p> <p>Engagement has continued with the supply chain, to ensure impacts on budgets are minimised.</p> <p>For residents across all services, mitigation strategies have been put in place, for example in social housing district heating charges and rental debts. The Council has introduced a cost of living support area on its website.</p>

Leicester City Council Annual Governance Statement 2022-23 (continued)

Issues Identified in 2021/22 Continued

Issue Identified	Action taken to Date
<p>Covid-19 Pandemic – like all authorities the Council continued to be impacted by the pandemic in various ways. This included direct incident response such as provision of contact tracing and administration of support such as self-isolation payments to residents and grants to businesses. The pandemic continued to have a financial impact on spending, and changed the nature of some service provision. Close political and managerial oversight of the Covid-19 response was maintained with regular engagement and reporting to the Executive and scrutiny committees (via the City Incident Management Group and across Leicester, Leicestershire and Rutland via the Local Resilience Forum).</p>	<p>Monitoring has continued based on the more limited data that is now available and any necessary actions have been embedded as part of ongoing working with the NHS and other partners.</p>
<p>Cyber Risk – loss or compromise of IT systems and/or associated data through a cyber security attack. This is a national issue with an increasing prevalence and sophistication in terms of malware attacks used by cyber attackers to circumvent ICT defences and attack core systems.</p> <p>On 7th March 2024, the Council was the subject of a cyber incident that resulted in significant disruption to systems and processes.</p>	<p>A contract is now in place with an external security operations centre which provides 24/7 monitoring and identification of potential cyber risks and threats. Significant investment has been made in cyber-security technologies including the latest next generation firewalls. There has been ongoing monitoring of guidance from various security bodies including the National Cyber Security Centre and the LGA Cyber Security Advisories. The recommendations arising from these bodies have been acted upon. Work is ongoing through business continuity planning and testing across the organisation to develop resilience to respond to the impacts of a potential cyber attack.</p>
<p>Safeguarding processes - weak management oversight of safe-guarding processes in place led to the Council inadequately safeguarding vulnerable groups.</p>	<p>The Safeguarding Adults Board and the Safeguarding Children Partnership have continued to operate, working closely with peers across Leicester, Leicestershire and Rutland. There has been a particular focus on ensuring that training is of high quality, is available to all staff who need it, and the impact is measured.</p> <p>A new independent chair for the Adults Board has been appointed. She is a former DASS and a national lead on safeguarding for ADASS. Work is in hand to recruit a new independent chair for the Children’s Partnership.</p>

Leicester City Council Annual Governance Statement 2022-23 (continued)

Issues Identified in 2021/22 Continued

Issue Identified	Action taken to Date
<p>Care Skills Shortages – services were unable to meet demand due to a shortage of health visitors, occupational therapists, social workers, and other care professionals. This is a national issue, with an increase noted of staff leaving the workforce, both through early retirement and moving to other sectors. In addition, staff shortages are encouraging some staff to leave permanent employment in order to work on an agency basis, reducing service stability and increasing costs.</p>	<p>Work has been done to review the roles of social workers across both adult and children's social care, together with occupational therapists in adult care. This has allowed expansion of the roles of care management officers and assistant OTs, and the introduction of alternatively qualified practitioners in Children's Services. This work has been closely connected to work being undertaken by councils across the region, to ensure consistency and shared learning.</p>
<p>Safeguarding Skill Shortage – a national shortage of public health nurses (both health visitors and school nurses) meant vacant posts were impossible to recruit to.</p>	<p>Work is ongoing with the provider to develop a mixed skilled approach.</p>

Leicester City Council Annual Governance Statement 2022-23 (continued)

Issues Identified in 2022/23

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

Issue Identified	Planned Action:
<p>Medium Term Financial Strategy – We have set a balanced budget for 2023/24 and 2024/25 with the use of managed reserves. However, we estimate our reserves will run out part way through 2025/26 and therefore significant savings are essential.</p> <p>We are facing restricted government funding at a time of increasing costs. We continue to face significant cost pressures in adult social care and the additional money made available in the Autumn Statement in November 2022 is insufficient to meet our forecast cost growth.</p>	<p>The Council will continue to monitor its finances and focus on reviewing budgets and services to achieve the significant level of savings required.</p> <p>The Council will also continue to be a prominent voice in the sector and provide feedback as appropriate to government on the challenges faced.</p>
<p>Uncertain political and policy environment - There are continued uncertainties in relation to strategic direction and priorities at national level. Uncertainty has also been caused by wide ranging industrial action across sectors including health and education.</p>	<p>Work will now take place following the May 2023 local elections to review and articulate priorities for the forthcoming term. There will be continued emphasis on robust business continuity planning, testing and training.</p> <p>Strategic directors will continue to meet regularly to review strategic risks and actions needed to mitigate/address them.</p>
<p>Economic instability and rising inflation – A weak national economy and high inflation pushes up costs, and limits the supply of goods, supplies and services.</p> <p>Significantly increased costs for services and for capital schemes can result in overspends, budget pressures and inability to meet demand.</p> <p>Lack of availability of key supplies, goods and services and relevant skills and expertise can cause delays and risk ability to deliver services and capital schemes.</p>	<p>The Council has continued to monitor capital budgets, and ensure during inception of projects that an allowance for inflation is built into projects. Allowance is made for existing projects which are already in delivery.</p> <p>In terms of supplies, we have continued to monitor the market on a three monthly basis, and where appropriate have changed the make-up of core components of projects or supplies needed to deliver projects.</p> <p>On skills, a successful recruitment campaign has continued and our salary structures have changed in some core job roles to ensure delivery of key services is maintained.</p> <p>External partners have been engaged to bring in skills so core delivery can be maintained on certain key projects and services.</p>

Leicester City Council Annual Governance Statement 2022-23 (continued)

Issues Identified in 2022/23 Continued

Issue Identified	Planned Action:
<p>Lack of critical skills, resources and capabilities across the workforce - Insufficient skills and resources due to a competitive employment market, local authority pay constraints and an ageing workforce.</p> <p>Inability to recruit and retain staff, including at the most experienced and senior levels, may result in risks to the day-to-day delivery and transformation of services, and delivery of priority projects including capital schemes.</p>	<p>Workforce planning has been identified as a high priority for organisational development (OD). The OD Team is developing a framework and approach to roll out across the organisation. Targeted work will continue with specific services to identify innovative strategies where there are recruitment challenges. In addition, work continues on entry to employment and on “grow our own approaches” where appropriate.</p>
<p>Impacts arising from numbers and complexity of needs of asylum seekers and refugees – Needs arising from increasing numbers of asylum seekers and refugees being placed in the city and the complexity arising from the range of national schemes and support arrangements for different groups including unaccompanied children, Ukrainian, Syrian and Afghan refugees</p>	<p>A governance board is in place corporately, with oversight of the component parts of asylum and refugees, which covers all aspects from housing through to social care.</p> <p>We have continued to make representation to the Home Office, and ensure our safeguarding teams are pro-active in identifying issues early. Whilst continuing to work with key partners in the city such as Fire and Police.</p> <p>However, this continues to be a risk for the Council as numbers continue to rise and staff capacity/recruitment in key roles such as social workers is a significant issue and growing risk.</p>
<p>Cyber Risk – loss or compromise of IT systems and/or associated data through a cyber security attack. As in 2021/22, this is a national issue with an increasing prevalence and sophistication of malware attacks used by cyber attackers to circumvent ICT defences and attack core systems.</p> <p>On 7th March 2024, the Council was the subject of a cyber incident that resulted in significant disruption to systems and processes.</p>	<p>Mandatory training on ICT Security will be introduced as part of the HR “on-boarding” process for new starters, with a continued focus on raising awareness with existing staff. We will use findings from our Cyber Security Operations Centre to identify areas for further improvements, and will implement formal quarterly reporting on cyber security threats and responses. As part of the Council’s involvement in the DLUHC Future Councils’ Programme, we will baseline our cyber maturity, benchmark against others and identify further opportunities for improvement. This will build on the work have already done using the Cybersecurity Capability Maturity Model (C2M2).</p> <p>Recovery processes and investigations are ongoing</p>

Leicester City Council Annual Governance Statement 2022-23 (continued)

Issues Identified in 2022/23 Continued

Issue Identified	Planned Action:
<p>Reputational impact of an unsatisfactory assurance rating of ASC from the Care Quality Commission – this could lead to loss of public confidence in adult care services, a fall in morale of staff, high staff turnover and a need to strengthen governance and practice controls. This is a national issue, with uncertainties over the calibration of CQC assessments, given that the process is entirely new and all councils are experiencing pressures in meeting their Care Act duties.</p>	<p>A robust self-assessment process will be undertaken, drawing in staff at all levels, partners and people with lived experience, to develop a sound view of current performance. This will be used to address areas where performance does not meet the required standard.</p> <p>The Council will engage with regional work to develop the model for self-assessment and draw on work to develop tools and techniques to improve practice and performance.</p> <p>Existing work of co-production with people who have lived experience will continue, to review measures and practice processes to ensure these meet need.</p>

Leicester City Council Annual Governance Statement 2022-23 (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:



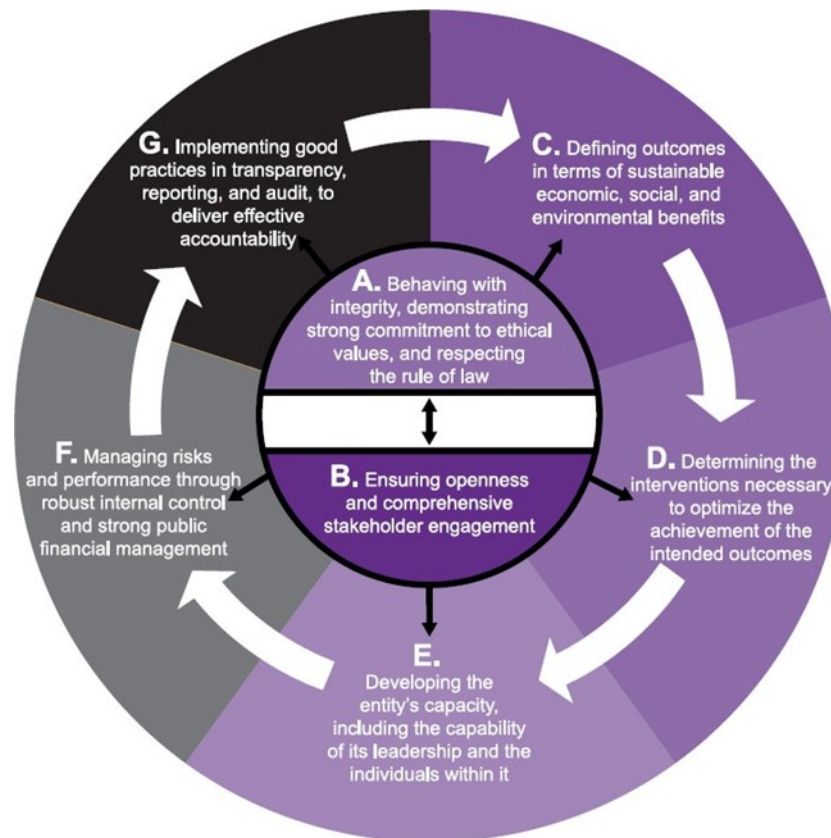
City Mayor



Chief Operating Officer

The Council's Code of Corporate Governance is based on the seven core principles. The illustration below shows the principles of good governance in the public sector and how they relate to each other.

Achieving the Intended Outcomes
While Acting in the Public Interest at all Times



The Council had the following governance arrangements in place during 2022/23.

SUMMARY OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS

Mayor, Executive and Council

- Provide leadership, develop and set policy
- Key risks are considered by the Executive three times per year.

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 three times per year

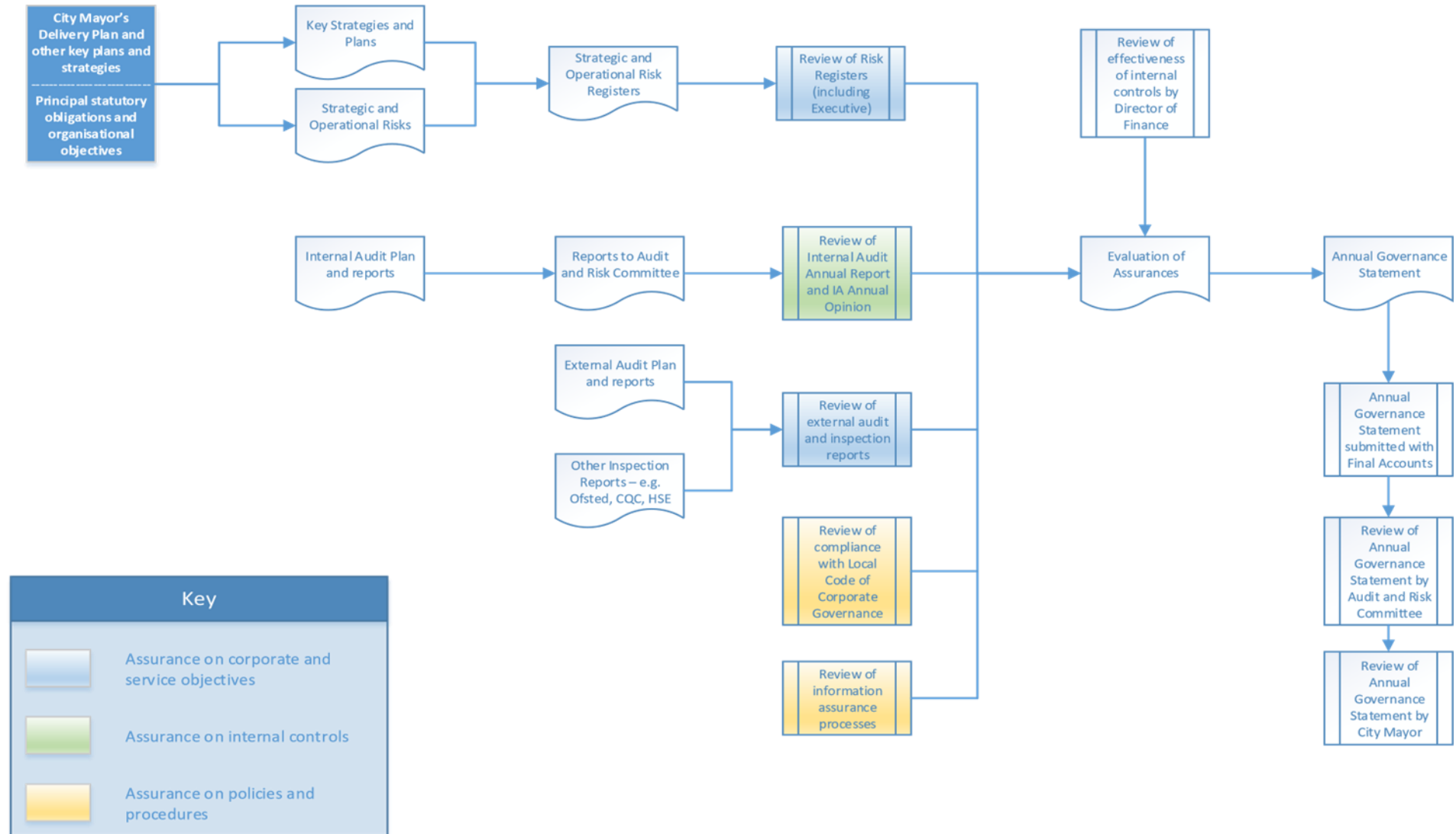
Scrutiny and review

- 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
- The Director of Finance 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



The following table is a summary of the CIPFA financial management code standards with a brief explanation of how the Council complies with each standard.

CIPFA financial management standard	How the Council demonstrates it complies
<p>The leadership team is able to demonstrate that the services provided by the authority provide value for money.</p>	<p>Annually this is supported by the external audit value for money opinion.</p> <p>Ensuring value for money is also the role of the section 151 officer and this is evidenced in the Annual Governance Statement, under the summary of the Council's governance arrangements.</p>
<p>The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.</p>	<p>The Director of Finance (section 151 officer) is professionally qualified and has suitable experience. The Director of Finance is a key member of the leadership team and is actively involved in all material business decisions, ensuring they are in line with the Council's financial strategy.</p> <p>She safeguards public money through good financial management and leads a finance team that is resourced and fit for purpose. Annually this is supported by the value for money opinion and the audited statement of accounts.</p>
<p>The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.</p>	<p>The Annual Governance Statement supports the leadership team meeting these requirements. The Statement includes:</p>
<p>The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).</p>	<ul style="list-style-type: none"> • How governance and internal control are supported by scrutiny and review, in particular through the Audit and Risk Committee. • A statement from the Council that it complies with the CIPFA/SOLACE Delivering Good Governance Framework (2016).

CIPFA financial management standard	How the Council demonstrates it complies
The financial management style of the authority supports financial sustainability.	<p>Annually the Council approves the budget strategy which includes the revenue and capital budgets, alongside the Treasury Management Strategy and Investment Strategy. As part of the budget strategy, the medium term financial outlook is considered and it is acknowledged the Council is using managed reserves to balance the budget. This evidences the Council understands its prospects for financial sustainability in the longer term and this is reported clearly to members.</p> <p>The budget report includes a statement from the Chief Finance Officer on the robustness of estimates and the adequacy of financial reserves.</p> <p>Throughout the year monitoring is then conducted to identify any variations from what was budgeted and allows for timely corrective action to be taken. Monitoring reports are subject to scrutiny and go to the Overview Select Committee on a periodic basis. This includes the capital and revenue budget monitoring, income collection and treasury management reports.</p>
The authority has carried out a credible and transparent financial resilience assessment.	
The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	
The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	
The authority complies with its statutory obligations in respect of the budget setting process.	
The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	
The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	
The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	<p>Annually as part of the draft budgeting setting process, the draft budgets are issued for consultation with partners before they are submitted for formal approval.</p>

CIPFA financial management standard	How the Council demonstrates it complies
The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	As part of the executive approval process, decision reports are submitted to the Executive which where appropriate contain option appraisals and a recommended course of action. Decisions are published on the Council's website.
The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	Throughout the year monitoring is conducted to identify any variations from what was budgeted and allows for timely corrective action to be taken. Monitoring reports are subject to scrutiny and go to the Overview Select Committee on a periodic basis. This includes the capital and revenue budget monitoring, income collection and treasury management reports.
The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	
The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	
The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.	Annually the statement of accounts is published and a statement regarding the accounts complying with the CIPFA Code of Practice is included within the statement of responsibilities signed by the section 151 officer. The statement of accounts is audited annually and we regularly receive an unqualified audit opinion.

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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