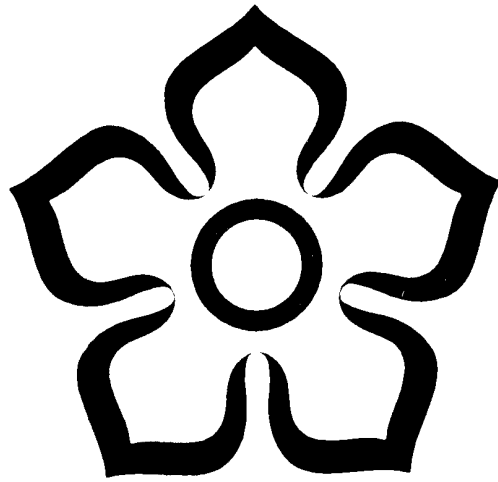




Leicester
City Council

Statement of Accounts

Year Ended 31st March 2007



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City Council

Statement of Accounts

Year ended 31st March 2007

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FOREWORD

1. Introduction

This document sets out the published statement of accounts of the Authority for the year ending 31st March 2007. The accounts have been prepared in accordance with the regulations and requirements contained in the Code of Practice on Local Authority Accounting in the UK 2006, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This code has undergone a number of substantial changes for 2006/07 which are intended to bring the financial statements more in line with Generally Accepted Accounting Practice (UK GAAP). As a result of these changes, many of the key financial statements shown in this document are significantly different from those presented in previous years.

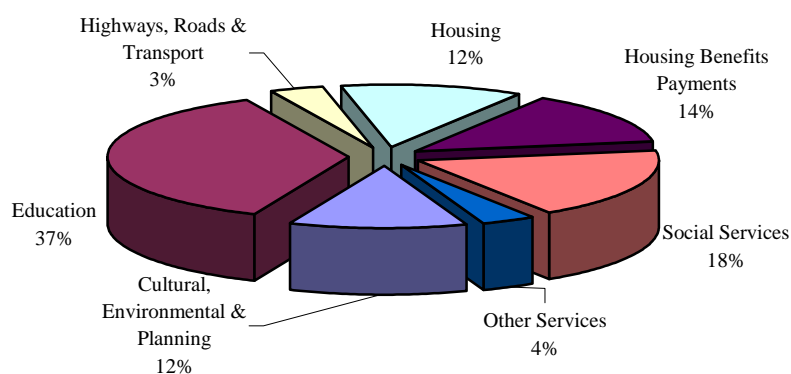
This foreword gives a brief summary of the overall financial position of the Authority as it stood at 31 March 2007 and its financial activity for the year ending at that date. It also explains the purpose of the financial statements that are contained within the accounts, highlighting the most significant matters.

This year has been a challenging one for the authority, with new departments being established to comply with the Children's Act 2004, which has required the realignment of existing budgets. The authority has embarked on a substantial efficiency drive, and a major review of pay and grading of most of the Council's non teaching staff, both of which are continuing into 2007/08. In addition to this, the authority is in "wave one" of the Government's Building Schools for the Future initiative. This is a substantial programme of investment in secondary schools which, if approved by members, will result in over £200m of investment in the city's secondary schools. Substantial preparatory work took place during 2006/07.

2. Revenue

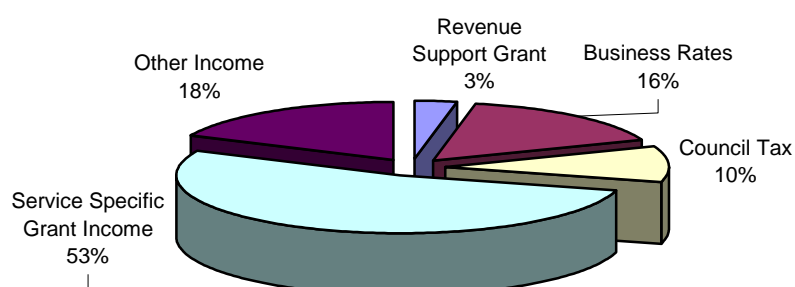
Revenue expenditure represents expenditure on the day-to-day running expenses of the Authority. The diagram below provides an analysis of the total gross cost (£790m) of the various services provided by the Authority. This is presented in the format of the Best Value Accounting Code of Practice (BVACOP) and shows expenditure largely as it is depicted in the Income and Expenditure Account. This is one of the main statements within the accounts and can be found on page 29 of this document.

Analysis of Gross Cost of Services



This expenditure is funded from the following main sources of income:

Sources of Revenue Finance



Despite pressures experienced by many departments during the year due to financial constraints, service departments under spent by £0.5m (0.8%) against a net budget of £70m. The Council has a track record of effective budgetary control, and the early identification of budget pressures has enabled corporate directors to take appropriate action to contain such pressures resulting in the delivery of an outturn close to budget.

A significant saving materialised on corporate budgets, and in particular capital financing, which was predicted early in the year. This was primarily due to large cash inflows into the authority leading to higher levels of interest being received, and also due to some timely borrowing decisions made at the end of 2005/06, when low interest rates were exploited and borrowing was undertaken in advance for the entirety of 2006/07. This money was invested pending need, and has benefited from the increasing interest rates seen in recent months. This saving also contributed to budget decisions for 2007/08.

Schools have delegated budgets which, for the first time in 2006/07, have been funded from the ring-fenced Dedicated Schools Grant (DSG) from the Government. This grant, amounting to £169.5m in 2006/07, not only funds the delegated budgets of schools but also certain items of related central expenditure. During the year, schools underspent on their delegated budget (£142.3m) by £3.4m (2.4%). A substantial part of this underspending related to planned savings prior to the start of the Building Schools for the Future programme of capital investment. Further information on the DSG is provided at note 6 to the core financial statements.

The following table shows the total budget and funding of the General Fund:

	Original Budget £m	Revised Budget £m	Net Expenditure/ (income) £m	(under) / Over spend £m
Service departments budgets	65.9	70.0	69.5	(0.5)
Schools' budgets*	143.4	142.3	142.3	0.0
Housing Benefits Payments	0.5	0.5	0.5	0.0
Corporate Budgets	22.7	19.9	16.3	(3.6)
Total Budget/Expenditure	232.5	232.7	228.6	(4.1)
<u>Financing of Budget</u>				
Revenue Support Grant	(24.6)	(24.5)	(24.5)	0.0
Business Rates	(127.0)	(127.1)	(127.1)	0.0
Council Tax	(79.6)	(79.6)	(79.6)	0.0
Reserves	(1.3)	(1.5)	(1.5)	0.0
Net Budget/Income	0.0	0.0	(4.1)	(4.1)

* The schools outturn includes £3.4 transferred to schools earmarked reserves.

In accordance with the revised Code of Practice on Local Authority Accounting in the UK, the new core financial statements are:-

The **Income and Expenditure Account** on page 29 of this document shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the financial period and shows a deficit in 2006/07 of £30.35m. However, the authority is required by law to set its budget and raise council tax on a different accounting basis. There are a number of statutory adjustments made to this figure, as shown and explained in more detail in note 3 to the accounts, in order to determine the movement on the general fund balance. In 2006/07 these adjustments amounted to £30.39m, resulting in a small increase on the general reserve of £0.04m. This figure consists of the £4.1m net underspend shown in the above table, less the planned use of £1.3m from reserves to support 2006/07 budgeted expenditure (also shown in the above table) and other approved transfers.

The **Statement of Total Recognised Gains and Losses (STRGL)** shows a net increase in recognised gains and losses of £250m. This mainly arises from unrealised gains, including the revaluation of fixed assets during 2006/07 totalling £222m, of which £155m relates to the revaluation of council dwellings.

Balance Sheet

The Council holds a significant level of reserves. These include the general reserve, which represents a minimum working balance in order to be able to deal with the unexpected; and earmarked reserves, which are held separately for specific purposes. The Council's general reserve stands at £7.7m at 31 March 2007. Earmarked reserves, which include significant ring-fenced monies such as schools balances, the insurance fund, on-street parking income, and amounts set-aside to finance capital expenditure, have increased by £2.7m in 2006/07 to £55.7m. Further information on earmarked reserves is shown on page 57 of the accounts.

Many local authorities have received claims that predominantly female groups of staff have been underpaid in comparison with other, predominantly male, groups of employees and a potential breach of equal pay legislation. The Council is holding discussions with its trade unions about the payment of compensation, without accepting any legal liabilities. New regulations introduced during 2007 enable the authority to defer charging any such compensation to the general fund balance until payments are made. Accordingly, a new Equal Pay – Back Pay Account has been established during the year – as shown in the bottom section of the balance sheet on page 31.

In common with many other local authorities, Leicester City Council shows a significant deficit (£142.4m) on its pension commitments. The figure is based on a financial assessment carried out by a firm of professional actuaries following the requirements of the Financial Reporting Standard 17. This projected deficit has no direct impact on the revenue budget of the authority or on the level of council tax. However, the pension fund is subject to a triennial actuarial review which determines the level of future employer contributions required to ensure the scheme is fully funded in the long term. The next triennial review will value the fund as at March 2007 and any change in the level of employer contributions as a result of this review must be funded from the Council's revenue budget.

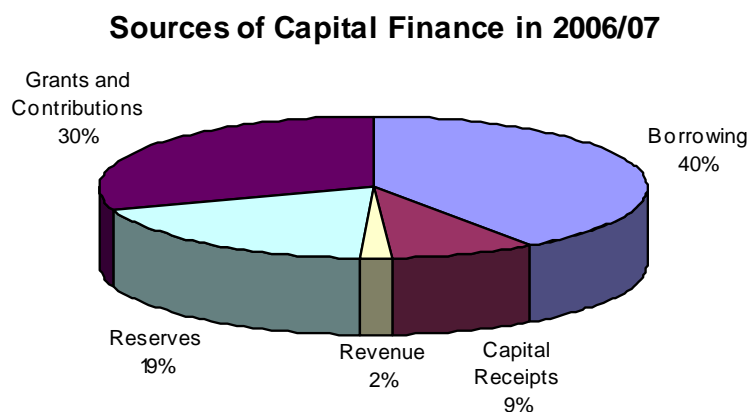
The **Housing Revenue Account (HRA)**, shown on page 67, is a statutory ring-fenced account relating to the provision of rented social housing. The presentation of this account has, like the main income and expenditure account, changed to reflect the move towards UK GAAP. The HRA Income and Expenditure account shows a deficit of £4.4m: however, after adjustments to reflect statutory requirements, the account incurred a year end deficit of £0.5m against a planned deficit of £1.7m. The HRA balance at 31st March 2007 stands at £2.9m, which is not only required as a contingency to meet any unforeseen expenditure or a shortfall in income, but also to support the HRA capital programme to meet the Government's Decent Homes Standard by 2010.

3. Capital

In 2006/07, £116.1m was incurred on capital expenditure. The main areas of spending are detailed below:

	£m
Childrens Services	17.1
Housing	36.8
Adults	0.7
Regeneration & Transport	40.6
Corporate & other	20.9
Total Capital Expenditure in 2006/07	116.1

The chart below illustrates the sources of funding for this expenditure:



Major Schemes carried out during 2006/07 are detailed below:

Scheme	£m
Performing Arts Centre	16.1
Braunstone Schools Amalgamation	6.5
City Centre Highways Infrastructure Improvements	4.0
Property Maintenance	2.2
Primary School Classroom Replacement Programme	1.8
Newarke House Museum Refurbishment	0.9

4. Future Issues

As highlighted in the introductory paragraphs, the authority faces continuing change in both its medium term financial planning and financial reporting. Each year, the authority has to respond to the requirements of continuous service improvement, and specific initiatives, within well managed arrangements for its finances. Some of the issues facing the authority are:-

Building Schools for the Future (BSF)

This is a substantial programme of investment in secondary schools, partly funded by conventional finance and partly through the Private Finance Initiative.

Job Evaluation

This is a project to implement a revised grading structure which will meet the expectations of the national single status pay agreement reached in 1997. It is currently expected that the implementation of the new scheme will take place in 2007/08. The authority has already set aside substantial financial resources to meet the anticipated costs of this review.

Local Area Agreement (LAA)

From April 2006, the Council became a partner to and the accountable body for the Local Area Agreement (LAA). This is a formal agreement between many partner organisations to work together towards achieving a wide range of objectives. These objectives are grouped into four main themes; Children and Young People; Safer and Stronger Communities; Healthier Communities and Older People; Economic Development and Enterprise. The delivery of each of these themes is overseen by the Leicester Partnership, a group of key stakeholders in the city. The LAA is a new approach which aims to bring together resources to achieve shared objectives. There are a number of funding streams “pooled” within the LAA which in 2006/07 totalled £4.3m.

In the Local Government White Paper published in October 2006 there is a strong presumption that greater levels of funding will be channelled through the LAA in future years. The City Council is currently working to ensure that the infrastructure and processes to manage this are in place.

Business Improvement Programme

This is a major programme designed to improve the cost effectiveness of the Council’s internal processes. Key areas where savings will be made are in the procurement of goods and services, support services, and occupation of properties. Substantial work has been undertaken and the programme is expected to deliver savings of £2.6m in 2007/08, rising to £4.3m in 2008/09.

Code of Practice on Local Authority Accounting – The SORP

This sets out the requirements by which the authority prepares its financial statements. There are a number of proposed changes which if approved will affect the financial statements in 2007/08. The key changes include:

- New accounting and disclosure requirements based on the financial reporting standards FRS 25, FRS 26 and FRS 29 (all relating to the accounting for financial instruments).
- The establishment of a revaluation reserve as at 1st April 2007 with a zero opening balance. This reserve will reflect the amount by which the value of fixed assets increase due to future revaluation.
- Changes due to legislative developments, including the pooling of grant income where a local area agreement is in place.

Looking further ahead to 2008/09 and beyond, there is the prospect of a move towards financial reporting in accordance with international accounting standards. This issue is currently being considered by the CIPFA/LASAAC Joint Committee.

5. Accounting Policies

In 2006/07 the Council has adopted three significant new accounting policies in accordance with the Statement of Recommended Practice 2006. These are:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts;
- Credits for government grants deferred are now posted to service revenue accounts, support service and trading accounts rather than treated as a corporate item;
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

As a result of these changes, the comparative figures relating to 2005/06 have been amended from those previously published to ensure a like for like comparison. These prior period adjustments are summarised in note 4 to the core financial statements.

The Statement of Accounting Policies, shown on pages 21 to 28, is closely aligned with the CIPFA Statement of Recommended Practice and includes a brief commentary on all the key accounting issues of relevance to an understanding of the financial statements themselves.

6. Contents of the Statement of Accounts

A guide to the main financial statements is provided on page 19 of this document.

Mark Noble CPFA
Chief Finance Officer

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

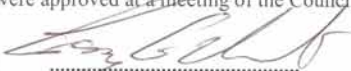
The Authority's Responsibilities

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 Chief Finance Officer.
- Manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

These accounts were approved at a meeting of the Council on 28th June 2007.

Cllr Gary Hunt



Date 28/6/07

Lord Mayor & Chair of the Council meeting approving the accounts

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority'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 SORP).

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

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

The Chief Finance 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 fairly the financial position of the City Council and its income and expenditure for the year ended 31st March 2007.

M Noble CPFA
Chief Finance Officer



Date 26/6/07

STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

Leicester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, Leicester City Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2. The purpose of the system of internal control

The system of internal control is designed to manage the risk of failure to achieve policies, aims and objectives, to a reasonable level - rather than to eliminate all risk. It can therefore provide only reasonable, not absolute, assurance of its effectiveness. The system of internal control is based on the ongoing process designed to identify and prioritise the risks to the achievement of Leicester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place at Leicester City Council for the year ended 31 March 2007, and up to the date of approval of the accounts.

3. The internal control environment

The Council is committed to the development and maintenance of a system which:

- Demonstrates openness, accountability and integrity
- Monitors and reviews compliance with established policies, procedures, laws and regulations and effectiveness against agreed standards and targets
- Monitors and reviews the effectiveness of the operation of controls that have been put in place
- Identifies, profiles, controls and monitors all significant strategic and operational risks
- Ensures that the risk management and control process is monitored for compliance.

The framework through which the Council satisfies itself as to the effectiveness of its system of internal control takes, as its starting point, the Council's Corporate Plan. From this are identified the key risks to the achievement of its (the Council's) objectives set out therein which in turn are recorded within risk registers at both Corporate and Departmental levels.

The risks identified are subjected to regular review and monitoring and appropriate controls identified to manage them.

The results of that review are considered together with:-

1. The Annual Assurance Statement prepared as part of the Council's Local Code of Corporate Governance,
2. An independent review of the effectiveness of internal control carried out by the Council's Internal Audit section and
3. The External Auditor's Annual Audit Letter and Annual Governance Report which includes findings from the work of other inspection regimes

The following table sets out the key elements of the Internal Control environment, and the Council's approach to each of these:

	Key element	Comments:
a)	Establishing and monitoring the achievement of the Council's objectives.	The Council's strategic objectives and key priorities are set out in the Corporate Plan 2006/2008. The plan was compiled following consultation and discussion with the Council's partners and stakeholders. These objectives and priorities are a significant driver of the corporate revenue budget strategy and individual service budget strategies. The service priorities are analysed into a more detailed series of actions in the plan and, for each action, there is a statement of how the action will be delivered and measured.
b)	The facilitation of policy and decision making	The Council conducts its business in accordance with its constitution, which is revised periodically to reflect national and local objectives. The Council operates a Cabinet style of decision-making with a number of Scrutiny committees convened to monitor the propriety and effectiveness of the process. The Council also reviews, from time to time, the administrative structure for the delivery of services to ensure that the most efficient and cost-effective arrangements are adopted. All Departments produce annually both departmental and service plans, which define the service activity and planned service developments for the forthcoming year. These plans dovetail with the revenue and capital budget strategies produced by each department.
c)	Ensuring compliance with established policies, procedures, laws and regulations	The Council's constitution clearly outlines the policies, procedures and regulations that must be adhered to by Officers and Members of the Council. The Council has three statutory officers (Head of Paid Service, Monitoring Officer, Responsible Finance Officer) who have specific duties to ensure that the proper controls are in place and that there is compliance with the rules and regulations that exist.

	Key element	Comments:
d)	Ensuring the efficient, effective and economic use of resources (including securing continuous improvement)	The Council's financial management framework requires Directors and Members to consider the financial performance of all services and to deliver efficiencies wherever possible in order to release finance for new initiatives or growth areas. The Council has also instigated and implemented, a number of functional reviews intended to identify more efficient and cost-effective ways of working.
e)	Ensuring adequate arrangements for Financial Management and Financial reporting	The Council has developed a framework for budgetary control that includes regular reporting to departmental management teams, Corporate Directors' Board and Members. The forecast outturn for service budgets is a key feature of the reports, enabling officers and members to understand individual service cost pressures and where necessary to take appropriate steps to ameliorate the position.
f)	Ensuring adequate arrangements for Performance Management and reporting	The Council has established performance management arrangements that ensure the regular monitoring of performance. This includes reports to Corporate Directors' Board and Members. Separate reports focus on the Key Best Value Performance indicators, other internal performance indicators, and the effectiveness of the responses to internal audit recommendations.
g)	Ensuring that the Council has an adequate risk management programme in place.	The Council has adopted a Risk Management Strategy, which sets out the respective roles and responsibilities of members and officers, as well as providing a framework upon which effective management of risk is being delivered. The Risk Management Strategy is reviewed regularly.

4. Review of effectiveness

The Council's responsibilities for reviewing the effectiveness of the system of internal control rest in its overall responsibility for the constitution, which includes the scrutiny and holding to account of the Cabinet as executive.

The Cabinet has within its terms of reference:

- Oversight of Corporate Governance arrangements
- Drawing up regulations and securing their adherence to ensure resources are maintained and safeguarded
- Ensuring the Council has effective arrangements for the management of its financial affairs
- Management of the Council's corporate finances and holding to account those responsible for the use of resources allocated to them
- Review, consideration and recommendation to full Council relating to Finance Procedure Rules.

Leicester City Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of internal auditors and the executive managers within the authority, who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

During 2006/07 the Council's Standards and Audit Committee had responsibility for the oversight of Corporate Governance arrangements, which is the subject of an annual report from the Head of Legal Services; and for review of the Council's performance as disclosed by the Audit Commission.

From 2007/08 the oversight of the Council's Corporate Governance arrangements, the monitoring of compliance with the Local Code of Corporate Governance and reviewing the adequacy of the Council's internal control framework will be the responsibility of a new Audit Committee. This committee will consider the Council's internal control arrangements and their effectiveness on the basis of reports on the overall assurance framework and the findings of Internal Audit in the previous year, and in particular it will review the assurances that enable completion of this Statement on Internal Control.

We are satisfied that, through the framework set out above, arrangements for monitoring internal control are satisfactory and ensure that a mechanism for continuous improvement is in place.

Other review and assurance mechanisms

The Council has adopted a Local Code of Corporate Governance under which officers are charged with providing assurance on the operation and effectiveness of key policies and procedures.

5. Significant internal control issues

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

The areas where weaknesses have been identified are listed below, together with a brief summary of the action being taken to make the necessary improvements.

Area of concern	Comment	Action planned
The documentation and promulgation of Corporate policies, procedures and requirements is variable.	This was identified as a weakness in the Statement for 2005/06. There is evidence that in some locations staff were unaware of expectations placed upon them.	This has now been addressed through the Risk Management Strategy that requires the Director of Resources to "Instigate a central source of core procedures and systems of working which managers are required to fulfill, together with the mechanism for keeping them up to date and appropriately authorised.

Area of concern	Comment	Action planned
Effective maintenance of inventories is patchy.		Internal Audit review the maintenance and veracity of inventories as part of their audit programmes. Corporate Guidance will also be produced to support this.
Standards of compliance with best practice tend to be lower at some outlying establishments	Part of the work programme of the Audit Committee will be designed to identify such issues, and establish firm expectations.	Internal Audit will incorporate this issue as part of planned and commissioned audit work to promote the spread and use of best practice at all locations. A thorough review of procurement procedures and responsibilities is being undertaken.
Risk Management	The review of the Council's assurance framework has identified the need to improve the review and monitoring of risks by departments.	The review of the Risk Management Strategy and Policy agreed by the Cabinet on 23 rd April 2007 includes appropriate actions to address this matter.

Signed: RAF Green (Chief Executive) 26/6/07 (Date)

Signed: [Signature] (Leader) 27/6/07 (Date)

Signed: Mark Noble (Chief Finance Officer) 26/6/07 (Date)

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

Opinion on the financial statements

I have audited the financial statements of Leicester City Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, and the related notes. These financial statements have been prepared under the accounting policies set out on pages 21 to 28.

This report is made solely to Leicester City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective responsibilities of the Chief Financial Officer and auditors

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My Responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly the financial position of the authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control on pages 9 to 13 reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Audit and Accounts Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Auditing Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I also evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of Leicester City Council as at 31 March 2007 and its income and expenditure for the year then ended.

Signature: 

Date: 27/9/07

Mr N Bellamy
District Auditor
Audit Commission
1st Floor, Bridge Business Park
Thurmaston
Leicester LE4 8BL

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Leicester City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 15 December 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

The audit cannot be formally concluded or an audit certificate issued until information provided to me in the course of my 2005/06 audit has been investigated and resolved. I am satisfied that these matters will not have a material effect on the authority's financial statements.

Signature: 

Date: 27/9/07

Mr N Bellamy
District Auditor
Audit Commission
1st Floor, Bridge Business Park
Thurmaston
Leicester LE4 8BL

GUIDE TO THE CORE FINANCIAL STATEMENTS

Income and Expenditure Account

The Income and Expenditure Account shows the Council's actual financial performance for the year and is fundamental to understanding a local authority's activities. It reports the net cost of all services and functions for which it is responsible and demonstrates how this has been financed from general government grants and income from local taxpayers. This statement is a summary of the resources generated and consumed by the authority in the year.

Statement of Movement on the General Fund Balance

This statement shows how the balance of resources generated/consumed in the year, as shown in the Income and Expenditure Account, is reconciled with statutory requirements for raising council tax.

Statement of Total Recognised Gains and Losses

Not all gains and losses experienced by the authority are reflected in the Income and Expenditure Account. This statement is a demonstration of how the movement in net worth in the balance sheet is identified in the Income and Expenditure Account surplus/deficit and in other unrealised gains and losses.

Balance Sheet

The Balance Sheet summarises the City Council's financial position as at 31 March 2007. It includes the assets and liabilities of all of the Council's activities.

Cash Flow Statement

This statement summarises all cash inflows and outflows arising from financial transactions with third parties.

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The statement of accounts summarises the Council's transactions for the 2006/07 financial year and its position at the year-end of 31 March 2007. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2006* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible and fixed assets.

2. Changes in the Accounting Policies in 2006/07

In addition to the significant changes in accounting policies outlined in Section 5 of the foreword, the authority has also made the following change during 2006/07:

- FRS 17 – Accounting for Retirement Benefits - has been adopted within the Housing Revenue Account (HRA) for the first time.

This change means that the HRA receives a share of the: current and past service costs, interest on liabilities and return on employer pension assets. These amounts are reversed, in the Statement of Movement on the HRA Balance, by a transfer to the Pension Reserve. Further details on accounting for retirement benefits are provided in Section 7 of this statement.

3. Accruals of Income and Expenditure

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

- Fees, charges and rents due are accounted for as income at the date on which the Council provides the relevant goods or services
 - Supplies are recorded as expenditure when they are consumed. Where supplies are held for future use they are shown as stocks on the balance sheet.
 - Where income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
 - Interest payable and receivable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
-

4. Provisions

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

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

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

5. Reserves and Balances

General Fund Balance

The Council holds a general fund balance to meet future funding requirements and as a hedge against any unforeseen financial losses. The adequacy of the level of this reserve is reviewed annually by the Chief Finance Officer.

Earmarked Reserves

The Council also sets aside specific amounts as “earmarked” reserves for future policy purposes, or to cover service specific contingencies and to “carry forward” departmental underspendings in accordance with the Council’s finance procedure rules. All such reserves are created by appropriating amounts through the Statement of Movements on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year, to register against the Net Cost of Services. The reserve is then appropriated back into the Statement of Movements on the General Fund Balance so that there is no net charge against council tax for the expenditure.

Pensions Reserve

A reserve is kept to manage the processes for accounting for retirement benefits. This does not represent usable resources for the Council, and is explained in more detail in paragraph 6 below.

Major Repairs Reserve

The Council also holds a “Major Repairs” reserve which is held solely for the purposes of the Housing Revenue Account.

6. Government Grants and Contributions (Revenue)

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 authority satisfies the conditions of the entitlement to the grant/contribution and there is reasonable assurance that the monies will be received. Revenue grants are matched in revenue accounts with the service expenditure to which they relate. Grant to cover general expenditure (eg. Revenue Support Grant) are credited to the Income and Expenditure Account after Net Operating Expenditure.

7. Retirement benefits

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

- The Teachers Pension Scheme, administered by the Department for Education and Skills. (DfES)
- The Local Government Pension Scheme, administered by the Leicestershire County Council.

Both 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' scheme 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 revenue accounts are charged with the employer's contributions payable to the DfES in the year.

The Local Government Pension Scheme.

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

- The liabilities of the Leicestershire County Council Pension Scheme attributable to the Leicester City Council are included in the balance sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.4% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Leicestershire County Council Pension fund attributable to the Leicester City Council are included in the balance sheet at their fair value:
 - quoted securities - mid-market value
 - unquoted securities - professional estimate
 - unlisted securities - average of the bid and offer rates
 - property - market value
- The change in the net pensions liability between balance sheet dates is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year, allocated to the revenue accounts of services for whom 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 as part of Non-Distributed Costs.
- Interest costs – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure.
- Expected return on assets – the annual investment return on the fund assets attributable to Leicester City Council, based on an average of the expected long-term return – credited to Net Operating Expenditure.
- Gains/losses on settlements and curtailments – the results of actions to relieve the Council of liabilities or events that reduce the expected future service of accrual of benefits of employees – debited to the Net Cost of Services as part of Non-Distributed Costs.
- Actuarial gains/losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – not charged to revenue but shown in the Statement of Total Recognised Gains and Losses.
- 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 is an appropriation to the Pensions Reserve in the Statement of Movements on the General Fund Balance, 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.

8. 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) 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.

9. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected on income is paid over to HM Revenue and Customs and all VAT paid on expenditure is recovered from them.

10. Overheads and Support Services

The costs of overheads and support services are charges to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2006*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

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

These two categories are accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Services

11. Intangible Fixed Assets

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

12. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (eg repairs and maintenance) is charged to revenue as it is incurred.

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. Assets are then carried in the balance sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Council dwellings – existing use value for social housing
- Other dwellings, other land and buildings– lower of net current replacement costs or net realisable value in existing use.
- Vehicles, plant and equipment – depreciated historical cost as a proxy for net realisable value on materiality grounds.
- Infrastructure assets and community assets – depreciated historical cost
- Assets under construction – historical cost

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Fixed Asset Restatement Account to recognise unrealised gains.

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

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- Otherwise – written off against the Fixed Asset Restatement Account

Disposals/ Capital Receipts : when an asset is disposed of or de-commissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal.

Receipts from disposals are credited to the Income and Expenditure Account 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 £10,000 are categorised as capital receipts. A proportion of receipts relating to Housing Revenue Account disposals (75% for dwellings and 50% for land and other assets net of deductions and allowances) is payable into a Government pool. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from the Statement of Movement on the General Fund Balance.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties) 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 – The MRA (Major Repairs Allowance) is used as a proxy for depreciation as this represents the estimated average annual cost of maintaining the condition of the housing stock over a 30 year period.
- Other buildings- straight-line allocation over the life of the property as estimated by the valuer.
- Vehicles – on a five year annuity.
- Plant and Equipment - straight line over the estimated life of the asset.
- Infrastructure – straight-line allocation over 40 years.

Capital Grants and Contributions: where grants and contributions are received that are identifiable to fixed assets, with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the service revenue account, in line with the depreciation policy applied to them.

13. Charges to Revenue for Fixed Assets

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

- Capital charges on tangible fixed assets -comprising depreciation attributable to the assets used by the relevant service;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service;
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirements (equal to at least 4% of the underlying amount measured by the adjusted capital financing requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance.

14. Deferred Charges

Deferred charges represent expenditure that may be capitalised but which does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the deferred charges account from existing capital resources or by borrowing, a transfer to the Capital Financing Account in the Statement of Movements on the General Fund Balance then reverses out the amounts charged to the Income and Expenditure Account, so there is no impact on the level of council tax. Similarly, where the cost is to be met by a grant or contribution this is credited to the revenue account so that there is no impact on the total cost of the relevant service.

15. Leases

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- A finance charge (debited to Net Operating Expenditure in the Income and expenditure Account as the rent becomes payable)

Fixed assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the assets' estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account over the term of the lease so that, in general, rentals are charged when they become payable. No values relating to operating leases are carried on the Council's balance sheet except as either creditors or payments in advance. The City Council leases some of its properties to third parties. Rent is charged for the use of these properties, and the value of these assets is included in the Council's balance sheet under the classification of non-operational assets.

16. Repurchase of Borrowing

Gains on the repurchase of early settlement of borrowing are credited to Net Operating Expenditure in the Income and Expenditure Account. Losses on the repurchase of early settlement of borrowing are debited to Net Operating Expenditure and are met by capital receipts, reducing the level of unapplied capital receipts carried forward, or from borrowing. However, where repurchase has taken place as part of a restructuring of the loan portfolio with substantially the same overall effect when viewed as a whole, gains and losses are recognised on the balance sheet and written down to revenue on a straight-line basis over the term of the replacement loans.

17. Investments

Investments are shown at cost. If the value of an investment falls permanently below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account.

18. Stocks and Work in Progress

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

19. Interest in Companies and Other Entities

The Council has no material interests in any companies or other entities that require the preparation of group accounts.

INCOME AND EXPENDITURE ACCOUNT

2005/06 Net Expenditure £'000		2006/07			Note
		Gross Expenditure £'000	Income £'000	Net Expenditure £'000	
2,621	Central Services to the Public	7,503	(5,090)	2,413	
48,526	Cultural, Environmental and Planning Services	95,132	(44,713)	50,419	
548	Court Services	695	(107)	588	
177,155	Education Services	289,653	(262,000)	27,653	6
16,986	Highways, Roads and Transport	26,746	(7,040)	19,706	
10,462	Housing General Fund Services	149,629	(138,585)	11,044	
(14,635)	Housing Revenue Account	55,157	(65,761)	(10,604)	
92,181	Social Services	145,204	(39,806)	105,398	
0	Exceptional Item - Equal Pay	10,400	0	10,400	17
7,400	Corporate & Democratic Core	8,678	(1,233)	7,445	
1,051	Non Distributed Costs	1,233	0	1,233	
342,295	Net Cost of Services	790,030	(564,335)	225,695	2
78	Levies			81	14
(2,820)	Net Surplus on Trading & Support Services			(2,808)	5
(232)	Net (Gain) / Loss on Disposal of Fixed Assets			1	
19,518	Interest Payable			17,814	
10,803	Net (Gains) / Losses on Early Settlement of Borrowing			13,888	
9,504	Contribution to Housing Pooled Receipts			12,343	
32,800	Pension Scheme: Interest on Liabilities			37,500	43
(30,600)	Pension Scheme: Expected Return on Employer Assets			(38,100)	43
(2,887)	Interest on Balances			(4,762)	
378,459	Net Operating Expenditure			261,652	
	Sources of Finance:				
(208,863)	Revenue Support Grant		(24,669)		6
(94,612)	Non-Domestic Rates Redistribution		(127,004)		
(75,243)	Demand on the Collection Fund		(78,050)		
0	Local Authority Business Growth Incentives		(78)		
(1,718)	Share of Collection Fund Surplus		(1,500)		
(380,436)	Total Revenue Financing			(231,301)	
(1,977)	Net Deficit / (Surplus) for the Year			30,351	

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

2005/06 £'000		2006/07 £'000	Note
(1,977)	(Surplus) / Deficit for the Year - in the Income and Expenditure Account	30,351	
1,865	Net additional amount to be (credited) / debited to the General Fund balance required by statute and non-statutory proper practices	(30,394)	3
(112)	Net Movement on General Fund in Year	(43)	
(7,957)	Balance on General Fund Brought Forward	(8,069)	
(8,069)	Balance on General Fund Carried Forward	(8,112)	1
	Of which:		
(185)	Service Departments' Underspends C/fwd	(393)	
(7,884)	General Reserve Fund	(7,719)	
(8,069)	Balance on General Fund c/fwd	(8,112)	

Signed:

Mark Noble

 Mark Noble CPFA, Chief Finance Officer

Date: 21st September 2007

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth (as shown in the Balance Sheet). In addition to the (surplus) or deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability for retirement benefits.

2005/06 £'000		Note	2006/07 £'000
(1,977)	(Surplus) / Deficit for the Year on the Income and Expenditure Account		30,351
(823)	(Surplus) / Deficit on Collection Fund		575
(71,900)	(Surplus) arising from Revaluation of Fixed Assets	18	(221,624)
23,705	Actuarial (Gain) / Loss on Pension Fund Assets and Liabilities	43	(59,655)
(10,524)	Prior Year Adjustment 2001/02 - Major Repairs Allowance (MRA)	4b	0
(61,519)	Total Recognised (Gains) or Losses		(250,353)

BALANCE SHEET

31 March 2006 £'000		NOTE	31 March 2007 £'000	
			£'000	£'000
	FIXED ASSETS			
126	Intangible Fixed Assets	21		156
	Tangible Fixed Assets	18/19/20/22		
	<u>Operational Assets:</u>			
802,138	Council Dwellings		952,179	
554,654	Other Land and Buildings		655,075	
5,298	Vehicles, Plant, Furniture and Equipment		7,363	
123,001	Infrastructure Assets		136,282	
699	Community Assets		699	
1,485,790			1,751,598	
	<u>Non-Operational Assets</u>			
162,059	Investment Properties		155,363	
36,745	Assets under Construction		33,327	
36,499	Surplus Assets, held for Disposal		41,326	
235,303			230,016	
1,721,093	Total Tangible Fixed Assets			1,981,614
3,985	Long Term Investments	29a		11,249
371	Long Term Debtors	28a		288
1,167	Deferred Premiums on early repayment of debt	32		1,078
1,726,742	Total Long Term Assets			1,994,385
	CURRENT ASSETS			
2,382	Stocks and Work in Progress	27	2,117	
1,756	Landfill Allowances	30	1,824	
58,228	Debtors	28b	58,538	
79,639	Short Term Investments	29b	68,517	
142,005			130,996	
	CURRENT LIABILITIES			
(3,262)	Short Term Loans		(9,777)	
(73,577)	Creditors	31	(87,807)	
(5,673)	Cash and Bank Overdraft		(3,792)	
(82,512)			(101,376)	
59,493	Net Current Assets			29,620
1,786,235	Total Assets less Current Liabilities			2,024,005
	LONG TERM LIABILITIES			
(326,212)	Long Term Borrowing	33	(327,570)	
(11,781)	Provisions	36	(22,379)	
(69,124)	Capital Grants & Contributions Deferred		(89,586)	
(14,341)	Capital Grants & Contributions Unapplied		(21,670)	
(160)	Deferred Capital Receipts	32	(112)	
(41,429)	Deferred Liabilities	35	(39,773)	
(409)	Deferred Discounts on early repayment of debt	32	(3,161)	
(195,755)	Pensions Liability	43	(142,377)	
(659,211)			(646,628)	
1,127,024	Total Assets less liabilities	38		1,377,377
	Represented by:	37		
1,099,673	Fixed Asset Restatement Account	37b		1,298,010
154,591	Capital Financing Account	37a		162,790
229	Capital Useable Receipts	37c		0
1,173	HRA Major Repairs Reserve	Pg 71		500
(195,755)	Pensions Reserve	43		(142,377)
0	Equal Pay - Back Pay Account	17		(10,400)
	Balances & Reserves			
7,884	General Reserve Fund		7,719	
185	Service Departments Carry Forwards		393	
3,371	Housing Revenue Account		2,911	
2,715	Collection Fund		2,140	
52,958	Earmarked Reserves	39	55,691	
				68,854
1,127,024	Net Worth			1,377,377

Signed:



 Mark Noble CPFA, Chief Finance Officer

Date: 21st September 2007

CASH FLOW STATEMENT

2005/06			2006/07	
£'000		Note	£'000	£'000
	REVENUE ACTIVITIES			
	Cash Outflows			
334,752	Cash paid to & on behalf of employees		346,459	
280,553	Other operating costs		276,983	
12,917	Precepts paid		13,404	
83,887	NNDR Paid to pool		89,488	
185	NNDR discretionary payments		182	
36,273	Housing Benefits paid out		41,666	
10,080	Payments to the Capital Receipts Pool		11,351	
758,647				779,533
	Cash Inflows			
(22,895)	Council House Rents		(23,295)	
(69,059)	Council Tax Income		(71,258)	
(88,680)	NDR income collected		(90,776)	
(94,612)	NNDR income from pool		(127,004)	
(208,863)	Revenue Support Grant		(24,669)	
0	Dedicated Schools Grant		(169,484)	
(4,762)	Housing Revenue subsidy (including MRA)		(2,987)	
(99,215)	DWP Benefits Subsidies		(103,126)	
(97,320)	Other grants	50	(98,426)	
(110,766)	Cash received for goods and services		(106,328)	
(796,172)				(817,353)
(37,525)	Net Cashflow from revenue activities	46		(37,820)

2005/06			2006/07	
£'000			£'000	£'000
	SERVICING OF FINANCE			
	Cash Outflows			
20,237	Interest paid			17,953
0	Interest element of finance lease payments			0
	Cash Inflows			
(3,703)	Interest received			(4,106)
16,534	Net Cashflow from servicing of finance			13,847

2005/06 £'000		Note	2006/07 £'000	£'000
	CAPITAL ACTIVITIES			
	Cash Outflows			
104,152	Purchase of fixed assets		91,790	
(3,646)	Less Capital Creditors		(3,314)	
7,350	Deferred charges		16,379	
4,353	Investments		2,763	
(6,119)	Internal fees		(5,514)	
106,090				102,104
	Cash Inflows			
(25,177)	Capital receipts		(23,115)	
(22,006)	Capital grants rec'd to finance cap exp.	50	(27,437)	
(13,694)	External contrib. rec'd to finance cap exp.		(18,570)	
(60,877)				(69,122)
45,213	Net Cashflow from capital activities			32,982

2005/06 £'000			2006/07 £'000	£'000
	CAPITAL FINANCING			
	Cash Outflows / (Inflow)			
1,726	County Council principal repaid		1,657	
5,245	Temporary Loans		(6,515)	
7,600	PWLB Loans		590	
77	Capital element of finance lease rental payments		0	
0	Stock Issue		0	
(88,137)	PWLB Loans			(4,268)
				0
(73,489)	Net Cashflow from capital financing	47		(4,268)

2005/06 £'000			2006/07 £'000
	MANAGEMENT OF LIQUID RESOURCES		
	Cash Outflow / (Inflow)		
50,078	Movement In liquid Resources (Cash held in short term deposits)	48	(11,122)
0	Longer Term deposits		4,500
50,078	Net (decrease)/ Increase in liquid resources		(6,622)

2005/06 £'000			2006/07 £'000
(37,525)	Net Cashflow from revenue activities		(37,820)
16,534	Net Cashflow from servicing of finance		13,847
45,213	Net Cashflow from capital activities		32,982
(73,489)	Net Cashflow from capital financing		(4,268)
50,078	Net Increase/(decrease) in liquid resources		(6,622)
811	(inc)/dec in cash	48	(1,881)

Notes to the Core Financial Statements

1. General Fund Balance

The General Fund balance has increased during the year by £0.04m as shown in the Statement of Movement on the General Fund Balance (page 29).

2. Net Cost of Services

The analysis of expenditure in the Income and Expenditure Account is in accordance with the Best Value Accounting Code of Practice. The table below provides a further breakdown of the Net Cost of Services at 'division of service' level as required by the Code:

Net Cost of Services	£'000
Cultural & Related Services	31,358
Environmental Services	18,733
Planning & Developmental Services	328
Coroners' Court Services	588
Primary Schools	6,632
Secondary Schools	2,570
Special Schools	7,611
Non-Schools	10,840
Transport Planning, Policy & Strategy	3,140
Highways & Roads (Structural)	6,913
Highways & Roads (Routine)	1,869
Street Lighting	2,127
Winter Maintenance	236
Traffic Management & Road Safety	941
Parking Services	(437)
Public Transport	4,917
Housing Strategy	207
Housing Advances	1,893
Private Sector Housing Renewal	2,874
Homelessness	128
Housing Benefit Payments	1,601
Housing Benefits Administration	3,093
Contribution to HRA	294
Other Council Property	20
Welfare Services	(148)
Supporting People	232
Housing Management & Support Services	849
Children's Services	12,996
Children Looked After	14,108
Family Support Services	5,328
Youth Justice	1,133
Other Childrens' and Family Services	2,237
Older People	34,737
Adults aged under 65 with Physical Disability	6,325
Adults aged under 65 with Learning disability	15,195
Adults aged under 65 with Mental Health Needs	6,201
Asylum Seekers	423
Other Adult Services	2,690
Exceptional Item - Primary Care Trust (See Note 17)	3,600
Support Service & Management Costs	426
Housing Revenue Account	(10,604)
Exceptional Item - Equal Pay (See Note 17)	10,400
Central Services	11,091
NET COST OF SERVICES	225,695

3. General Fund Reconciling Items

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the financial period. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when fixed assets are consumed;
- Retirement Benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows the council has under spent by £0.04m against the council tax that it raised for the year, taking this into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The table below details the transactions included within the reconciling item shown in the Statement of Movement on the General Fund Balance (page 29):

2005/06 £'000		2006/07 £'000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance		
0	Amortisation of intangible fixed assets	(25)
(16,618)	Depreciation and impairment of fixed assets	(16,880)
(157)	Depreciation charged to the HRA in excess of the MRA	(118)
18,633	Government grants deferred amortisation	7,243
(7,849)	Write down of deferred charges to be financed from capital resources	(9,286)
232	Net (loss) / gain on sale of fixed assets	(1)
(7,615)	Difference between amounts charged to the Income and Expenditure Account for the amortisation of HRA Premia and Discounts and the charge for the year determined in accordance with statute.	(5,154)
(2,055)	Amount by which pension costs calculated in accordance with FRS 17 are different from the contributions due under the pension scheme regulations.	(6,277)
(15,429)		(30,498)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund balance		
8,677	Capital expenditure charged in year to the general fund (inc. reserves)	11,158
(9,504)	Transfer from usable capital receipts to meet payments to the housing receipts pool	(12,343)
2,882	Minimum revenue provision	6,417
2,055		5,232
Transfers to or from the General Fund balance that are required to be taken into account when determining the movement on the General Fund balance for the year.		
(1,124)	Transfer of HRA deficit to HRA balances	(460)
3,292	Voluntary revenue provision for repayment of debt	2,999
	Transfer to Equal Pay Back Pay Account	(10,400)
13,071	Net transfers to earmarked reserves	2,733
15,239		(5,128)
1,865	Net additional amount required to be (credited) / debited to the General Fund balance for the year	(30,394)

4a. Prior Year Adjustments – Income and Expenditure Account

In the 2006/07 Statement of Accounts, in accordance with the Statement of Recommended Practice 2006, the Council has adopted three significant new accounting policies that impact on the comparative figures for the 2005/06 Income and Expenditure Account:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts;
- Credits for government grants deferred are now posted to service revenue accounts, support service and trading accounts rather than credited as a corporate item;
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

The table below sets out the impact of these changes on the 2005/06 Net Operating Expenditure:

	Consolidated Revenue Account in 2005/06	Removal of Capital Financing Charges	Allocation of Government Grants Deferred	Recognition of Gains on Disposal of Fixed Assets	Other	2005/06 Income and Expenditure Account
	£'000	£'000	£'000	£'000	£'000	£'000
Central Services to the Public	2,621	-	-	-	-	2,621
Cultural Environmental and Planning Services	62,702	(9,733)	(4,443)	-	-	48,526
Court Services	548	-	-	-	-	548
Education	201,862	(12,576)	(12,131)	-	-	177,155
Highways, Roads and Transport	22,949	(5,963)	-	-	-	16,986
Housing General Fund	12,274	(263)	(1,549)	-	-	10,462
Housing Revenue Account	13,849	(28,484)	-	-	-	(14,635)
Social Services	94,023	(1,332)	(510)	-	-	92,181
Corporate and Democratic Core	7,338	(35)	-	-	97	7,400
Non Distributed Costs	1,051	-	-	-	-	1,051
Net Cost of Services	419,217	(58,386)	(18,633)	0	97	342,295
Net Surplus on Traders	(575)	(2,245)	-	-	-	(2,820)
Gain on Disposal of Fixed Assets	-	-	-	(232)	-	(232)
Asset Management Revenue Account / Interest Payable	(29,931)	60,631	1,290	-	(12,472)	19,518
Loss on Early Settlement of Borrowing	944	-	-	-	9,859	10,803
Other	8,895	-	-	-	-	8,895
Impact on Net Operating Expenditure	398,550	0	(17,343)	(232)	(2,516)	378,459

4b. Prior Period Adjustments – Balance Sheet

There are a number of other changes made to the published 2005/06 Balance Sheet:

- a) The Housing Revenue Account's (HRA) Major Repairs Allowance was introduced in 2001/02 and was, for that year only, incorrectly treated as a Government Grant Deferred. This has been corrected with the opposite entry in the Capital Financing Account.
- b) HRA Premiums and Discounts – The Statement of Recommended Practice requires the amortisation of Premiums and Discounts to the HRA Income and Expenditure Account to be made in line with the authority's overall policy. However there are statutory rules that dictate the level of charge to the HRA to share the cost/benefit of premiums and discounts that the authority has incurred. The difference between these amounts has been credited to the Statement on Movement on HRA Balances and debited to the Capital Financing Account.
- c) A number of long term loans have a stepped interest rate structure. The SORP requires the interest charged to the revenue account to be equalised over the life of the loan. The difference between the interest paid and the equalised amount was shown as a short term creditor instead of being added to the value of the outstanding loan.
- d) A number of small adjustments relating to capital grants and contributions.
- e) The capital grants and contribution deferred and unapplied accounts have been moved to the top half of the Balance Sheet, as required under the SORP.

	Published Balance Sheet 2005/06	Major Repairs Allowance (a)	HRA Premium & Discounts (b)	Stepped Rate Loans (c)	Other Capital Grants (d)	Grants & Cont. Deferred (e)	2005/06 Comparative Figures
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Tangible Fixed Assets	1,721,093						1,721,093
Deferred Premiums	9,753		(8,586)				1,167
Other Long Term Assets	4,482						4,482
Current Assets	142,005						142,005
Creditors	(74,771)			2,317	(1,123)		(73,577)
Other Current Liabilities	(8,935)						(8,935)
Long Term Borrowing	(323,895)			(2,317)			(326,212)
Grants and Cont. Deferred/Unapplied	0	10,524			(821)	(93,168)	(83,465)
Deferred Discounts	(1,380)		971				(409)
Other Long Term Liabilities	(249,125)						(249,125)
Total Assets Less Liabilities	1,219,227	10,524	(7,615)	0	(1,944)	(93,168)	1,127,024
Capital Financing Account	152,503	10,524	(7,615)		(821)		154,591
Usable Capital Receipts	968				(739)		229
Earmarked Reserves	53,342				(384)		52,958
Grants and Cont. Deferred/Unapplied	93,168					(93,168)	0
Other Balances and Accounts	919,246						919,246
Net Worth	1,219,227	10,524	(7,615)	0	(1,944)	(93,168)	1,127,024

5. Trading Accounts

The net surpluses and deficits of the City Council's trading accounts are shown in the Income and Expenditure Account. This note provides a more detailed breakdown of the financial performance of these trading activities.

a) Investment Properties

This account includes properties that generate a substantial amount of income and can therefore be deemed to be 'trading'. The removal of the capital financing charge for the use of fixed assets has had a significant impact on this account, and accordingly the 2005/06 comparative figure has been adjusted to ensure a like for like comparison.

2005/06	Trading Service	2006/07		
Net Expenditure (Surplus)/Deficit £'000		Expenditure £'000	Income £'000	Net Expenditure (Surplus)/Deficit £'000
(2,493)	Investment Properties	5,161	(7,107)	(1,946)

b) Other Trading Services

The City Council operates 15 trading services which provide internal support to front line services. These services aim to breakeven on an annual basis. In 2006/07, as shown in the table below, 4 trading services failed to break-even.

2005/06	Trading Service	2006/07		
Net Expenditure (Surplus)/Deficit £'000		Expenditure £'000	Income £'000	Net Expenditure (Surplus)/Deficit £'000
(161)	Housing Maintenance	20,348	(20,507)	(159)
0	City Catering	6,947	(6,881)	66
(298)	City Highways	10,028	(10,033)	(5)
140	Fleet Transport	7,022	(7,089)	(67)
0	Operational Transport	6,315	(6,314)	1
(199)	Creativity Works	2,938	(3,084)	(146)
0	I.T. Services	6,142	(6,167)	(25)
(21)	Temporary Staffing Agency	2,720	(2,764)	(44)
420	Design & Maintenance	4,411	(4,568)	(157)
(265)	Legal Services	3,190	(3,324)	(134)
295	Payroll	1,092	(1,052)	40
(15)	Post Room	553	(590)	(37)
(178)	Customer Accounts	944	(1,114)	(170)
(25)	Cashiers	565	(562)	3
(20)	Job Shop	124	(152)	(28)
(327)		73,339	(74,201)	(862)

6. Dedicated Schools Grant

From 2006/07 onwards the council's expenditure on schools is funded by the Dedicated Schools Grant (DSG), which is provided by the Department for Education and Skills. Previously funds were provided as part of the council's overall Revenue Support Grant. As a result of this change £170m in DSG has been credited against the net expenditure on Education, as shown in the Income and Expenditure Account, that would have previously been treated as part of Revenue Support Grant in the Corporate Income Section. The difference between the 2006/07 figures and the comparative 2005/06 for these two lines is substantially explained by this change.

DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2006/07 are as follows:

Schools Budget Funded by Dedicated Schools Grant			
	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Original grant allocation to Schools Budget for the current year in the authority's budget	(27,307)	(143,013)	(170,320)
Adjustment to finalised grant allocation	154	682	836
DSG Receivable for the Year	(27,153)	(142,331)	(169,484)
Actual Expenditure for the Year	24,756	138,931	163,687
Over / Under Spend for the Year	(2,397)	(3,400)	(5,797)
Transfer to Schools Reserves - as shown in note 38 to these accounts.	-	3,400	3,400
Underspend carried forward to 2007/08 in Ring-fenced DSG Earmarked Reserve	(2,397)	0	(2,397)

7. Local Authority (Goods & Services) Act 1970

The Local Authority (Goods & Services) Act 1970 allows local authorities to provide goods and services to another public body or allow the use of plant and equipment by another public body for an appropriate charge. The Council incurred expenditure of £139,985 in relation to services provided under this Act in 2006/07 (£80,272 2005/06) and received income of £139,985.

8. Section 137 Expenditure

The majority of the provisions of Section 137 of the Local Government Act 1972 were repealed following by the Local Government Act 2000. No expenditure was incurred during 2006/07 using powers granted by Section 137 (3).

9. Publicity

Section 5 of the Local Government Act 1986 requires expenditure on publicity to be disclosed. Detailed below is the City Council's expenditure incurred in 2006/07 together with the comparative figures for 2005/06.

2005/06 £'000	Publicity	2006/07 £'000
1,207	Recruitment advertising	1,044
241	Other advertising	225
237	Civic newspaper	260
383	Promotions	400
380	Welfare Rights	425
245	Other publicity	183
2,693		2,537

10. Officers Remuneration

The number of employees whose gross remuneration was £50,000 or more was: -

2005/06 No. of Employees	Remuneration Band	2006/07 No. of Employees
106	£50,000 - £59,999	125
22	£60,000 - £69,999	23
20	£70,000 - £79,999	31
4	£80,000 - £89,999	4
5	£90,000 - £99,999	3
1	£100,000 - £109,999	4
1	£150,000 - £159,999	0
0	£160,000 - £169,999	1

11. Pooled Budgets

The Council has entered into the following pooled budget arrangements under Section 31 of the Health Act 1999:

Learning Disabilities Commissioning

This arrangement is for the joint commissioning of various services and is in partnership with Leicester City Primary Care Trust. Leicester City Council acts as the host and has lead responsibility for its operation. The City Council contributed £1.95m to the pool during 2006/07 (£0.5m in 2005/06 for 4 months only) and this expenditure is included in the Social Services line of the Income and Expenditure Account.

Supply of Community Equipment

This is an arrangement for the supply of community equipment with Leicestershire County Council, Rutland County Council and six other primary care trusts in the areas covered by the councils. Leicester City Primary Care Trust acts as the host partner. The City Council contributed £1.4m to the pool during 2006/07 (£0.384m in 2005/06) and this expenditure is also included in the Social Services line of the Income and Expenditure Account.

12. Building Control Regulations

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. The City Council sets charges for work carried out in relation to building regulations, with the aim of covering all cost incurred. However, the cost of certain activities performed by the Building Control Unit cannot be recovered by charges, such as general advice and liaising with statutory authorities. The statement below shows the total cost of operating the building control unit between chargeable and non-chargeable activities.

2005/06 Chargeable £'000	Building Control	2006/07		
		Non Chargeable £'000	Chargeable £'000	Total £'000
(778)	Income	0	(829)	(829)
779	Expenditure	310	828	1,138
1	Net (Surplus) / Deficit	310	(1)	309

13. Members' Allowances

Allowances to elected members are paid in accordance with the Council's members' allowance scheme which came into effect on 19th May 2006. Payments for the year 1st April 2006 - 31st March 2007 were as follows: -

2005/06 £	Members' Allowances	2006/07 £
358,037	Basic Allowance Payments	379,988
297,091	Special Responsibility Payments	320,936
78,979	General Expense Payments	80,129
734,107	Total	781,053

14. Related Party Transactions

In accordance with Financial Reporting Standard 8, material transactions with related parties not disclosed elsewhere in this statement of accounts are listed below. The purpose of these disclosures is to ensure that stakeholders are aware when these transactions take place, and to the amount and implications of such transactions.

a) Levies - paid to other bodies during 2006/07 were: -

2005/06 £'000	Levying Body	2006/07 £'000
78	Environment Agency (Note 1)	81
78		81

Note 1: The majority of funding required for flood defence is now provided at national government level. The amount levied on local authorities covers schemes which address local needs and priorities where the criteria for national funding are not met.

b) Elected Members and Directors.

There were no transactions involving elected members or directors during the year to 31st March 2007.

15. Audit Costs

During the year the council incurred costs payable to the Audit Commission in respect of work to be carried out. This work falls into 4 main categories, and the costs attributable to each are shown below: -

2005/06 £'000	Category of audit work	2006/07 £'000
333	General Audit Work including statutory inspection	304
15	Statutory Inspection	21
98	Certification of grant claims and returns	147
0	Other Services	76
446		548

16. Private Finance Initiative

The council entered into a 25 year waste management contract with Biffa (Leicester) Ltd under the government's Private Finance Initiative (PFI) in 2003. The value of the contract is in excess of £300m over the 25 year period. The additional cost of this innovative contract (over and above the council's existing budgetary provision for waste management) is met entirely through government funding (PFI credits).

2006/07 was the fourth year of operation of the contract, costing a total of £11m (£10.8m 2005/06), with £2.6m (£2.6m 2005/06) of this received in grant. This cost is included in the Cultural, Environmental and Planning Services line of the Income and Expenditure Account.

17. Exceptional Items

Equal Pay Provision

Many local authorities have received claims that predominantly female groups of staff have been underpaid in comparison with other, predominantly male, groups of employees and a potential breach of equal pay legislation. The Council is holding discussions with its trade unions about the payment of compensation, without any admission of liability. Accordingly, a notional "equal pay – back pay account" has been set up on the Balance Sheet, and a charge of £10.4m made in the Income and Expenditure Account. This charge is reversed in the Statement of Movement on the General Fund Balance.

City of Leicester Primary Care Trust (PCT)

In order to support the City of Leicester PCT to deliver its financial recovery plan, the Council has utilised its well being powers (Local Government Act 2000) and made a revenue grant of £3.6m during 2006/07 with a further £0.45m payable in 2007/08. The £3.6m payable in 2006/07 is included within the Social Services line of the Income and Expenditure Account. This has been financed by a transfer from the capital earmarked reserve and therefore has had no impact on the General Reserve balance. Furthermore, the overall impact is neutral as the authority has received a capital grant of £4.1m from the PCT during the year, as shown in note 50 – Capital Grants and Contributions.

18. Net Fixed Assets

Fixed assets are recorded in the accounts on the basis of revaluations completed during the year less depreciation. Movements in fixed assets during the year were as follows:

	Operational Assets					Non-Operational Assets			Total £'000
	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure £'000	Community Assets £'000	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets £'000	
Valuation at 31/03/2006	814,487	579,018	5,734	126,140	699	162,059	36,745	36,854	1,761,736
Accumulated Impairment	-	21	-	-	-	-	-	-	21
Accumulated depreciation	(12,349)	(24,385)	(436)	(3,139)	-	-	-	(355)	(40,664)
Net Book Value as at 31 March 2006	802,138	554,654	5,298	123,001	699	162,059	36,745	36,499	1,721,093
Movement in 2006/07									
Capital Expenditure	25,783	27,894	4,343	16,970	-	165	16,579	-	91,734
Disposals	(16,398)	(2,265)	-	-	-	(2,862)	-	(1,433)	(22,958)
Disposals - Below Market	-	-	-	(200)	-	-	-	-	(200)
Transfers	(1,900)	19,684	-	-	-	73	(19,997)	2,140	0
Revaluations:	155,238	67,495	(1,291)	-	-	(4,072)	-	4,254	221,624
Depreciation	(12,682)	(12,258)	(987)	(3,489)	-	-	-	(134)	(29,550)
Impairment	-	(129)	-	-	-	-	-	-	(129)
Net Book Value of Assets at 31 March 2007	952,179	655,075	7,363	136,282	699	155,363	33,327	41,326	1,981,614

19. Valuations of Fixed Assets

The table shows the progress of the Council's rolling programme for the revaluation of fixed assets. Valuations are carried out by the Authority's Property division, except for the valuation of council dwellings, which is carried out by Drivers Jonas, a firm of chartered surveyors. The basis for valuation is set out in note 11 of the Statement of Accounting Policies.

	Operational Assets					Non-Operational Assets			Total £'000
	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure £'000	Community Assets £'000	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets £'000	
Valuations at historical cost			7,363	136,282	699				144,344
Market Value	952,179								952,179
<u>Valued at Current Value at:</u>									
1 April 2002		38,377				48,610	9,402	12,946	109,335
1 April 2003		18,824				30,425	5,884	8,103	63,236
1 April 2004		111,930				7,425	1,436	1,977	122,768
1 April 2005		230,936				20,473	3,960	5,452	260,821
1 April 2006		255,008				48,430	12,645	12,848	328,931
Net Book Value at 31 March 2007	952,179	655,075	7,363	136,282	699	155,363	33,327	41,326	1,981,614

20. Fixed Assets

The following is an analysis of the fixed assets held by the City Council. Items not of a material nature have been excluded.

2005/06		2006/07
Housing		
23,008	Council Dwellings	22,664
Children and Young People		
86	Primary Schools	84
14	Secondary Schools	16
8	Special Schools	8
10	Children and Family Homes	9
8	Adventure Playgrounds	8
Adults		
8	Older Persons Homes	8
1	Intermediate Care Home	1
1	Learning Disabilities Centre	1
Regeneration and Culture		
791km	Roads	794km
2	Markets	2
7	Leisure Centres	7
2	Golf Courses	2
42	Parks	42
1	Athletics Stadium	1
22	Libraries	22
6	Museums	6
1	Astrotruf Stadium	1
Other Properties		
53	Centrally Located Admin Buildings & Offices	53
17	Neighbourhood Centres	17
14	Neighbourhood Housing Offices	14

21. Intangible Fixed Assets

Intangible Fixed Assets are recognised in the balance sheet and the table below shows movements during the year.

	Purchased Software Licences £'000
Original Cost	126
Amortisation to 1st April 06	-
	126
Movement in 2006/07	
Expenditure in Year	55
Written off to revenue in year	(25)
Balance as at 31st March 07	156

22. Aided Schools

There are 11 schools which are not owned by the authority and therefore are not included in the balance sheet.

23. Capital Financing of Fixed Assets and Deferred Charges

The table below shows that there has been an increase in the Capital Financing Requirement to £438m; this is in line with the approved prudential indicator. The method of financing 2006/07 capital expenditure is also shown in the table.

2005/06 £'000	Capital Financing	2006/07 £'000
361,688	Opening Capital Financing Requirement	401,816
(6,174)	Revenue Provision for Repayment of Debt	(9,416)
125	Additional Debt from 2004/05	-
-	Debt Repayment from Capital Receipts	(865)
	<i>Capital Investment</i>	
84,216	Operational Assets	74,990
19,810	Non Operational Assets	16,744
126	Intangible Fixed Assets	55
4,353	Investment	2,764
9,594	Deferred Charges	16,379
7,615	Loan Premia (HRA)	5,154
	<i>Sources of Finance</i>	
(15,492)	Capital Receipts	(10,177)
(13,194)	Major Repairs Reserve	(13,355)
(8,677)	Revenue and Earmarked Reserves	(11,158)
(42,174)	Grants & Contributions	(34,798)
401,816	Closing Capital Financing Requirement	438,133
	Explanation of Movement in Year	
21,608	Increase in underlying need to borrow (supported by Government financial assistance)	18,906
24,694	Increase in underlying need to borrow (unsupported by Government financial assistance)	27,692
(6,174)	Repayment of Debt	(10,281)
40,128	Increase in the Capital Financing Requirement	36,317

24. Deferred Charges

Deferred charges relate to expenditure that statutory provisions allow to be classified as capital expenditure for financing purposes. This expenditure does not result in the creation of a fixed asset and has no lasting benefit to the authority, therefore it is charged to the revenue account in the year it is incurred.

2005/06 £'000		2006/07 £'000
0	Balance as at 1st April	0
9,594	Net Expenditure	16,379
	Amounts Charged to Revenue	
(1,745)	Grant Eligible	(7,093)
(7,849)	Non-Grant Eligible	(9,286)
0	Balance as at 31st March	0

25. Capital Commitments

The Council approves a capital programme for a three-year period. Details of contracts entered into, the approximate value and the period over which investment will take place are given below:

Contract for Capital Investment	Period	£'000
Performing Arts Centre	2007/8 - 2008/9	24,504
City Centre Development Projects	2007/8 - 2008/9	12,263
Cultural Quarter Infrastructure Project	2007/8 - 2008/9	3,593

26. Leasing

Operating Leases – Authority as lessee

Lease rentals paid to lessors during the year in respect of operating leases for vehicles and equipment totalled £1,731,403 (2005/06 £2,209,654) and for land and buildings £1,520,940 (2005/06 £1,480,811).

The Authority is committed to making payments of £2.9m under operating leases in 2007/08, comprising of the following elements:

Operating leases which expire:	Land and Buildings £'000	Vehicles & Equipment £'000	Total £'000
Within 1 year	332	202	534
2 – 5 Years	597	1,106	1,703
Over 5 years	628	0	628
Total	1,557	1,308	2,865

Operating Leases – Authority as lessor

Lease rentals on council owned land and buildings received from lessees during the year in respect of operating leases totalled £6,239,698 (£6,381,154). The approximate gross value of assets held for use in operating leases was £126m as at 31st March 2007.

Finance Leases

The authority has acquired cremators under a finance lease. The rentals payable under these arrangements in 2006/07 were £3,475 (2005/06 £76,998), charged to the Income and Expenditure Account. There are no outstanding obligations to make payments under finance leases at 31st March 2007.

27. Stocks and Work in Progress

The value of stocks and work in progress at 31 March 2007 were:

31st March 2006 £'000		31st March 2007 £'000
338	Work in Progress	189
2,044	Stock	1,928
2,382		2,117

28. Debtors

28a. Long Term Debtors

31st March 2006 £'000		31st March 2007 £'000
160	Mortgages	112
210	Car Loans to Employees	176
1	Other	0
371		288

28b. Short Term Debtors

31st March 2006 £'000		31st March 2007 £'000
3,689	Government Departments	9,221
4,730	VAT	4,069
4,048	Other Local Authorities	2,930
13,603	NNDR, Council Tax and Poll Tax	14,544
2,960	Housing Rents	2,931
23,124	Miscellaneous Debtors	23,186
3,376	Pre payments	4,806
12,990	Capital Debtors	8,899
68,520		70,586
(10,292)	Provision for Doubtful Debts	(12,048)
58,228		58,538

The provision for doubtful debts as at 31 March 2007 includes the following:

- Housing Rents £2.2m, Housing Benefits £2.1m
- Collection Fund Provision £5.6m. This is after the write-off of £0.4m for Council Tax, and £0.7m for NNDR.
- Other doubtful debt provisions amounting to £2.1m relate to general income and commercial rents.

29. Investments

a) Longer Term Investments

31st March 2006 £'000		31st March 2007 £'000
3,985	Home Come Ltd	6,749
-	Money Market Investments	4,500
3,985		11,249

Further details in relation to the Council's investment in HomeCome Ltd are provided at note 41 - related companies.

b) Short Term Investments

Short term deposits total £68.517m as at the 31st March 2007 (£79.639m as at 31st March 2006).

c) Other Investments

Investments have been made in the Great Central Railway of £0.25m. The market value has not been assessed and therefore is not included in the accounts.

30. Landfill Allowances Trading Scheme (LATS)

This scheme commenced operation from 1st April 2005 and is underpinned by the Waste and Emissions Trading Act 2003. Under this scheme the government allocates tradable landfill allowances for 15 years to each local authority that has responsibilities for waste disposal. These authorities are able to buy and sell their allowances but only between each other. At the end of each year their landfill usage is verified and any authority not holding sufficient allowances to meet this liability will be required to pay a penalty to the government.

The authority has received allowances for the year 2006/07 of 81,887 tonnes. The estimated landfill usage is 66,048 tonnes. The authority did not buy or sell any allowances during the year. Unused and carried forward allowances from 2005/06 were 13,531 tonnes, held in the balance sheet at £20.20 per tonne. During the course of the year DEFRA have verified the actual landfill, resulting in an increase in the carry forward allowances of 6,025 to 19,556.

DEFRA has advised that the average traded value of allowances during 2006/07 has been £17.98. Activities during 2006/07 are summarised in the table below:

Total Value £'000		Volume in Tonnes	Value per Unit (£)	Total Value £'000
0	Balance Brought Forward	13,531	20.20	273
0	Adjustment for 2005/06 DEFRA verified landfill	6,025	20.20	122
1,756	In year Allowances - Initial recognition	81,887	20.20	1,654
1,756	Total Allowances held before 2006/07 Landfill	101,443	20.20	2,049
0	Impairment of carried allowances to the DEFRA 2006/07 valuation (£20.20- £17.98 = £2.22)		(2.22)	(225)
1,756	Allowances held at 31st March (Current Asset)	101,443	17.98	1,824
(1,483)	Estimated Landfill (Liability - Provision)	(66,048)	17.98	(1,188)
273	Unused Allowances / Surplus	35,395	17.98	636

The allocation of allowances has been treated as grant income and the estimated landfill has been treated as expenditure. These transactions have been included in the Cultural, Environmental and Planning Services line of the Income and Expenditure Account, and the surplus shown in the above table is held in an earmarked reserve (see note 38). This reserve may only be used to meet future costs or deficits arising from this scheme.

The allowances have been shown in the Balance Sheet as at 31st March 2007 as a current asset and the estimated landfill usage as a liability (note 36). During 2007/08 the estimated landfill for 2006/07 will be verified and the liability will be discharged and written down accordingly.

31. Creditors

31st March 2006 £'000		31st March 2007 £'000
5,901	Government Departments	12,115
0	PCT Grant (See Note 17)	3,600
2,424	PWLB/Stock/Loan Interest	2,269
6,533	Inland Revenue	6,917
5,097	Other Local Authorities	4,182
3,210	NNDR, Council Tax and Poll Tax	3,753
35,993	Miscellaneous Creditors	39,916
10,773	Receipts in advance	11,741
3,646	Capital Creditors	3,314
73,577		87,807

32. Deferred Premia/ Discounts & Deferred Capital Receipts

Deferred Premia

This represents deferred premia on premature loan redemption and stock issue discounts. PWLB premia and stock issue discounts are amortised to revenue over an appropriate period. The balance at the end of the year was £1,077,874 (2005/06 - £1,166,987).

Deferred Discounts

Loans have been redeemed early with the PWLB, resulting in a discount, which will be credited to the revenue account over a number of years: the balance at the year-end was £3,160,716 (2005/06 - £409,718).

Deferred Capital Receipts

This balance of £112,016 (2005/06 - £159,653) represents deferred receipts relating to the sale of assets on a mortgage basis. This sum will reduce as the debt is repaid.

33. Long Term Borrowing

Total Outstanding 31st March 06 £'000	Source of Loan	Range of Interest Rates Payable %	Total Outstanding 31st March 07 £'000
219,021	Public Works Loan Board	3.70 - 10.13	218,431
107,191	Other Bodies	3.35 - 7.00	109,139
326,212			327,570

An analysis of loans by maturity is:

Outstanding at 31st March 06 £'000	Maturity date	Outstanding at 31st March 07 £'000
0	1-2 years	0
4,531	2-5 years	4,531
77,790	5-10 years	0
243,891	More than 10 years	323,039
326,212		327,570

34. Capital Instruments

Finance & Interest Rate Risk

The Council manages its interest rate exposure through fixed and variable rate investments and fixed and variable rate loans.

The Council monitors its net exposure to fixed interest rates (fixed loans less fixed rate investments) divided by net debt (total loans less total investments). The policy is that this exposure should not exceed 120% (although temporary breaches are permitted).

The Council monitors its net exposure to fixed variable rates (variable rate loans less variable rate investments) divided by net debt (total loans less total investments). The policy is that this exposure should not exceed 45% (although temporary breaches are permitted). The Council complied with the above policies during 2006/07.

Liquidity Risk

The Council manages its liquidity requirements through short term borrowing in the money markets. In addition the minimum percentage of its overall investments that the Council will hold in short-term investments is 60%.

Refinancing Risk

The table below shows the analysis of loans by maturity, assuming that all loans are repaid at the earliest possible maturity:

Outstanding at 31st March 2006 £	Maturity Date	Outstanding at 31st March 2007 £
20,534	0 – 1 Years	52,804
78,084	1 – 2 Years	27,013
4,531	2 – 5 Years	25,279
223,064	> 5 Years	222,473
326,212		327,570

Borrowing Facilities

The Council has access to unlimited borrowing facilities from the Public Works Loans Board.

Fair Value Of Financial Assets & Financial Liabilities

The majority of the Council's loans and investments are not traded and it is not possible to establish the fair value of these.

These include long term commercial loans with a nominal value of £96m that are shown in the Balance Sheet at a carrying amount of £101m. The difference between these two figures represents a charge to the Income and Expenditure Account that has not yet been paid. These loans are not publicly traded through an exchange although lenders may sell them at a price agreed by negotiation. It is understood that the lenders have funded these loans themselves through a series of swap-options. The underlying basis of the funding has not been disclosed to the Council and the price of swap-options is not openly disclosed in the financial markets.

The Council's loans also include £9m of loan stock, being the residue of an £80m stock issue, £72m of which was repurchased in 2004. There is no active market in these loans on which to assess the fair value of the loan and, if sold, the price would be set by negotiation. Whilst it is not possible to predict the price at which the holders of this loan stock would sell them it is considered that it is unlikely to exceed £11m.

35. Deferred Liabilities

Total deferred liabilities are £39,772,500. This relates to debt raised by the County Council for which responsibility transferred to the City Council on Local Government Reorganisation. 4% of the outstanding debt at the previous balance sheet date (£41,429,690) has been repaid each year.

36. Provisions

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

	Note	Balance at 1st April 2006 £'000	Increase / (Reduction) £'000	Balance at 31st March 2007 £'000
Equal Pay	a	0	10,400	10,400
Insurance	b	7,450	(168)	7,282
Housing Benefits	c	1,948	589	2,537
Landfill Usage	d	1,483	(295)	1,188
Sec 117 Mental Health Act	e	900	(52)	848
Housing DSO - Stock	f	0	124	124
Total Provisions		11,781	10,598	22,379

a) Equal Pay

During 2006/07 the authority has established a provision of £10.4m as described in note 17 to the core financial statements.

b) 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 £7.3m is held as a Provision, being the amount estimated by the Council's actuaries that will be required to meet claims already received. A further sum of £6.5m is held as an earmarked reserve (as note 38 below), to meet the costs of liabilities incurred for which claims have not been received.

c) Housing Benefit Subsidy Claims

The 2005/06 and 2006/07 benefit subsidy grant claims are outstanding.. This could potentially result in a claw back of subsidy from the City Council by the Department of Work and Pensions. Accordingly, a provision of £2.5m has been established representing 1.5% of outstanding claims for the 2005/06 claim and 1% for the 2006/07 claim.

d) Landfill Usage

This liability relates to the Landfill Allowances Trading Scheme as outlined in note 30 to these Accounts. It represents a liability to DEFRA for the authorities estimated 2006/07 landfill usage. This liability will be discharged in 2007/08 once the landfill usage has been verified.

e) 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, which could be payable over the next two to three years depending on a number of factors.

f) Housing DSO Stock

This sum is held against obsolete or damaged stock within the Housing Direct Service Organisation and represents 10% of the value of stock held as at 31st March 2007.

37. Movements on Reserves

The table below shows the movements in the authority's reserves during the year. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserves /	Balance at 1st April 2006 £'000	Net Movement in Year £'000	Balance at 31st March 2007 £'000	Purpose	Further details of movements
Capital Financing Account	154,591	8,199	162,790	Store of capital resources set aside to meet past expenditure (See further details below)	(a) below
Fixed Asset Restatement Account	1,099,673	198,337	1,298,010	Store of gains on revaluation of fixed assets (See further details below)	(b) below
Usable Capital Receipts	229	(229)	0	Proceeds of fixed asset sales available to meet future capital investment (see further details below)	(c) below
HRA Major Repairs Reserve	1,173	(673)	500	Resources available to meet capital investment in council housing	Note 13 to the HRA
Pension Reserve	(195,755)	53,378	(142,377)	Balancing account to allow inclusion of authority's share of pension liability in balance sheet	Note 43 to the Core Financial Statements
Equal Pay Back Pay Account	-	(10,400)	(10,400)	Temporary reserve to hold the deferred cost of providing for compensation until such time as any payment is made.	Note 17 to the Core Financial Statements
Earmarked Reserves	52,958	2,733	55,691	Reserves earmarked for a specific purpose	Note 39 to the Core Financial Statements

Reserves / Balances	Balance at 1st April 2006 £'000	Net Movement in Year £'000	Balance at 31st March 2007 £'000	Purpose	Further detail of movements
General Fund Balance	8,069	43	8,112	Resources available to meet future running costs for non housing services and as a contingency against any unforeseen circumstances	Statement of Movement on General Fund Balance
Housing Revenue Account Balance	3,371	(460)	2,911	Resources available to meet future running costs for housing services and as a contingency against any unforeseen circumstances	Statement of Movement on Housing Revenue Account Balance
Collection Fund Balance	2,715	(575)	2,140	The cumulative surpluses relating to council tax and NNDR collection. These are shared between the city Council and the precepting bodies (Leicestershire Police and Fire Authorities)	Collection Fund Account - Page 73
Total Reserves & Balances	1,127,024	250,353	1,377,377		

Capital Accounting

Accounting practice in local government requires the use of a number of technical and complex capital accounts, most of which are unique to local authorities. The following tables provide further analysis of these accounts:

2005/06 £'000	(a) Capital Financing Account	2006/07	
		£'000	£'000
126,451	Balance Brought Forward		154,591
	<u>Capital Financing</u>		
8,677	Revenue	11,158	
15,492	Usable Capital Receipts	11,043	
13,194	Major Repairs Reserve	13,355	35,556
	<u>Other movements</u>		
(26,208)	MRP less depreciation		(23,159)
3,292	Voluntary Set Aside		2,999
(7,849)	Written off deferred charges		(9,286)
10,524	Prior Year Adjustment - MRA		-
(7,615)	HRA Premia & Discounts		(5,154)
18,633	Government Grants Deferred - Amortisation		7,243
154,591	Balance at 31st March		162,790

2005/06 £'000	(b) Fixed Asset Restatement Account	2006/07 £'000
1,051,629	Balance Brought Forward	1,099,673
71,900	Revaluation of fixed assets	221,624
(23,822)	Disposal of fixed assets	(23,158)
(34)	Impairment loss	(129)
1,099,673	Balance at 31st March	1,298,010

2005/06 £'000	(c) Usable Capital Receipts	2006/07	
		£'000	£'000
787	Balance Brought Forward		229
24,438	Receipts in year	23,157	
(9,504)	Housing Revenue Account pooled receipts	(12,343)	
(15,492)	Applied to fund capital expenditure		10,814
			(11,043)
229	Balance at 31st March		0

38. Analysis of Net Assets Employed

A breakdown of the net assets employed by the General Fund and the Housing Revenue account is given below:

Balance as at 31st March 2006 £'000		Balance as at 31st March 2007 £'000
434,219	General Fund	480,928
692,805	Housing Revenue Account	896,449
1,127,024		1,377,377

In legal terms both elements disclosed above constitute part of the General Fund.

39. Earmarked Reserves

The table below provides a list of earmarked reserves held by the authority at the end of the financial year. A brief explanation of the nature and purpose of the more significant reserves is also provided below.

	Balance at 1st April 2006 £'000	Receipts/ Transfers to reserve £'000	Payments/ Transfers from reserve £'000	Balance at 31st March 2007 £'000
Schools Revenue Balances	12,083	3,474	(74)	15,483
Education Funds	11,855	5,048	(4,836)	12,067
Insurance Reserve (Note 36)	4,430	2,756	(720)	6,466
Building Schools for the Future	0	3,088	0	3,088
Job Evaluation	1,330	1,500	(493)	2,337
Supporting People	2,062	175	(100)	2,137
Business Improvement Project	1,008	500	(363)	1,145
Miscellaneous	1,353	1,574	(2,041)	886
LPSA Rewards	212	976	(389)	799
IT Fund	981	74	(323)	732
Landfill Allowances Trading Scheme	273	363	0	636
Area Committee Grants	0	501	0	501
Housing Maintenance	211	256	0	467
Butterwick House	409	0	0	409
Payback Fund	302	42	(6)	338
NNDR Revaluation	339	0	(24)	315
Central Maintenance Fund	458	7,298	(7,455)	301
Tenancy Support Building Reserve	278	0	0	278
Childrens Services	275	0	0	275
On Street Parking	136	1,952	(1,858)	230
Resources Investment Reserve	613	11	(427)	197
Cost of Elections	249	0	(66)	183
Community Cohesion Fund	64	31	0	95
Total Revenue Reserves	38,921	29,619	(19,175)	49,365
Capital Reserve	14,037	6,812	(14,523)	6,326
Total Earmarked Reserves	52,958	36,431	(33,698)	55,691
Service department Reserves carried forward/(overdrawn)				393

Schools' Revenue Balances

Statutory Schools Reserves provide for school surpluses to be carried forward into the following year and these reserves are retained by schools. The total level of balances at 31st March 2007 is £15.5m: this includes 6 schools with deficits totalling £0.2m offset against the remaining school surpluses of £15.7m.

Education Funds

This amount comprises £9m of ring-fenced school reserves which are not devolved to schools, and include unspent Dedicated Schools Grant of £2.4m. These monies are ring-fenced to the schools block and not available for general spending. In addition, the department holds £3m of reserves which are a contingency to deal with budgetary pressures that arise in a department with a number of volatile budgets and to meet the cost of the ongoing transformation of Children's Services.

Building Schools for the Future (BSF)

Funding for the costs of borrowing to meet the BSF programme have already been made available by the DfES. As this was provided in advance of need, it needs to be set aside until required.

Job Evaluation

Job Evaluation is a project arising from the national Single Status Agreement in 1997 that requires the authority to carry out a pay and grading review. This reserve was established in 2004/05 to meet the expected costs of implementing a new job evaluation scheme, and the costs of pay protection when the scheme is operational.

Supporting People

This is a government programme working in partnership with local authorities, service users and support agencies to provide funding to support vulnerable people. The reserve relates to carried forward grant allocations that are ring-fenced for this programme and cannot be used for other purposes.

Capital Reserve

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

40. Trust Funds

Bradgate Park and Swithland Wood Charity

The City Council, jointly with the Leicestershire County Council acts as Holding Trustee for the property of the Bradgate Park and Swithland Wood charity. Separate Trustees, some of whom are appointed by the City Council, are responsible for the administration of the charity.

The net assets of the charity as at 31st March 2007 were £640,468 (2006: £622,232)

The total expenditure for the year ended 31st March 2007 was £780,043 (£681,923) and total income £798,279 (£712,519).

The net assets are not included in the Balance Sheet and no account of the surpluses for previous years has been made in the Council's Income and Expenditure Account.

Education Trust Funds

The City Council acts as trustee for a number of education funds. These trust funds were transferred from Leicestershire County Council on 1 April 1999.

The total book values of investments plus cash balances of the funds are as follows:

	Balance at 1st April 2006	Income	Expenditure	Balance at 31st March 2007
	£'000	£'000	£'000	£'000
Alderman Newton's School	12.4	0.9	0.0	13.3
Moat Community College	63.3	4.7	0.0	68.0
Others	78.1	4.4	(0.1)	82.4
TOTAL	153.8	10.0	(0.1)	163.7

41. Related Companies and Consortia

ESPO

The City Council along with six other local authorities is a member of the Eastern Shires Purchasing Organisation (ESPO). This is a Joint Committee involved in the letting of contracts for supplies and services to its members and others, together with the provision of a central warehouse for the supply of items in common use. During the year direct payments to ESPO from the City Council totalled £3.2m (£3.7m in 2005/06) in respect of supplies and other services.

HomeCome Ltd

HomeCome Ltd is a not-for-profit limited company set up by the Council under its well being powers (Local Government Act 2000) in spring 2004. Other member bodies include the Leicestershire Chamber of Commerce and the Leicester Federation of Tenants Association. The company was set up to create new affordable housing by purchasing properties from the City Council, on the open market and building new properties. These properties are purchased by means of affordable rent grant from the Council (up to a maximum of 75% of the property value) with the remaining amount financed from external loans secured against the properties. In return for this affordable rent grant the Council retains a proportionate equity share in the properties, which has been treated as an investment in these accounts. The City Council has 49% of voting rights in the company and needs the support of one other member in order to change the constitution.

The company made a small profit of £5,310 for the year ending 31st August 2006. (loss of £6,219 for the period 31st March 2004 to 31st August 2005). As at 31st August 2006 the net assets of the company stood at £6.2m, and liabilities were £6.2m of which £4m related to the City Council, and £2.2m external loans. Copies of the HomeCome's accounts are available from the City Council's Adults and Housing Department.

42. Group Accounts

The Council has considered the status of its relationships with partner organisations and has concluded that none of these gives rise to a group relationship, as defined by the CIPFA statement of recommended practice.

43. Pensions

Introduction

The authority is required to account for its pension costs under FRS 17 Retirement Benefits. This means that FRS 17 based pension assets and liabilities are included in the accounts, rather than the actual payments made in relation to pension during the year. The objective of FRS 17 is to ensure that the authority's financial statements reflect the fair value of future pension liabilities which have been incurred, and the extent to which assets have already been set aside to fund them. This note explains the accounting requirements and the assumptions used in implementing FRS 17 in the accounts.

The Leicestershire County Council Pension Fund is treated as a defined benefit scheme under FRS 17, since the authority's liabilities to its current and former employees can be identified within the fund, and the authority will be liable to meet these irrespective of the future performance of the fund.

Impact on the Income and Expenditure Account

The Council pays employers' contributions into the Pension Fund which provides its members with defined benefits relating to pay and service. The contributions are based on rates determined by the fund's professionally qualified actuaries based on triennial valuations, the most recent of which was at 31 March 2004. The actuarial valuation states that assets held at the valuation date were sufficient to cover 87% of accrued liabilities assessed at that date. Employer contributions are set so as to achieve 100% funding at a future date, as advised by the actuary.

In 2006/07 the Authority paid a contribution of £23.6m (2005/06: £22.7m) based on 15.0% of employees' reckonable pay (2005/06: 15.0%). A further sum amounting to £0.4m (2005/06- £0.5m) was paid to compensate the pension fund for the additional strain placed on the fund as a result of employees retiring early. Under FRS 17 the current service cost (the increase in the value of scheme liabilities expected to arise from employee service in the current period) is charged to the income and expenditure account rather than the actual payments to the fund. The actuary's estimate of the current service cost in 2006/07 was £32.5m. (2005/06: £24.5m).

The following table is a summary of the transactions within the Income and Expenditure account under FRS 17 during 2006/07. However, local authorities are not required to fund expenditure relating to FRS 17 and therefore the transactions are reversed before impacting on the General Fund Reserve balance as shown in note 3.

2005/06 £'000	a) Transactions in the Income and Expenditure Account	2006/07 £'000
24,500	Current Service Cost	32,500
122	Past Service Cost	32
733	Gains and Losses on Settlements and curtailments	845
(30,600)	Expected Return on Employer Pension Assets	(38,100)
32,800	Interest on Pension Liabilities	37,500
(22,700)	Reversal of Payments to the Pension Fund	(23,600)
(2,800)	Contributions in respect on Unfunded Benefits	(2,900)
2,055	Net Transfer from Pension Reserve	6,277

Further costs arise, not covered by the pension fund, in respect of discretionary additional benefits granted to retired employees, and in 2006/07 these amounted to £1.2m for employees in the Local Government Pension Scheme (2005/06: £1.2m) and £1.7m for employees in the Teachers' Pension Scheme (2005/06: £1.6m). These figures reflect decisions made over many years and include the costs arising from those employees retiring early as a result of Local Government Reorganisation (LGR).

The City Council also paid £12.2m to the Teachers' Pension Agency in respect of teachers' pension costs.(2005/06: £11.8m) This represented a contribution rate of 13.65% of pensionable pay. (2005/06: 13.5%). The Teachers' Pension scheme is an unfunded scheme administered by the Teachers' Pension Agency on behalf of the Department for Education and Skills.

Impact on the Balance Sheet

The Authority had the following accumulated investment assets and estimated future pensions liabilities. The net pension liabilities and the corresponding pension reserve in the Balance Sheet represent a significant decrease in the overall level of reserves. However, this does not represent a reduction in the cash reserves held by the authority, and does not impact on council tax levels.

31 March 06 £'000	b) Analysis of Net Liability	31 March 07 £'000
750,655	Estimated Liabilities in scheme	767,777
554,900	Estimated Assets in scheme	625,400
195,755	Net Liability	142,377

The following table summarises the movement during the year on the Pension Reserve:

31 March 06 £'000	c) Summary of Movement on Pension Reserve	31 March 07 £'000
169,995	Brought Forward	195,755
2,055	Transfer from the Income and Expenditure Account - as detailed in table (a) above	6,277
23,705	Actuarial (Gains) / Lossess - as detailed in table (f) below	(59,655)
195,755	Net Liability	142,377

Liabilities have been assessed using the “projected unit” method which makes assumptions about mortality rates, and future salary levels. The fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:

2005/06 per annum %	d) Assumptions made by the Actuaries	2006/07 per annum %
3.1	Price Increases	3.2
4.6	Salary Increases	4.7
3.1	Pensions Increase	3.2
4.9	Rate for Discounting Scheme Liabilities	5.4

Assets in the fund are valued at “fair value”, principally market value for investments, and consist of the following categories, by proportion:

Fund Value As at 31st March 2006 %	e) Assets: Whole Fund	Long Term Return Per Annum %	Fund Value As at 31st March 2007 %
73	Equity Investment	7.8	71
15	Bonds	4.9	17
9	Property	5.8	9
3	Cash	4.9	3
100	Total		100

The actuarial gains can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007.

f) Analysis of Actuarial (gain)/ loss	2002/03		2003/04		2004/05		2005/06		2006/07	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Differences between expected and annual return on assets	92,800	32.3	(55,400)	(14.7)	(14,300)	(3.3)	(75,795)	(13.6)	(11,355)	(1.8)
Differences between actuarial assumptions about liabilities and actual experience	(1,000)	(0.3)	200	0.0	17,100	1.3	5,700	0.8	1,500	0.2
Changes in demographic and financial assumptions used to estimate liabilities	-	-	-	-	107,800	18.0	93,800	12.5	(49,800)	(6.5)
Actuarial (gain)/loss recognised in Statement of Total Recognised (Gains) and Losses	91,700	22.9	(55,200)	(12.6)	110,600	18.5	23,705	3.2	(59,655)	(7.8)

The liability as at 31 March 2007 arising from discretionary additional benefits granted to employees has been assessed at £48.9m by the actuary in accordance with FRS17 principles, and this figure is included in the Pensions Liability shown on the balance sheet. This figure is (essentially) an estimate of the total amount the Council will have to pay in future years.

The figure of £48.9m comprises:-

	2005/06 £	2006/07
Amount arising from decisions taken in year	854,800	877,100
Amount arising from decisions taken in earlier years	47,945,200	48,022,900

For further information about the pension fund contact:

The Director of Resources
Leicestershire County Council
County Hall
Glenfield
Leicester, LE3 8RB.

Notes to the Cash Flow Statement

46. Net Cashflow From Revenue Activities

As at 31st March 2006	Reconciliation of (surplus) / deficit to net revenue cash flow	Note	As at 31st March 2007	
£'000			£'000	£'000
	(Surplus) / Deficit for the year:			
(1,977)	Income and Expenditure Account (surplus)/deficit		30,351	
(823)	Collection Fund (surplus)/deficit		575	
(2,800)				30,926
	Non-cash transactions:			
(16,618)	Depreciation and Impairment of Fixed Assets		(16,880)	
(7,849)	Deferred Charges written down		(9,286)	
18,633	Government Grant Deferred Amortisation		7,243	
(2,055)	Transfers to the Pensions Reserve		(6,277)	
(24,238)	Internal capital financing and other non-cash transactions		(19,681)	
(32,127)				(44,881)
	Items on an accruals basis:			(13,955)
(1,907)	Increase/(decrease) in Revenue Debtors		4,401	
96	(Increase)/decrease in Revenue Creditors		(14,562)	
688	Increase/(decrease) in Stocks and W.I.P		(265)	
(2,322)	(Increase)/decrease in Provisions		(10,598)	
1,122	Increase/(decrease) in Deferred Premia		(89)	
(275)	(Increase)/decrease in Deferred Discounts		(2,752)	
(2,598)		49		(23,865)
(37,525)	Net Cashflow from Revenue Activities			(37,820)

47. Movement in Financing Items

As at 31st March 2006 £'000	Movements in Borrowing	As at 31st March 2007 £'000	Movement £'000
(219,021)	Public Works Loan Board (PWLB):		
	Long Term	(218,431)	590
0	Short Term	0	0
(8,568)	Stock Issue	(8,568)	0
(6)	City of Leicester Bonds	(6)	0
(96,300)	LOBO Loans	(96,300)	0
(41,430)	Leicestershire County Council	(39,773)	1,657
(3,262)	Temporary Loans	(9,777)	(6,515)
(368,587)	Net Movement	(372,855)	(4,268)

48. Movement in Cash & Deposits (Liquid Resources)

As at 31st March 2006 £'000	Movements in cash and cash equivalents	As at 31st March 2007 £'000	Movement £'000
(5,673)	Cash and bank overdrawn	(3,792)	1,881
79,639	Liquid Deposits	68,517	(11,122)
73,966	Net cash inflow/(outflow)	64,725	(9,241)

49. Items on an Accruals Basis

As at 31st March 2006 £'000	Movements in other current assets and liabilities	As at 31st March 2007 £'000	Movement £'000
45,238	Revenue Debtors	49,639	4,401
(69,931)	Revenue Creditors	(84,493)	(14,562)
2,382	Stock and W.I.P	2,117	(265)
(11,781)	Provisions	(22,379)	(10,598)
1,167	Deferred Premia	1,078	(89)
(409)	Deferred Discounts	(3,161)	(2,752)
(33,334)	Net Movement	(57,199)	(23,865)

50. Analysis of Government Grants

Revenue Grants	2006/07 £'000
Education	
Standards Fund	29,385
Other Education	21,181
Social Care and Health	
Youth Offending Team Grants	1,217
Mental Health Grants	1,579
Drug Intervention Programme	1,904
Carer Grants	1,209
Other Social Care and Health	2,628
Regeneration and Culture	
SRB	1,439
Other Regeneration and Culture	471
Housing	
Supporting People	15,914
Other Housing	4,511
Corporate	
NRF	7,693
Waste Management PFI	2,591
Local Area Agreement	4,353
LPSA	2,230
Other	121
Total	98,426

Capital Grants	2006/07 £'000
Standards Fund	8,792
Single Regeneration Budget	847
Neighbourhood Renewal Fund	1,214
Children's Centre (DfES)	5,158
Local Public Service Reward Grant	1,196
City of Leicester Primary Care Trust	4,100
Building Schools for the Future	6,130
Total	27,437

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT

2005/06 £'000		Note	2006/07 £'000
	Income		
56,473	Dwellings Rents	4	58,429
1,143	Non- dwelling Rents	5	1,121
3,281	Service Charges	5	3,470
4,372	HRA Subsidy	9	2,450
284	Contributions from General Fund		291
65,553	Total Income		65,761
	Expenditure		
11,175	General Management		12,561
4,331	Special Management	2	4,346
22,333	Repairs & Maintenance		24,849
285	Rent, Rates, Taxes & Other Charges		341
224	Contribution to Bad Debt Provision	3	195
12,506	Depreciation	12	12,800
64	Debt Management Expenses		65
50,918	Total Expenditure		55,157
(14,635)	"Net Cost of Services"		(10,604)
(232)	(Gain) or Loss on Sale of HRA Assets		(199)
9,878	Loan Charges - Interest		9,106
(621)	Investment Interest		(569)
0	Pensions - Interest on Liabilities	14	4,797
0	Pensions - Expected Return on Assets	14	(4,874)
(4)	Mortgage Interest		(3)
8,538	Amortisation of Premia and Discounts		6,701
2,924	Deficit for the Year		4,355

STATEMENT ON MOVEMENT OF HRA BALANCE

2005/06 £'000			2006/07 £'000
2,924	Income and Expenditure Account - Deficit for the Year		4,355
	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		
	Difference between amounts charged to Income and Expenditure		
(7,615)	- Account for amortisation of Premia and Discounts and the charge for the year determined in accordance with statute.		(5,154)
-	- HRA Share of contributions to/ (from) the Pension Reserve	14	(1,012)
232	- Gain or (Loss) on Sale of HRA Fixed Assets		199
5,981	- Capital Expenditure Financed from Revenue Account	10	1,550
240	- HRA Set-Aside (MRP)		640
(157)	- Transfers from Major Repairs Reserve	13	(118)
(481)	- Transfers from Housing Trading Reserve		-
1,124	Net Movement on the Housing Revenue Account in Year		460
(4,495)	Balance Brought Forward		(3,371)
(3,371)	Balance Carried Forward		(2,911)

Notes to the Housing Revenue Account

1. Housing Revenue Account

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

2. Special Services

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

3. Rent Arrears and Provision for Bad Debts

Rents and Service Charges:

The provision considered to be necessary at 31 March 2007 in respect of uncollectable debts amounts to £2.187m (£2.110m in 2005/06). This is calculated on a rent, water and service charge arrears balance of £2.931m (£2.960m in 2005/06).

4. Net Rent Income From Dwellings

2005/06		2006/07
£'000		£'000
56,473	Total Rent Income from Dwellings	58,429
(37,652)	Less Housing Benefit	(39,095)
18,821		19,334

5. Non-dwelling Rents and Service Charges

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

6. Housing Stock

The City Council was responsible for managing a stock of 22,664 dwellings at 31st March 2007, of which 14,246 were houses or bungalows and 8,418 were flats. During the year the following movements took place:

2005/06		2006/07
258	Right To Buy Sales	293
20	Sales to H.A.s/Losses on Conversions/Others	42
278	Net decrease	335

7. Value of HRA Assets

Value at 1st April 2006 £'000		Value at 31st March 2007 £'000
802,138	Operational Dwellings	952,179
5,434	Other Land & Buildings	5,071
807,572		957,250
6,247	Non-Operational Other Land & Buildings	9,371
813,819		966,621

8. Vacant Possession value of Council Dwellings

The vacant possession value of council dwellings at 31st March 2007 was £1,904m. At the same date the balance sheet value of council dwellings was £952m. The difference of £952m 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.

1st April 2006 £'000		31st March 2007 £'000
1,604,276	Vacant Possession Values	1,904,358

9. HRA Subsidy

The amount of HRA Subsidy in the 2006/07 HRA accounts is £2.450m, comprising:

2005/06 £'000		2006/07 £'000
218	Prior years - audit adjustments	19
12,349	Major Repairs Allowance (MRA)	12,682
(8,195)	Notional Account Surplus (Housing Element)	(10,251)
4,372		2,450

10. Capital Expenditure

The Major Repairs Reserve and the Major Repairs Allowance

A large part of HRA capital expenditure is financed by the Major Repairs Reserve (MRR), which is itself funded by the Major Repairs Allowance (MRA). The MRA is part of housing subsidy and represents an annual amount intended to be equivalent to the cost of maintaining the housing stock in its current condition. It is calculated by the Government using a range of national and regional cost factors applied to the Council's stock profile. The calculated allowance is intended to reflect the annual cost to the authority of replacing individual building components as they reach the end of their useful life.

HRA capital expenditure on land, houses and other property in 2006/2007 totalled £25.771m, financed as follows: -

2005/06 £'000		2006/07 £'000
13,194	Major Repairs Reserve	13,355
5,406	Use of Supported Borrowing	4,296
10,000	Use of Unsupported Borrowing	5,366
1,240	Usable Capital Receipts	-
5,981	Financing from Revenue Account	1,550
-	Primary Care Trust (PCT) Grant	1,204
60	Misc Contributions	-
35,881	Total	25,771

11. Capital Disposals

HRA capital disposals in 2006/07 were as follows: -

2005/06		2006/07		
Total Receipts £'000		Total Receipts £'000	Usable £'000	Pooled/Set-aside £'000
13,048	Right to Buy (RTB) Sales	16,379	4,055	12,324
3,369	Non RTB Sales	449	449	-
17	Mortgages	25	6	19
16,434	Totals	16,853	4,510	12,343

12. Depreciation

A breakdown of the depreciation charge is provided in the table below.

2005/06 £'000		2006/07 £'000
12,349	Dwellings	12,682
157	Other Land, Buildings and Garages	118
12,506	Total Depreciation	12,800

13. Use of the Major Repairs Reserve

2005/06 £'000		2006/07 £'000
(2,018)	Balance 1st April	(1,173)
(12,506)	Depreciation credited	(12,800)
157	Transfer to HRA	118
13,194	Capital Expenditure on Land, houses and other property within the authority's HRA	13,355
(1,173)	Balance as at 31st March	(500)

14. HRA Contributions to the Pensions Reserve

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

2005/06 £'000		2006/07 £000
	Pension Costs included in Net Cost of Service	
0	Current service cost	(1,089)
0	Past service cost	0
0		(1,089)
	Pension Interest Cost and Expected Return on Assets	
0	Interest on liabilities	(4,797)
0	Expected return on assets	4,874
0		77
0	Balance as at 31st March	(1,012)

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

2005/06			2006/07	
£'000		NOTE	£'000	£'000
	INCOME			
68,231	Council Tax Collectable	2	70,744	
	Transfers from General Fund:			
21,928	Council Tax Benefits		22,743	
84,847	Income from Business Ratepayers		87,748	
175,006	Total Income			181,235
	EXPENDITURE			
	Precepts and demands:	3		
75,243	Leicester City Council		78,050	
9,415	Leicestershire Police Authority		9,990	
3,220	Leicestershire Fire Authority		3,414	91,454
	Business Rates:			
83,437	Payments to National Pool	4	86,678	
52	NNDR Interest Payment		61	
532	Costs of Collection		530	87,269
2,000	Contributions in respect of previous year's surplus	5		1,747
	Bad and Doubtful Debts:	6		
2,970	Write-offs		1,104	
(2,502)	Provision		418	1,522
174,367	Total Expenditure			181,992
(639)	Fund (Surplus)/Deficit for the Year			757
(1,892)	Fund (Surplus)/Deficit brought forward			(2,715)
(184)	NNDR Discretionary Payments			(182)
(2,715)	FUND BALANCE AS AT 31ST MARCH	7		(2,140)

Notes to the Collection Fund

Income And Expenditure Account

1. General

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

2. Council Tax

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

Band	Estimated No. of Taxable Properties After Effect of Discount	Ratio	Band D Equivalent Dwellings
-A	145	5/9	81
A	61,484	6/9	40,989
B	19,668	7/9	15,298
C	11,936	8/9	10,610
D	4,837	1	4,837
E	2,359	11/9	2,883
F	1,101	13/9	1,590
G	522	15/9	870
H	35	18/9	70
102,087			77,228
Less adjustments for collection rates and for anticipated changes to liability to pay the tax.			(1,738)
Council Tax Base			75,490

The Council Tax collectable during 2006/07 was £93.5m. (including sums paid by means of Council Tax Benefits). This figure equates to an average number of Band D dwellings of 77,420. This is an increase from the 77,228 dwellings existing when the 2006/07 budget was prepared due to the following:

- 1) New properties
 - 2) Changes in discounts and exemptions allowed
 - 3) Changes in the level of discount given to second homes and long term empty properties.
-

3. Precepts and Demands

The following sums were paid from the collection fund:-

2005/06 £'000		2006/07 £'000
9,415	Leicestershire Police Authority	9,990
75,243	Leicester City Council	78,050
3,220	Leicestershire Fire Authority	3,414
87,878		91,454

4. Income from Business Rates – 2006/07

Under the national arrangements for business rates, the Council collects rates payable in the city, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool, based on a standard amount per head of resident population.

The total non-domestic rateable value at 31 March 2007 was £245,245,495 (£252,250,584 at 31st March 2006). The national non-domestic multiplier for the year was 43.3p (42.2p in 2005/06).

5. Contributions to Collection Fund Surpluses and Deficits

Share of Surpluses:

Council Tax

Every January, the Authority has to estimate the surplus for the collection fund at the end of the financial year. This has to be notified to the police and the fire authority, which are entitled to receive a share of any surpluses made in respect of Council Tax. This is detailed in the table below.

	City £	Police £	Fire £	Total £
Estimate Jan 2006	1,500,000	184,000	63,000	1,747,000

6. Bad and Doubtful Debts

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

Provisions	Bad Debt Provision			Bad Debt Write-offs in year £'000
	Balance at 1st April 2006 £'000	Increase / (Decrease) £'000	Balance at 31st March 2007 £'000	
Council Tax	4,163	419	4,582	422
NNDR	996	(1)	995	682
Total	5,159	418	5,577	1,104

7. Collection Fund Surpluses/Deficits

The Collection Fund account shows a cumulative surplus of £2,140,407 at 31 March 2007 (£2,714,883 at 31st March 2006). This is made up of £2,521,799 surplus on Council Tax, £42,322 surplus on Community Charge and £423,714 deficit on NNDR.

The surplus arising on the Council Tax during the financial year 2006/07 will be distributed between Leicester City Council, Leicestershire Police Authority and the Leicestershire Fire Authority in proportion to the respective precepts and demands.

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.

Accruals

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

Audit Commission

The Audit Commission is responsible for appointing external auditors to local authorities and setting standards for those auditors.

Best Value Accounting Code of Practice (BVACOP)

The authority's financial statements are produced in accordance with the BVACOP.

Capital Expenditure

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

Capital Financing

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

Capital Financing Requirement

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

Capital Programme

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

Capital Receipts

Money the Council receives from selling assets (buildings, land etc.). Capital receipts from 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.

Collection Fund

An account kept by the Council into which *Council Tax* is paid, and through which *NDR* payments pass, and which pays out money to fund expenditure from the *General Fund*, and the *precept* made by the Police and Fire Authorities.

Balance Sheet

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

Council Tax

This is a tax, which is levied on the broad (1990) capital value of domestic properties, and charged to the resident or owner of the property.

Creditors

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

Debtors

Amounts due to the Authority 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.

Deferred Charges

These are charges resulting from capital expenditure that does not result in the creation of a fixed asset and therefore has no continuing value to the authority.

Emoluments

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

Finance Procedure Rules

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

Financial Reporting Standards (FRSs)

Statements prepared by the Accounting Standards Committee. 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.

Housing Benefits

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

Housing Revenue Account (HRA)

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

Impairment Loss

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

Income and Expenditure Account

This Statement reports the net cost of all services and functions for which the authority is responsible for, and demonstrates how this has been financed from general government grants and income from local tax payers.

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.

Leasing

A method of financing the acquisition of assets, notably equipment, vehicles, plant, etc. over an agreed number of years.

Levy

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

LOBO Loans

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

Long Term Borrowing

Loans raised to finance capital spending which have to be repaid over a period in excess of 1 year from the date of the accounts.

Major Repairs Allowance (MRA)

The MRA is an element of housing subsidy, and represents the capital cost of keeping the HRA dwellings stock in its current condition. It largely replaces credit approvals as a means of financing HRA capital expenditure.

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.

Operational Assets

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

Precept

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

Private Finance Initiative

This is 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.

Prudential Borrowing

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

Prudential Indicator

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

Public Works Loan Board (PWLB)

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

Reserves

The amount of money still held at the end of a year, after allowing for all of the expenditure and income that has taken place. Earmarked reserves are those established for a specific purpose.

Revenue

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

Revenue Support Grant (RSG)

The main Government grant received to pay for expenditure from the *General Fund*.

Royal Institute of Chartered Surveyors (RICS)

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

Specific Grants

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

Statement of Recommended Practice (the 'SORP')

This document specifies the principles and practices of accounting required to prepare this document.

Statement of Total Recognised Gains and Losses (STRGL)

Demonstrates how the movement in net worth, shown in the balance sheet, is identified to the Income and Expenditure Account surplus or deficit.

Stocks and Work in Progress

Comprises the following categories; 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.

Trading Services

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

