



Leicester
City Council

Statement of Accounts

Year ended 31st March 2004

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FOREWORD

The purpose of the statement of accounts is to explain the Council's financial position as it stood at 31 March 2004, and to report its financial activity for the year ending at that date.

The detailed accounts and supplementary notes assume a general level of understanding of financial matters; however, the most significant matters are highlighted below.

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 2003/04, published by CIPFA (Chartered Institute of Public Finance and Accountancy).

The Authority's financial performance for 2003/04 is shown in the **consolidated revenue account (CRA)**, which is on page 21 of these accounts.

The CRA shows an analysis of the income and expenditure on services as defined by the Best Value Accounting Code of Practice (BVACOP). All local authorities are required to present this information in a consistent format to assist comparability.

For internal management purposes, service expenditure is controlled and monitored through service departments. Each department is allocated a budget and the corporate director of the department has responsibility for controlling and managing the budget. The budget is divided between General Fund services and Housing Revenue Account (HRA). It is monitored throughout the financial year and reported to members periodically.

For 2003/04, service departments were responsible for general fund expenditure of £197.7m compared to a budget of £198.5m. Although departments experienced difficulties during the year, early forecasts predicted break-even in most departments with the exception of the Education and Life long Learning; and Environment, Regeneration and Culture departments. During the course of the year both departments tightly controlled their expenditure in order to achieve a balanced outturn.

The resulting outturn shows that all departments have managed to achieve an outturn of at or below budget, although in some cases this has been facilitated by drawing on various departmental reserves. This is a pleasing result, and departments have done well to manage their budgets and achieve a balanced outturn. The net position for all service departments is an underspend of £0.8m. Under the Council's Finance Procedure Rules, each department's under or overspend is carried forward to be managed in the subsequent financial year.

The Authority's schools spent a total of £121.9m from a total budget of £125.3m. Under Government legislation, schools which underspend can add to their reserve balances, and schools which underspent in previous years can draw down these balances. Balances held by schools now total £9.2m.

Certain parts of the Council's budget are centrally managed, and are not controlled by any service department. A saving of £1.6m was made on these budgets, principally due to savings made in capital financing costs as a result of unprecedented levels of cash balances held.

The following table shows the total budget and funding of the General Fund. The Schools' outturn below includes £3.4m transferred to schools' reserves, and the Corporate Budgets' outturn includes a transfer of £1.6m to the general reserve.

	Budget	Net Expenditure / (Income)
	£m	£m
Budgets controlled by service departments	198.5	197.7
Schools' budgets	125.3	125.3
Corporate budgets	19.0	19.0
Total Budget/Expenditure	342.8	342.0
<u>Financing of Budget:</u>		
Revenue Support Grant (RSG)	(187.4)	(187.4)
Business Rates	(84.8)	(84.8)
Council Tax	(69.0)	(69.0)
Use of Reserves	(1.6)	0.0
Net Budget/Expenditure	0.0	0.8

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for the costs and income arising from the provision of rented housing.

The HRA produced a surplus of £0.3m for the year compared to a budgeted deficit of £0.4m, resulting in year-end reserves of £2.6m (which can only be used for housing purposes).

The **Consolidated Balance Sheet** presents the Authority's assets and liabilities as they stood at 31 March 2004. This is shown on page 39.

The Authority's fixed assets were valued at £1,524m, and the Authority's long-term debt stood at £305m. The Authority's fixed assets exceeded its debt by a factor of 5 to 1. The total debt includes £154m outstanding from the Public Works Loans Board; £9m raised by means of a stock issue due to mature in 2019; markets loans totalling £96; and £46m, which is debt on the books of the County Council, which the City is (indirectly) servicing following Local Government Reorganisation in 1997.

The Council undertook significant levels of debt re-structuring in 2003/04 in order to make future revenue savings. £71m of fixed rate long-term loan stock was refinanced by means of market loans. This incurred a premium of £14m which was funded by using investments.

No new loans were taken for any other purpose.

At the end of the year the balance on the Council's general fund amounted to £5.4m. This represents £4.6m of uncommitted reserves together with £0.8m of net service department underspending which will be carried forward to 2004/05. The Housing

Revenue Account had a balance amounting to £2.6m. The Council has a policy of maintaining a minimum level of £5.0m General Fund reserves and £1.5m HRA reserves. The 2004/05 budget contains a contribution of £0.6m to replenish the general reserve.

The Council also holds Earmarked Revenue Reserves. These are sums held for specific purposes and amount to £28.2m. The most significant item (other than school balances) is the fund which supports the Council's self-insurance arrangements, which stood at £8.4m on 31 March 2004.

The Councils overall financial position continues to require tight management given significant budgeting pressures on many services. This careful management resulted in the achievement of an outturn within budget in 2003/2004 with all significant pressures identified and contained during the course of the year.

Mark Noble CPFA
Chief Finance Officer

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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.
- Manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

Cllr Piara Singh Clair **Date**

Lord Mayor

The Chief Finance Officer's Responsibilities

The Chief Finance Officer (CFO) is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'), is required to present fairly the financial position of the Authority at the accounting date, and its income and expenditure for the year (ended 31 March 2004).

In preparing this statement of accounts, the CFO has:

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

The CFO has also:

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

M Noble CPFA
Chief Finance Officer

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Date



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 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 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 2004, and up to the date of approval of the accounts.

3. The internal control environment

The framework for internal control is set out in the Council's Local Code of Corporate Governance and the review of the effectiveness of internal control is carried out by the Council's Internal Audit section, in accordance with the Council's Internal Audit charter. The Council is committed to the development and maintenance of a system which:

- Demonstrates 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.

Support for the management of risk is provided through the Risk Management Section of Financial Services and through Risk Management Officers located in each

department who provide advice, support and training as required in support of risk management activities.

The Council also has a corporate Risk Management Group to facilitate development of the Councils' plans towards risk management.

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 2003/2006. 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 was re-written and approved by the full Council in March, 2002. The document 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.

c)	Ensuring compliance with established policies, procedures, laws and regulations	<p>The Council’s constitution clearly outlines the policies, procedures and regulations that must be adhered to by Officers and Members of the Council.</p> <p>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.</p>
d)	Ensuring the efficient, effective and economic use of resources (including securing continuous improvement)	<p>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, in addition to “Best Value” reviews, a number of efficiency reviews intended to identify more efficient and cost-effective ways of working. Current reviews include procurement, transport provision and property.</p>
e)	Ensuring adequate arrangements for Financial Management and Financial reporting	<p>The Council has developed a framework for budgetary control which 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 to take appropriate steps to ameliorate the position.</p>
f)	Ensuring adequate arrangements for Performance Management and reporting	<p>The Council has established performance management arrangements which 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.</p>

g)	Ensuring that the Council has an adequate Risk Management programme in place and is taking steps to embed this into the mainstream activities of the Authority	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.
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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. The review of the effectiveness of the system of internal control 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.

The Council's Resources and Equal Opportunities Scrutiny Committee has 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. A report is also presented annually to this Scrutiny Committee giving the findings of Internal Audit on the effectiveness of the internal control arrangements, with recommendations for any necessary improvements. The most recent report, presented to the Committee in September 2004, concluded that an effective system of internal control had been maintained during the previous year. This is supplemented by an annual summary, addressed to the Chief Finance Officer, of findings from Internal Audit work for the financial year in question. Separate reports set out the progress on any extant internal and external audit recommendations, including any recommendations for improvements in 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

There is currently no formal Risk Register in existence. A series of Risk profiling workshops have been held and this has resulted in all Departments developing their own lists of key risks, and the measures needed to manage them. These measures are currently being put into place, and a consolidated Risk Register is being compiled.

Signed: **(Chief Executive)** **(Date)**



AUDITORS' REPORT TO LEICESTER CITY COUNCIL

I have audited the statement of accounts on pages 17 to 62 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 17 to 20.

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 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Finance Officer and Auditor

As described on pages 5 and 6 the Chief Finance Officer is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003: A Statement of Recommended Practice. My responsibilities, as independent auditor are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on pages 7 to 11 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 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. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards 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 council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council'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 evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion the financial statements present fairly the financial position of Leicester City Council as at 31 March 2004 and its income and expenditure for the year then ended.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature:

Date:

Phil Jones
District Auditor

First Floor
Bridge Business Park
Bridge Park Road
Thurmaston
Leicester
LE4 8BL

GUIDE TO THE FINANCIAL STATEMENTS

Consolidated Revenue Account

The Consolidated Revenue Account shows the revenue expenditure incurred by the Authority in the provision of services and the income received from fees and charges, investment interest, government grants, and Council Tax. The statement also shows the contributions to or from reserves and from the Collection Fund.

This statement has been prepared in accordance with the CIPFA Best Value Accounting Code of Practice.

Housing Revenue Account

The Housing Revenue Account details the income and expenditure arising from the provision of rented social housing.

Collection Fund Account

This account details the income received by the authority as the billing authority for Leicester City and the expenditure incurred by way of precept payments to the Leicestershire Police Authority and transfers to the General Fund. It records all transactions in respect of collection of National Non-Domestic Rates, which is undertaken by the Authority on behalf of Central Government. The account also provides details of the tax base for Council Tax purposes.

Consolidated Balance Sheet

The Consolidated Balance Sheet summarises the City Council's financial position as at 31 March 2004. 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

The general policies adopted in the compilation of the financial statements are in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2003 : A Statement of Recommended Practice, issued by CIPFA. Variations to these policies are noted in the paragraphs below.

Except where stated, the accounts are in accordance with the fundamental concepts as stated in FRS18.

2. Debtors and Creditors

The revenue and capital transactions of the Authority are recorded on an accruals basis in accordance with the Code of Practice. Where there is insufficient information available to provide actual figures, estimates have been included.

3. Nature of Substantial Reserves and Provisions

Reserves:

The balances on the Authority's reserves are shown on the face of the Consolidated Balance Sheet. Details of the main reserves are given in the Statement of Total Movements in Reserves (note 15). Included in earmarked reserves are amounts held for specific purposes, and a breakdown of the main reserves are shown in note 16.

Provisions:

Provisions are made for all losses which are likely or certain to be incurred, but the amount of which cannot yet be determined accurately.

4. Fixed Assets

All expenditure on the acquisition and enhancement of fixed assets is capitalised on an accruals basis within the financial statements, providing that the asset has a useful life expectancy of more than one year. Expenditure on routine repairs and maintenance of fixed assets is charged directly to the Authority's revenue accounts, in the year in which it is incurred.

Fixed assets are valued in accordance with CIPFA recommendations and RICS Practice and Guidance notes. Land and buildings have been valued by City Council qualified staff. The asset values used in the accounts are based on a certificate issued by the Service Director (Property). Fixed assets are classified into groupings as required by the Code of Practice and are included on the following basis:

- Council Dwellings - existing use value for social housing.

- Operational land and buildings - Depreciated Replacement Cost (DRC) or Open Market Value based on existing use (OMV)
- Non-operational assets, including investment properties and assets surplus to requirements - Open Market Value.
- Infrastructure assets and plant, furniture and equipment - historic cost net of depreciation.
- Community assets (assets that the authority is likely to keep in perpetuity) - a nominal value or historical cost.
- Vehicles, plant and equipment – depreciated historical cost for assets with any original cost in excess of £10,000.

Revaluations of the Authority’s land and buildings are carried out on a five-year rolling programme although material changes to asset valuations will be adjusted in the interim period, as they occur.

5. Basis of Depreciation

No depreciation has been charged on Community Assets. Investment properties are exempt from depreciation under provisions of SSAP 19. Depreciation has been calculated on a straight-line basis for all other assets.

Assets are depreciated over their normal useful working lives as follows: -

Infrastructure	40 years
Plant Vehicles & Equipment	5 years
Computer Equipment	3 years

Council Dwellings - the depreciation charge for HRA dwellings is the cost of maintaining the housing stock in its current condition, as represented by the cost of replacing individual building components as they reach the end of their useful life. It has been demonstrated that the Major Repairs Allowance (MRA) element of Housing Subsidy is a reliable proxy for the depreciation amount, and therefore the dwellings depreciation shown in the HRA is equal to the MRA.

Operational & Non-operational Property - as part of the rolling programme of valuations, the estimated life expectancy of property is placed in one of 5 bands, namely less than 20 years, 20-29 years, 30-39years, 40-49 years and 50 years or greater. These assets are then depreciated over the mid-point of these bands (or 75 years for those in the 50+ band) to reflect their estimated life expectancy.

6. Capital Financing Charges

General Fund Revenue accounts, statutory trading accounts and internal trading services are charged with capital charges for all fixed assets used in the provision of services. The charge covers an annual provision for depreciation (if appropriate) plus notional interest determined by applying the rates specified by CIPFA. The purpose of this is to facilitate comparison between authorities, and to ensure that all services' costs include a fair charge for the assets they use.

These charges are credited to the Asset Management Revenue Account and replaced with external interest paid by the Authority and the sum required to be set aside for the repayment of outstanding debt. Thus notional charges made to the services are replaced with the true capital financing costs to the Council.

7. Stocks and Work in Progress

The majority of stocks and work in progress are included in the accounts at the lower of cost or net realisable value in accordance with SSAP 9. However, some items of stock are recorded on the basis of replacement cost. Whilst this does not comply with SSAP 9, the difference is considered to be immaterial.

8. Interest on Balances

During the year surplus funds have been invested, and the interest earned credited to the Consolidated Revenue Account. In accordance with the Local Government and Housing Act 1989, only balances held on behalf of third parties bear or receive interest directly.

9. Capital Receipts

Capital receipts from the disposal of assets are invested until such time as they are used to redeem debt or to finance capital schemes. Under the Local Government and Housing Act 1989, a proportion of some capital receipts has to be set aside to reduce debt. This reserved proportion is credited to the Capital Financing Reserve. The balance is available to fund capital schemes. Interest on capital receipts unapplied is credited to the General Fund. Legislation on the treatment of capital receipts precludes the crediting of gains on the sale of assets to revenue accounts and, therefore, local authorities are unable to comply with the requirements of FRS3.

10. Treatment of Government Grants

Where the acquisition of a fixed asset is financed wholly, or in part, by a government grant, the amount of the grant is credited to the Grants & Contributions Deferred Account. Government grants are accounted for on an accruals basis and are recognised in the accounts when the conditions for their receipt have been complied with and there is reasonable assurance that the grant will be received.

11. Deferred Charges

Deferred charges represent expenditure which may properly be capitalised, but which does not represent a tangible fixed asset. Those deferred charges which do not reflect continuing value to the Authority, are written off to the Consolidated Revenue Account.

12. Provision for Pensions

Non-teaching employees of the Authority participate in the Leicestershire Local Government Superannuation Scheme. This is a defined benefits scheme in which employees contribute 6% of their pensionable pay and, in accordance with the actuary's valuation of the pension fund, the council paid the equivalent contribution of 13.2% in 2003/2004. A further increase to 13.8% will take effect in 2004/2005.

Actuarial valuations of the fund are carried out every three years and the most recent report was prepared in March 2001.

The City Council also contributes to the Teachers' Pension Agency in respect of teachers' pension costs. The employer's contribution is 13.5% of pensionable pay.

Discretionary extra benefits for retired employees and teachers are not met from the Superannuation Fund, but directly by the Council. There is also an element of additional strain on the Pension Fund, caused by employees retiring early and therefore ceasing to pay contributions into the fund. These costs are also borne directly by the Council and are generally charged to revenue over a period of 5 years, not charged wholly to revenue in the year of retirement.

The Authority has complied with the arrangements for the application of FRS 17, specified by CIPFA, in respect of the Pension Fund liability. The calculation of the further liability in respect of discretionary extra benefits has been done in accordance with the formula set out in LAAP bulletin number 51. The total net pensions liability is now shown on the consolidated balance sheet, and the supporting details are shown in note 23.

13. Housing Revenue Account

2003/04 is the second year of the HRA being presented in the "resource accounting" format. This is intended to make the HRA more transparent by incorporating charges for the use of assets, and depreciation thereon. Also, this makes the format of the HRA accounts consistent with those of central government, registered social landlords and other local authorities.

Additionally, there has been a change in accounting policy commencing with the 2003/04 HRA. Dwellings rents are now calculated on a full accruals basis, to comply with the requirements of FRS18 and the SORP. £0.628m of rental income has been carried forward to 2004/05.

CONSOLIDATED REVENUE ACCOUNT

2002/03 Net Expenditure		NOTE	2003/04		
			Gross Expenditure	Income	Net Expenditure
£'000			£'000	£'000	£'000
2,741	Central Services to the Public		4,248	(1,860)	2,388
50,503	Cultural, Environmental and Planning Services		82,406	(26,085)	56,321
900	Court Services		1,084	(118)	966
176,492	Education Services		252,447	(74,297)	178,150
19,127	Highways, Roads and Transport		23,558	(4,011)	19,547
17,714	Housing General Fund Services		98,974	(85,906)	13,068
413	Housing Revenue Account		128,161	(128,453)	(292)
69,505	Social Services		112,854	(36,487)	76,367
4,768	Corporate & Democratic Core		5,489	(72)	5,417
4,174	Non Distributed Costs		3,634	0	3,634
346,337	Net Cost of Services	2	712,855	(357,289)	355,566
6,689	Levies				7,224
5,053	Net Deficit on Trading & Support Services				4,796
(22,067)	Asset Management Revenue Account	4			(6,930)
97	Net Gains/(Losses) on early settlement of borrowing				219
23,500	Pension Scheme: interest on liabilities				24,800
(23,900)	Pension Scheme: Expected return on employer assets				(20,800)
1,951	Principal Repayment - County Debt				1,873
(2,270)	Interest on Balances				(1,453)
335,390	Net Operating Expenditure				365,295
(413)	Transfer to HRA Balances				292
159	Net Transfer - Trading Accounts				120
2,931	Net Transfers to Reserves				4,954
(8,768)	Deferred Charges				(6,816)
892	Grant Contribution				1,054
(1,696)	Transfer to Pension reserve				(4,230)
(17,682)	Provision for debt repayment	5			(18,681)
310,813	Amount to be met from Government Grants and Local				341,988
	Sources of Finance:				
(158,277)	General Government Grants			(187,441)	
(89,118)	Non-Domestic Rates Redistribution			(84,754)	
(63,900)	Demand on the Collection Fund			(67,860)	
(1,108)	Transfer from the Collection Fund in respect of surpluses			(1,135)	
(312,403)	Total Revenue Financing				(341,190)
(1,590)	Net General Fund Deficit / (Surplus)				798
(4,657)	Balance on General Fund b/fwd				(6,247)
(6,247)	Balance on General Fund c/fwd				(5,449)
	Of which:				
472	Service departments reserves set aside				(828)
(6,719)	General Reserve Fund				(4,621)
(6,247)	Balance on General Fund c/fwd				(5,449)

Notes to the Consolidated Revenue Account

1. General Reserve Fund

A contribution of £798,000 was made from General Reserves as a result of the deficit on the General Fund for the year.

2. Net Cost of Services

The analysis of expenditure on the Consolidated Revenue 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	26,418
Environmental Services	19,013
Planning & Developmental Services	10,890
Magistrates' Court Services	505
Coroners' Court Services	461
Individual School Funds	131,653
LEA Centrally held School funds	18,265
Schools Exp Outside the Local Schools Budget	454
Non-School Funding	11,283
Optional Holding Accounts	16,495
Transport Planning, Policy & Strategy	190
Highways & Roads (Structural)	3,960
Highways & Roads (Routine)	7,733
Street Lighting	2,164
Winter Maintenance	228
Traffic management & Road Safety	1,747
Parking Services	(1,511)
Public Transport	5,036
Housing Strategy	205
Housing Advances	1,507
Private Sector Housing Renewal	5,656
Homelessness	(241)
Housing Benefit Payments	3,090
Housing Benefits Administration	2,841
Contribution to HRA	261
Welfare Services	(349)
Supporting People	(424)
Housing Management & Support Services	522
Children's Services	9,663
Children Looked After	9,370
Family Support Services	4,839
Youth Justice	886
Other Childrens' and Family Services	(3,216)
Older People	31,432
Adults aged under 65 with physical disability	5,464
Adults aged under 65 with Learning disability	10,381
Adults aged under 65 with Mental Health Needs	7,702
Asylum Seekers	568
Other Adult Services	(27)
Support Service & management costs	(695)
Housing Revenue Account	(292)
Central Services	11,439
NET COST OF SERVICES	355,566

3. Trading Accounts

The City Council operates a number of trading accounts as shown in the tables below:

a) Investment Income

This has been reclassified to include all properties which generate income. The account shows a surplus of £1.2m.

2002/03		2003/04		
Net Expenditure (Surplus)/Deficit £'000	Trading Service	Expenditure £'000	Income £'000	Net Expenditure (Surplus)/Deficit £'000
4,823	Investment Income	5,904	(7,089)	(1,185)

b) Other Trading Services

The City Council operates 19 trading services as set out in the table below. These services are required to break-even, although it is not possible to be 100% exact on an annual basis. In 2003/04, 6 trading services failed to break-even, however in most cases the amounts involved were negligible.

The Markets function is no longer operated as a trading service and is therefore reported within the Regeneration & Culture Department.

Occupational Health is now provided by an external supplier.

2002/03		2003/04		
Net Expenditure (Surplus)/Deficit £'000	Trading Service	Expenditure £'000	Income £'000	Net Expenditure (Surplus)/Deficit £'000
153	Housing Maintenance	20,441	(20,466)	(25)
(69)	City Catering	11,954	(11,986)	(32)
(248)	City Highways	7,639	(7,988)	(349)
57	City Landscapes	6,970	(6,988)	(18)
(16)	Fleet Transport	6,957	(7,033)	(76)
(8)	City Cleansing	6,167	(6,248)	(81)
4	Operational Transport	5,448	(5,407)	41
(119)	Creativity Works	3,327	(3,343)	(16)
88	Citywide Cleaning	2,195	(2,173)	22
201	Construction Services	1,572	(1,416)	156
620	Markets Admin	-	-	-
(569)	Retail Market and Corn Exchange	-	-	-
(243)	New Market Hall	-	-	-
(42)	Beaumont Leys Market	-	-	-
11	Occupational Health	-	-	-
(1)	I.T. Services	6,114	(6,114)	0
(35)	Standby Register	4,289	(4,332)	(43)
-	Design & Maintenance	3,991	(3,886)	105
(75)	Legal Services	3,165	(3,222)	(57)
18	Payroll	1,174	(1,174)	0
0	Post Room	599	(614)	(15)
0	Customer Accounts	536	(549)	(13)
15	Cashiers	519	(515)	4
(12)	Job Shop	135	(115)	20
(270)		93,192	(93,569)	(377)

4. Transactions on the Asset Management Revenue Account

This account includes the reversal of capital charges made to revenue accounts for the use and financing of fixed assets. The balance on this account is transferred to the Consolidated Revenue Account to offset any impact of capital charges on local taxation.

2002/2003 £'000	Asset Management Revenue Account	2003/2004	
		£'000	£'000
	Income:		
(15,533)	Item 8 Charges - HRA	(14,722)	
(21,081)	Capital Charges - Depreciation	(23,050)	
(83,499)	Capital Charges - Interest	(54,588)	
(892)	Release of Government Grants	(1,055)	
(10)	Impairment Loss	(146)	
0	Charge re Unsupported Borrowing	(58)	
(121,015)			(93,619)
	Expenditure:		
20,904	External Interest	21,143	
46	Internal Interest	43	
21,081	Depreciation	23,051	
13,159	MRA Adjustment	12,743	
15	Interest relating to credit arrangement	10	
43,743	HRA Notional Interest Adjustment	29,699	
98,948			86,689
(22,067)	Balance to Consolidate Revenue Account		(6,930)

5. Provision for the Repayment of Debt

The Authority is required to set aside a sum each year for the repayment of outstanding debt. The sum to be set aside is equal to a specified proportion of the Authority's credit ceiling. The extent to which this amount is over or under charged to revenue accounts as depreciation is represented in the Consolidated Revenue Account.

Provision for repayment of debt	£'000
Sum required to be set aside	4,369
Depreciation	(23,050)
Balance to Consolidated Revenue Account	(18,681)

The depreciation charged has resulted in an overcharge to the revenue accounts of approximately £18.681m. In order that the correct charge is reflected, the Consolidated Revenue Account is credited with the amount of the overcharge.

6. Section 137 Expenditure

The majority of the provisions of Section 137 of the Local Government Act 1972 were repealed following new powers granted to authorities by the Local Government Act 2000. The following is a summary of the expenditure incurred under Section 137 (3):

2002/03 £	S.137 contributions to:	2003/04 £
130	Charitable Bodies	130

7. 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 2003/04 together with the comparative figures for 2002/03.

2002/03 £'000	Publicity	2003/04 £'000
1,096	Recruitment advertising	963
229	Other advertising	256
231	Civic newspaper	239
688	Promotions	689
262	Anti-poverty campaign	361
171	Other publicity	175
2,677		2,683

8. Officers Remuneration

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more was: -

2002/03 No. of Employees	Remuneration Band	2003/04 No. of Employees
19	£50,000 - £59,999	50
9	£60,000 - £69,999	10
6	£70,000 - £79,999	7
0	£80,000 - £89,999	3
0	£90,000 - £119,999	0
1	£120,000 - £129,999	1

9. Members' Allowances

Allowances to elected members are paid in accordance with the revised Members' allowance scheme which came into effect on 1st April 2001. Payments for the year 1st April 2003 - 31st March 2004 were as follows: -

2002/2003 £	Members' Allowances	2003/2004 £
305,203	Basic Allowance Payments	344,100
254,687	Special Responsibility Payments	226,500
61,211	General Expense Payments	67,400
621,101	Total	638,000

10. 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 £1.73m and received income totalling £1.78m in relation to services provided under this Act in 2003/04.

11. Building Control Regulations

The Council makes charges for its building control service, carried out under the Building Control regulations. The service made a surplus in 2003/04 of £38,409 as follows:

2002/03 £'000	Building Control	2003/04 £'000
(699)	Income	(755)
663	Expenditure	717
(36)	Net Surplus	(38)

12. Pension Costs

The Council pays employers' contributions into the Leicestershire Local Government Superannuation 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 2001.

In 2003/04 the Authority paid a contribution of £17.1m (2002/03: £15.3m) based on 13.2% of employees' reckonable pay (2002/03: 12.6%). A further sum amounting to £0.4m was paid to compensate the pension fund for the additional strain placed on the fund as a result of employees retiring early. The actuaries' estimate of the current service cost in 2003/04 of the council's employees was £16.6m.

Other items charged in the consolidated revenue account are:

Item	£'000
Past Service costs	-
Cost of settlements and curtailments	300
Expected return on employer assets	(20,800)
Interest on Pension scheme liabilities	24,800

Further details on pension liabilities are provided in note 23 to the Balance Sheet.

The actuarial valuation states that assets held at the valuation date were sufficient to cover 94% of accrued liabilities assessed at that date. On the advice of the actuaries, employer contributions are set so as to achieve 100% funding at a future date.

Further costs arise, not covered by the Superannuation Fund, in respect of additional benefits granted to retired employees, and in 2003/04 these amounted to £1,123,742 (2002/03: £1,028,656). These figures exclude the costs arising from those employees retiring early as a result of Local government reorganisation but do include a capital sum paid into the Superannuation Fund to recognise the loss to the Fund due to employees retiring before their normal retirement age. This capital sum comprises:

- (a) £71,638 for employees retired in 2003/04 (2002/03: £66,218)
- (b) £290,086 for employees retired in previous years (2002/03: £265,864).

The payment of the capital sum applies, typically, over 5 years, and the arrangement began in 1999/00. Hence the figure for employees who retired in previous years should now cease to rise.

The City Council also paid £11.1m to the Teachers' Pension Agency in respect of teachers' pension costs (2002/03: £6.2m). This represented a contribution rate of 13.45% (2002/03: 8.35%). In addition, the Council is responsible for further payments relating to teachers' early retirements. In 2003/04 payments of £614,100 were made (2002/03: £563,966).

For further information about the pension fund contact:

The County Treasurer
 Leicestershire County Council
 County Hall
 Glenfield
 Leicester
 LE3 8RB

13. Related Party Transactions

In accordance with financial reporting standard FRS 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 2003/04 were: -

2002/03 £'000	Levying Body	2003/04 £'000
5,866	Leicester, Leicestershire & Rutland Combined Fire Authority	6,364
513	Leicestershire Magistrates Courts Committee	505
822	Environment Agency	859
7,201		7,728

b) Elected Members and Directors.

There were no such transactions involving elected members or Directors during the year to 31st March 2004.

14. Audit Costs

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

2002/03 £'000	Category of audit work	2003/04 £'000
317	General Audit Work including statutory inspection	349
102	Statutory Inspection	106
131	Certification of grant claims and returns	174
15	Other Services	15
565		644

15. 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). The value of the contract is in excess of £300m over the 25 year period. The additional cost of the innovative contract (over and above the council's existing budgetary provision for waste management) is met entirely through government funding (PFI credits).

The contract will enable the authority to achieve significantly higher levels of recycling and so reducing waste to landfill.

The cost incurred in 2003/04 was £3.9m, with £1.9m of this funded by grants, and is included in the Cultural, Environmental and Planning Services line of the CRA.

HOUSING REVENUE ACCOUNT

2002/03 £'000		NOTE	2003/04 £'000
	Income		
56,095	Dwellings Rents	4	56,392
980	Non- dwelling Rents	5	997
1,394	Service Charges	5	1,427
42,479	HRA Subsidy	8	39,155
190	Housing Benefit Transfers		160
253	Contributions from General Fund		259
101,391	Total Income		98,390
	Expenditure		
10,378	General Management		10,717
3,120	Special Management	2	2,923
19,729	Repairs & Maintenance		19,245
308	Rent, Rates, Taxes & Other Charges		283
39,337	Rent Rebates	4	36,811
601	Contribution to Bad Debt Provision	3	802
43,716	Cost of Capital Charge		29,590
13,186	Depreciation		12,851
61	Debt Management Expenses		144
130,436	Total Expenditure		113,366
29,045	"Net Cost of Services"		14,976
	Capital Accounts Adjustment		
(43,716)	Reverse out Cost of Capital Charge		(29,590)
11,657	Loan Charges - Interest		11,093
(347)	Investment Interest		(282)
(13)	Mortgage Interest		(10)
(58)	Discounts		(73)
224	Premia on Early Redemption		224
(3,208)	"Net Operating Expenditure"		(3,662)
0	Capital Expenditure from Revenue Account		0
3,649	HRA Set-Aside (MRP)		3,478
(28)	Transfers from Major Repairs Reserve		(108)
413	(Surplus)/Deficit for the Year		(292)
(2,698)	Balance Brought Forward		(2,285)
(2,285)	Balance Carried Forward		(2,577)

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.

Resource Accounting in the HRA

In 2001/02 the Government introduced a new financial framework for local authority housing, based on resource accounting. The current layout of the HRA reflects these changes. The purpose behind resource accounting is to increase the transparency of financial reporting, particularly with regard to the use of resources. The HRA's primary capital resource is its housing stock. Major changes therefore include the introduction of a notional capital asset charge against the value of the Council's housing stock and a depreciation charge to reflect the cost of maintaining its capital value.

The Major Repairs Reserve and the Major Repairs Allowance

The introduction of the new financial framework has changed the way in which capital expenditure on housing assets is financed. The Major Repairs Reserve (MRR) funded by the Major Repairs Allowance (MRA) has now replaced a significant proportion of borrowing approvals which would otherwise have been issued. The MRA forms a new element 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.

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. Provision for Bad Debts

Rents and Service Charges:

The provision considered to be necessary at 31 March 2004 in respect of uncollectable debts amounts to £2.7m. This is calculated on a rent, water and service charge arrears balance of £4.972m.

Rent Rebates Overpayments:

The provision considered to be necessary at 31 March 2004 in respect of uncollectable debts amounted to £287,645. This is calculated on an overpaid Rebates sum of £672,056 (which includes debt where repayment is being made by instalment).

4. Net Rent Income From Dwellings

2002/03		2003/04
£'000		£'000
56,095	Total Rent Income from Dwellings	56,392
39,337	Less Housing Benefit	36,811
16,758		19,581

5. Non-dwelling Rents and Service Charges

These include the charges made to tenants for central heating and garages and rents from shops.

6. Housing Stock

The City Council was responsible for managing a stock of 23,863 dwellings at 31st March 2004, of which 15,163 were houses or bungalows and 8,700 were flats. During the year the following movements took place:

2002/03		2003/04
585	Right To Buy Sales	659
73	Sales to H.A.s/Losses on Conversions/Others	35
658	Net decrease	694

7. Value of HRA Assets

Value at 1st April 2003 £'000		Value at 31st March 2004 £'000
719,962	Operational	837,796
3,489	Dwellings	2,783
	Other Land & Buildings	
723,451		840,579
5,141	Non-Operational	4,855
	Other Land & Buildings	
728,592		845,434

8. HRA Subsidy

The amount of HRA Subsidy in the 2003/04 HRA accounts is £39.2m, comprising:

	£'000
Housing Benefit Subsidy (pre-03/04 adjustments)	(203)
Housing Benefit Subsidy (03/04 draft claim)	36,985
Major Repairs Allowance (MRA) 03/04	12,743
Notional Account Surplus (Housing Element) 03/04	(10,370)
	39,155

9. Capital Expenditure 2003/04

HRA capital expenditure in 2003/2004 totalled £21.6m, financed as follows: -

	£'000
Major Repairs Reserve	12,743
Use of credit approvals	6,796
Usable Capital Receipts	1,785
Other Financing	270
Total	21,594

10. Capital Disposals 2003/04

HRA capital disposals in 2003/04 were as follows: -

	Total Receipts £'000	Usable £'000	Set-aside £'000
Right to Buy (RTB) Sales	22,658	5,664	16,994
Non RTB Sales	1,067	1,067	0
Mortgages	52	15	37
Totals	23,777	6,746	17,031

11. Capital Charges in the 2003/04 Resource Accounts

The 'net cost of services' includes an interest charge of £29.6m (calculated as 3.5% of the closing 2003/04 assets value of £845.4m) and a depreciation charge of £12.8m (of which £12.7m represents depreciation on dwellings, and is equivalent to the Major Repairs Allowance element of Subsidy).

These values are reversed out as 'below the line' adjustments, and replaced by the capital charges/credits calculated under 'Item 8' rules to leave the net surplus/deficit unchanged from previous practice, which complies with legislation.

12. Vacant Possession value of Council Dwellings

The vacant possession value of council dwellings at 31st March 2004 was £1,351m. At the same date the balance sheet value of council dwellings was £838m. The difference of £513m 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 2003 £'000		31st March 2004 £'000
1,161,230	Vacant Possession Values	1,351,285

13. Use of the Major Repairs Reserve

	£'000
Balance 1st April 2003	0
Depreciation credited 2003/04	(12,851)
Transfer to HRA	108
HRA Capital Financing 2003/04	12,743
31st March 2004 C/Fwd	0

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

2002/03 £'000		NOTE	2003/04	
			£'000	£'000
	INCOME			
53,988	Council Tax Collectable	2	59,071	
	Transfers from General Fund:			
18,357	Council Tax Benefits		18,391	
78,493	Income from Business Ratepayers		80,532	
4	Community Charge Adjustments to Previous years		0	
150,842	Total Income			157,994
	EXPENDITURE			
	Precepts and demands:	3		
63,900	Leicester City Council		67,860	
6,836	Leicestershire Police Authority		7,587	
	Business Rates:			
77,396	Payments to National Pool	4	79,392	
533	Costs of Collection		531	
1,198	Contributions in respect of previous year's surplus	5	1,247	
	Provision for Bad and Doubtful Debts:			
1,187	Council Tax		(193)	
746	Business Rates		792	
0	Community Charge Adjustment to Previous Years		6	
151,796	Total Expenditure			157,222
(955)	Fund Surplus/(Deficit) for the Year			772
1,850	Fund Surplus/(Deficit) brought forward			1,048
153	NNDR Discretionary Payments			123
1,048	FUND BALANCE AS AT 31ST MARCH 2004	6		1,943

Notes to the Collection Fund

Income And Expenditure Account

1. General

This account fulfils the statutory requirement for billing authorities 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	197	5/9	109
A	60,075	6/9	40,050
B	18,911	7/9	14,709
C	11,386	8/9	10,121
D	4,366	1	4,366
E	2,142	11/9	2,618
F	997	13/9	1,439
G	489	15/9	814
H	21	18/9	44
	98,584		74,270
	Less adjustments for collection rates and for anticipated changes to liability to pay the tax.		(1,857)
	Council Tax Base		72,413

The Council Tax collectable during 2003/04 was £77.5m. (including Housing Benefits). This figure equates to an average number of Band D dwellings of 74,657. Whilst Band D was the equivalent of 74,270 at the time the estimates were done, 74,657 is an average number of Band D dwellings for the 2003/04 due to the following:

- 1) New properties
 - 2) Changes in discounts and exemptions allowed
-

3. Precepts and Demands

The following sums were paid from the collection fund:-

2002/03 £'000		2003/04 £'000
6,836	Leicestershire Police Authority	7,587
63,900	Leicester City Council	67,860
70,736		75,447

4. Income from Business Rates – 2003/04

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, 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 2004 was £215,539,790. The national non-domestic multiplier for the year was 44.4p.

5. Contributions to Collection Fund Surpluses and Deficits

Share of Surpluses:

Council Tax

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

	City £	Police £	Total £
Estimate Jan 2003	1,126,000	121,000	1,247,000

Community Charge

A contribution of £9,000 has been made in the 2003/04 accounts to reduce the amount of Council Tax the Authority has to raise to finance its own expenditure.

6. Collection Fund Surpluses/Deficits

The Collection Fund account shows a cumulative surplus of £1,942,627 at 31 March 2004. This is made up of £2,267,610 surplus on Council Tax, £40,926 surplus on Community Charge and £365,909 deficit on NNDR.

The surplus arising on the Council Tax during the financial year 2003/04 will be distributed between Leicester City Council and Police Authority in proportion to the respective precepts and demands.

CONSOLIDATED BALANCE SHEET

31 March 2003			31 March 2004	
£'000		NOTE	£'000	£'000
	Net Fixed Assets	1/2/3		
	Operational assets:			
719,962	Council dwellings		837,796	
427,442	Other Land and Buildings		430,152	
548	Vehicles, plant, furniture and equipment		2,193	
89,121	Infrastructure assets		97,649	
151,172	Non-operational assets		155,477	
710	Community Assets		710	
1,388,955				1,523,977
2,522	Deferred Charges	4		14,859
841	Long Term Debtors	9		666
1,392,318	Total Long Term Assets			1,539,502
	Current Assets			
2,177	Stocks and work in progress	8	1,405	
54,595	Debtors	9	49,739	
51,067	Short term investments	10	51,346	
107,839			102,490	
	Current Liabilities			
(15,323)	Short term loans		(2,897)	
(61,086)	Creditors	11	(63,381)	
(7,313)	Cash and Bank		(2,985)	
(83,722)			(69,263)	
24,117	Net Current Assets			33,227
1,416,435	Total Assets less Current Liabilities			1,572,729
	Deferred Receipts	12		
(745)	PWLB Deferred Discount		(600)	
(745)				(600)
	Long Term Liabilities			
(259,367)	Long term Borrowing	13	(259,235)	
(47,043)	Deferred Liabilities	14	(45,103)	
0	Provisions		(1,279)	
(155,461)	Pensions Liability	23	(104,491)	
(461,871)				(410,108)
953,819	Total Assets less liabilities			1,162,021
	Represented by:			
78,742	Capital Financing Reserve	15		109,770
942,452	Fixed Asset Restatement Reserve	15		1,034,513
41,447	Capital Grants & Contributions Deferred	15		48,494
7,471	Capital Grants & Contributions Unapplied	15		13,398
552	Capital Useable Receipts	15		12,660
6,266	Capital Fund			9,478
(155,461)	Pensions Reserve	23		(104,491)
22,770	Earmarked Reserves	16		28,230
	Balances -			
6,719	General Reserve Fund			4,621
(472)	Service Departments			828
2,285	Housing Revenue Account			2,577
1,048	Collection Fund			1,943
953,819				1,162,021

Notes to the Consolidated Balance Sheet

1. 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:

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure £'000	Non-Operational Assets £'000	Community Assets £'000	Total £'000
Valuation at 31/03/2003	745,996	443,571	2,420	94,656	151,199	710	1,438,552
Accumulated Impairment	0	(76)	0	0	0	0	(76)
Accumulated depreciation	(26,034)	(16,053)	(1,872)	(5,535)	(27)	0	(49,521)
Net Book Value at 31 March 2003	719,962	427,442	548	89,121	151,172	710	1,388,955
Movement in 2003/04							
Capital Creditors 2002/03	0	(553)	(139)	0	(1,832)	0	(2,524)
Capital Creditors 2003/04	0	909	130	105	0	0	1,144
Capital Expenditure	21,671	28,618	1,996	10,858	4,249	0	67,392
Disposals	(23,777)	0	0	0	(6,951)	0	(30,728)
Revaluations:							
Original amendments	108,906	(19,843)	(26)	0	10,122	0	99,159
2003/04 disposals	23,777						23,777
Depreciation	(12,743)	(6,275)	(316)	(2,435)	(1,283)	0	(23,052)
Impairment	0	(146)	0	0	0	0	(146)
Net Book Value of Assets at 31 March 2004	837,796	430,152	2,193	97,649	155,477	710	1,523,977

2. Valuations of Fixed Assets

The table on the following page shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by the Authority's Property division. The basis for valuation is set out in note 4 of the Statement of Accounting Policies.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure £'000	Non-Operational Assets £'000	Community Assets £'000	Total £'000
Valuations at historical cost	0	0	2,193	97,649	0	710	100,552
Valued at Market Value	837,796	0	0	0	0	0	837,796
<u>Valued at Current Value at:</u>							
1 April 1999		81,618			4,829		86,447
1 April 2000		124,530			14,580		139,110
1 April 2001		176,745			15,920		192,665
1 April 2002		37,714			79,409		117,123
1 April 2003		9,545			40,739		50,284
Net Book Value at 31 March 2004	837,796	430,152	2,193	97,649	155,477	710	1,523,977

3. Aided Schools

There are 10 schools which are not owned by the authority and therefore are not included in the balance sheet.

4. Deferred Charges

These represent capital expenditure which does not result in tangible fixed assets, including deferred premia on premature loan redemption and stock issue discounts. PWLB premia and stock issue discounts are amortised to revenue over an appropriate period, whilst other deferred charges are written off in the year they are incurred.

	£'000
Balance as at 1st April 2003	2,522
Expenditure during the year:-	
Capital Expenditure	6,815
Premia	13,734
Amounts met by grants	(1,215)
Amounts amortised to revenue	(1,397)
Amounts written off to Capital Financing Reserve	(5,600)
Balance as at 31st March 2004	14,859

5. Capital financing of fixed assets and deferred charges

Capital Financing	£'000	Capital Expenditure	£'000
Use of Credit Approvals	29,444	Fixed Assets	67,395
Capital Receipts	11,221	Deferred Charges	6,815
Reserves	13,080		
Grants & Contributions	20,418		
Capital Fund	47		
	74,210		74,210

6. Capital Commitments

The Council approves a capital programme for a three-year period. Details of contracts entered into where significant payments were outstanding are given below:

Contract	£'000
Braunstone Leisure Centre	3,883
Cultural Quarter	4,660
Victoria Road East Extension	6,555

7. Leasing

The City Council has acquired vehicles and equipment by leasing and hire purchase. Leases in respect of industrial buildings and fixed plant have also been entered into. Titles to the assets remain with the lessor and they do not therefore appear in the Balance Sheet of the City Council.

New Operating Lease facilities entered into during 2003/04:

Amount Of Lease £'000	Period
1,070	3 years
6	5 years
2,497	6 years
301	7 years
3,874	

The total rentals paid for operating leases during 2003/04 was £2,673,511 (2002/03 = £2,831,768) and £76,998 for a finance lease (2002/03 = £76,998).

The Authority is committed to making payments of £2,417,625 under these leases in 2004/05 comprising of the following elements

Leases ending in 2004/05	£363,180.20
Leases ending between 2005/06 and 2009/10	£2,054,445.64
Leases ending after 2009/10	nil

Total rental due as at the 31st March 2004 is £7,439,077 for operating leases and £156,157 for finance leases.

8. Stocks and Work in Progress

The value of stocks and work in progress at 31 March 2003 and 2004 were:

31st March 2003 £'000		31st March 2004 £'000
106	Work in Progress	32
2,071	Stock	1,373
2,177		1,405

9. Debtors

a) Short Term Debtors

31st March 2003 £'000		31st March 2004 £'000
11,250	Government departments	4,949
3,488	VAT	2,383
2,927	Other local authorities	2,997
12,722	NNDR, Council Tax and Poll Tax	17,386
6,054	Housing rents	4,972
26,379	Miscellaneous debtors	21,411
2,433	Pre payments	2,655
2,229	Capital Debtors	4,128
67,482		60,881
(12,887)	Provision for doubtful debts	(11,142)
54,595		49,739

The provision for doubtful debts as at 31 March 2004 includes the following:

- Housing rents £2,700,000 and Housing Benefit Overpayments £287,645.
- Collection Fund Provision £5,650,303. This is after the write-off of £373,052 for Council Tax, and £692,846 for NNDR.
- Other doubtful debts amounting to £2,504,259 relate to general income and other rents.

b) Long Term Debtors

31st March 2003 £'000		31st March 2004 £'000
370	Mortgages	273
440	Car Loans Employees	373
31	Other	20
841		666

10. Investments

a) Short term Investments

	£'000
Deposits	11,600
Fund Portfolio	39,746
	51,346

b) Fund Portfolio:

The value of the fund portfolio reported on the balance sheet is at the lower of book cost or market value, excluding accrued interest.

As at 31 March 2004 the book cost of the fund was £39.758m (£38.067m 31/03/03), the balance sheet value of the fund £39.746m (£38.067m 31/03/03) and the market value of the fund £40.029m (£38.960m 31/03/03).

Further details are shown in the table below:

31st March 2003 £'000		31st March 2004 £'000
38,067	Book Cost	39,758
0	Less Unrealised Capital Losses	(12)
38,067	Balance Sheet Value	39,746
87	Unrealised Capital Gains	0
806	Accrued Interest	283
38,960	Market Value	40,029

The table below analyses the book cost and market value of the fund between the principal categories of investment.

Investment	Book Cost as at 31st March 2003	Market Value and Accrued Interest as at 31st March 2003	Book Cost as at 31st March 2004	Market Value and Accrued Interest as at 31st March 2004
	£'000	£'000	£'000	£'000
UK Government Bonds	3,787	3,885	0	0
Certificates of Deposit	34,100	34,895	39,700	39,971
Deposits	180	180	58	58
Total Investments With Fund Manager	38,067	38,960	39,758	40,029

c) Other Investments

Investments have been made in the Leicester Property Development Company of £140,000 and the Great Central Railway of £250,000. The market value of each has not been assessed and therefore is not included in the accounts. The investment in the Leicester Property Development Company was sold in 2003/04 for £170,000.

11. Creditors

31st March 2003		31st March 2004
£'000		£'000
3,497	Government Departments	6,947
3,395	PWLB/Stock/Loan Interest	2,725
968	Inland Revenue	965
5,535	Other Local Authorities	4,385
1,858	NNDR, Council Tax and Poll Tax	3,126
36,547	Miscellaneous Creditors	34,098
6,768	Receipts in advance	9,998
2,518	Capital Creditors	1,137
61,086		63,381

12. Deferred Receipts

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 £600,092 (2002/03 - £744,645).

13. Long Term Borrowing

Total Outstanding 31st March 2003 £'000	Source of Loan	Rate of Interest Rates Payable %	Total Outstanding 31st March 2004 £'000
154,361	Public Works Loan Board	4.25 - 10.13	154,361
105,006	Other Bodies	3.35 - 7.00	104,874
259,367			259,235

An analysis of loans by maturity is:

Total Outstanding 31st March 2003 £'000	Maturity date	Total Outstanding 31st March 2004 £'000
0	1-2 years	7,600
10,200	2-5 years	7,600
37,231	5-10 years	33,831
211,936	More than 10 years	210,204
259,367		259,235

14. Deferred Liabilities

Total deferred liabilities are £45,102,988 (2002/03 - £47,042,905). This comprises:

(a) Debt raised by the County Council for which responsibility transferred to the City Council on Local Government Reorganisation (£44,954,091). 4% of the outstanding debt at the previous balance sheet date has been repaid each year.

(b) No new Finance Leases were entered into during 2003/04 - the balance outstanding at 31 March 2004 of existing leases is £148,897.

15. Statement of Total Movement in Reserves

2002/03		2003/04	
		£'000	£'000
	Surplus/(Deficit) for the year		
1,590	- General Fund	(798)	
(413)	- Housing Revenue Account	292	
3,288	Movements on specific revenue reserves	5,460	
(700)	Movements on capital fund	3,212	
(802)	Movements on collection fund	895	
2,963			9,061
	<u>Realised Capital Resources (note 1)</u>		
552	Increase in Useable Capital receipts	12,108	
4,081	Increase in unapplied capital grant and contributions	5,927	
4,633			18,035
	<u>Unrealised value of fixed assets (notes 2/3)</u>		
229,719	Gains/(losses) on revaluation of fixed assets	122,935	
(10)	Impairment losses on fixed assets	(146)	
229,709			122,789
(16,586)	Value of assets sold or disposed		(30,728)
	<u>Amount set aside to finance capital investment (note 4)</u>		
17,720	Capital receipts set aside and applied	28,250	
3,535	All other movements on Capital Financing Reserve	2,778	
21,255			31,028
5,605	Increase in Capital Grants & Contributions Deferred		7,047
	<u>Pensions Liability (note 5)</u>		
(91,700)	Actuarial gains/(losses)	55,200	
(1,696)	All movements on the Consolidated Revenue Account	(4,230)	
(94,420)	(Increase)/Decrease in the Pensions Liability		50,970
153,159	Total recognised gains and losses		208,202

Notes to the Statement of Total Movement in Reserves

1. Movements in realised capital resources	Useable Capital Receipts	Unapplied capital grants and contributions
	£000's	£000's
Amount received in 2003/04	23,329	23,836
Amounts applied to meet grants and contributions outstanding at 31 March 2003		(1,146)
Amounts applied to finance new capital investment in 2003/04	(11,221)	(16,763)
Total increase in realised capital resources in 2003/04	12,108	5,927
Balance brought forward at 1 April 2003	552	7,471
Balance carried forward at 31 March 2004	12,660	13,398

2. Movements in unrealised value of fixed assets	Fixed Asset Restatement Reserve
	£000's
Gains/losses on revaluation of fixed assets in 2003/04	122,935
Additions	
Impairment losses on fixed assets	(146)
Total increase/(decrease) in unrealised capital resources in 2003/04	122,789
3. Value of assets sold, disposed of or decommissioned	
Amounts written-off fixed asset balances for disposals in 2003/04	(30,728)
Total movement on reserve in 2003/04	92,061
Balance brought forward at 1 April 2003	942,452
Balance carried forward at 31 March 2004	1,034,513

4. Movements in amounts set aside to finance capital investment	Capital Financing Reserve £'000	Government Grants Deferred £'000	Total £'000
Capital Receipts set aside in 2003/04			
- reserved receipts	17,029	-	
- usable receipts applied	11,221	-	
Total capital receipts set aside in 2003/04	28,250	-	28,250
Revenue resources set aside in 2003/04			
- capital expenditure financed from revenue	-		
- capital expenditure financed from reserves	13,128		
Principal Repayment County Council debt	1,873		
Reconciling amount for provisions for loan repayment	(18,681)		
Release of grants & contributions	1,055		
Total revenue resources set aside in 2003/04	(2,625)		(2,625)
Write down mortgage debtors	(97)		
Write out deferred charges	(5,601)		
Grant on assets not depreciated	11,101		
Grants applied to capital investment in 2003/04	-	16,763	
Grants outstanding re capital investment in 2003/04	-	3,655	
Grants on assets not depreciated	-	(11,101)	
Grant eligible deferred charges	-	(1,215)	
Amounts credited to asset management revenue account	-	(1,055)	
Movement on Government Grants Deferred		7,047	7,047
Total movement in 2003/04	31,028	7,047	
Balance brought forward at 1 April 2003	78,742	41,447	
Balance carried forward at 31 March 2004	109,770	48,494	

5. Movement in Pensions liability	£'000	£'000
Opening fund surplus / (deficit) as at 1/4 2003		(155,461)
Actuarial assessment		
Opening fund surplus / (deficit) as at 1/4 2003	(112,900)	
Payments to pension fund	17,500	
Current Service costs	(16,600)	
Past Service costs	-	
Gains on settlements	-	
Losses on curtailments	(300)	
Net Return/(deficit) on assets	(4,000)	
Actuarial gains	55,200	
Closing balance per actuary 31/3/04		(61,100)
Other liabilities		
Opening surplus / (deficit) as at 1/4 2003	(42,561)	
<u>Add:</u>		
Decrease / (Increase) in added years liability (LGPS)	(155)	
Decrease / (Increase) in added years liability (Teachers)	(681)	
Liability for Capitalised costs of employees retiring after actuarial assessment date	0	
Difference: actual payments to pension fund	6	(43,391)
Net Pension Surplus/(Deficit) as at 31/3/04		(104,491)
Total movement in 2003/04		50,970
Balance brought forward at 1 April 2003		(155,461)
Balance carried forward at 31 March 2004		(104,491)

16. Earmarked Reserves

The table below provides a list of earmarked reserves held by the authority at the end of the financial year:

	1st April 2003 £'000	Transfers to reserve £'000	Transfers from reserve £'000	31st March 2004 £'000
Schools Revenue Balances	(7,550)	(1,641)		(9,191)
Insurance Fund	(6,392)	(1,994)		(8,386)
Schools Capital Balances	(2,528)	(1,712)	4,240	0
Education Funds	(1,703)	(4,197)	2,039	(3,861)
Tenancy Support Building Reserve	(177)	(761)	116	(822)
IT Fund	(685)	(120)	97	(708)
Leicester Night Shelter	(527)	(180)		(707)
Cultural Services Strategic Reserve	(707)	(204)	274	(637)
On Street Parking	(726)	(1,146)	1,275	(597)
Supporting People	0	(570)		(570)
RAD Investment Reserve	(134)	(384)		(518)
Property Insurance Reserve	(174)	(383)	174	(383)
Housing Maintenance	(300)	(78)		(378)
Payback Fund	(262)	(75)	15	(322)
R&C Replacement Fund	(251)	(67)	14	(304)
Central Maintenance Fund	991	(1,180)	7	(182)
Cost of Elections	(250)	(93)	220	(123)
Other	(1,395)	(256)	1,110	(541)
Total Earmarked Reserves	(22,770)	(15,041)	9,581	(28,230)
Service department Reserves (carried forward)/overdrawn				(828)

The Insurance Fund of £8.4 million includes provision for the cost of known claims and the estimated cost of claims not yet received.

17. Provisions for payment of Insurance claims

The authority holds funds to meet the costs of Insurance claims, both claims received but not yet settled and claims that will be received in the future. The sum of £7.1m 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 £1.3m is held as an earmarked reserve, to meet the costs of future claims.

18. Provisions for Credit Liabilities (Memorandum Account)

The provision as at 31 March 2004 is as follows:

	£'000
Balance at 1st April 2003	0
Amount set aside for MRP	4,369
Interest relating to credit arrangement	10
Principal relating to credit arrangement	67
Set aside capital receipts	17,029
Financing of capital expenditure & repayment of internal borrowing	(21,475)
Balance at 31st March 2004	0

19. Analysis of Net Assets Employed

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

	£'000
General fund	510,936
Housing Revenue Account	651,085
	1,162,021

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

20. 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 following details are derived from the accounts of the Trust:

The net assets of the charity as at 31st March 2004 were £504,112 (2003: £511,737)

The total expenditure for the year ended 31st March 2004 was £648,002 (2003: £591,269) and total income was £661,231 (2003: £614,329)

The net assets are not included in the Consolidated Balance Sheet and no account of the surpluses for previous years has been made in the Council's Revenue 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 2003	Income	Expenditure	Balance at 31st March 2004
	£'000	£'000	£'000	£'000
Alderman Newton's School	10.1	0.7	-	10.8
Moat Community College	51.5	3.7	0.0	55.2
Others	68.0	3.1	(0.3)	70.8
TOTAL	129.6	7.5	(0.3)	136.8

21. Associated Companies

The Council has identified the companies (listed below) where it exercises “influence”, within the meaning of the Local Authorities (Companies) Order 1995. In all of the cases there is no material effect on the presentation of the Council’s accounts, because the relevant expenditure of the companies concerned is not significant.

The companies are:

Leicester Theatre Trust Ltd
Leicester Arts Centre Ltd
Leicester City Challenge Ltd (although this is in process of being wound-up)

22. The Euro

The Council has considered a strategy for the Authority’s preparations for adopting the Euro with reference to the third Outline National Changeover Plan published by the Government in June 2003.

No significant costs have been incurred in advance of the decision for United Kingdom to join stage 3 of the Economic Monetary Union.

23. Disclosure of net pensions liability

As part of the terms and conditions of employment, the authority offers retirements benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make these payments that needs to be disclosed at the time that employees earn their future entitlement. For officers, excluding teachers, the authority participates in the Local Government Pension Scheme, which is a "funded" scheme meaning that the Authority and employees pay contributions into the fund, calculated at a level estimated to balance the pensions liabilities with investment assets. The most recent full actuarial valuation of the fund was as at 31 March 2001, and the next such valuation is due as at 31 March 2004.

In 2003/04, pensions costs have been charged to the Consolidated Revenue Account on the basis of contributions payable for the year to the Leicestershire County Council Pension Fund and the pensions payable in the year to retired officers.

At 31st March 2004, the Authority had the following overall assets and liabilities for pensions that have been included in the balance sheet, in accordance with the accounting arrangements prescribed by FRS17.

31 March 2003 £'000		31 March 2004 £'000
399,800	Estimated Liabilities in scheme	439,600
286,900	Estimated Assets in scheme	378,500
112,900	Net Liability	61,100

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:

2002/03 per annum %		2003/04 per annum %
2.5	Price Increases	2.9
4.0	Salary Increases	4.4
2.5	Pensions Increase	2.9
6.1	Rate for Discounting Scheme Liabilities (NB - based on 3.5% real)	6.5

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 2003 %	Assets: Whole Fund	Long Term Return Per Annum %	Fund Value As at 31st March 2004 %
68	Equity Investment	7.7	71
18	Bonds	5.1	18
11	Property	6.5	9
3	Cash	4.0	2
100	Total	7.0	100

In addition to the net liability calculated by the actuaries, the council has a further liability arising from the award of added years on the early retirement of some former employees. This liability is not funded through the pension fund, but by the council directly. This liability has been calculated using the formula set out in the Local Authority Accounting Panel (LAAP) bulletin no.51 and amounts to a further £32,957m. (2002/03: £32,802m). In addition, the Council has a similar unfunded liability in respect of the award of added years on early retirement granted to teachers. This amounts to £10,440m. (2002/03: £9,759m.). The total liability shown on the consolidated balance sheet is therefore:

	2002/03 £m	2003/04 £m
Net Liability Assessed by actuaries	112,900	61,100
Liability arising from the award of discretionary, unfunded benefits:		
Teachers	9,759	10,440
Other staff	32,802	32,957
Differences between actual payments and actuaries' assumption		(6)
	155,461	104,491

The movement in the net pension liability is analysed in note 15, Statement of Total Movement in Reserves. 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 2004:

	£'000	%
Differences between expected and annual return on assets	55,400	14.7
Differences between actuarial assumptions about liabilities and actual experience	(200)	0.0
Changes in demographic and financial assumptions used to estimate liabilities	-	-
Actuarial gain/(loss) recognised in Statement of Total Recognised Gains and Losses	55,200	12.6

24 Contingent Liability

The authority has arrangements for self insurance, and operates an Insurance Fund to hold monies for future use in the payment of claims. The gross value of claims received currently exceeds the holdings of the fund. Although it is highly unlikely that all claims will be paid in full, the authority nevertheless has a contingent liability for future payments against insurance claims.

The certification of the Benefits Subsidy Claim for 2003/04 has identified issues relating to rent officer referrals. This could result in a claw back of subsidy from the City Council by the Department of Work and Pensions. Any claw back would reduce the level of benefit income shown and also reduce the General Fund balance carried forward.

25. 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.

Housing	
Council Dwellings	23,863
Garages and Covered parking spaces	1,243
Education and Lifelong Learning	
Primary Schools	86
Secondary Schools	16
Special Schools	11
Libraries	21
Social Care	
Older Persons Homes	10
Adult and Older Persons Day Centres	8
Children's Homes	6
Family Centres	9
Regeneration and Culture	
Roads	791 km
Markets	3
Museums	6
Leisure Centres	6
Golf Courses	2
Other Properties	
Offices	39
Housing Area Offices	12
Information Centre	1
Register Office	1

CASH FLOW STATEMENT

2002/03			2003/04	
£'000		Note	£'000	£'000
	REVENUE ACTIVITIES			
	Cash Outflows			
261,562	Cash paid to & on behalf of employees		277,880	
247,040	Other operating costs		257,528	
6,934	Precepts paid		7,708	
77,959	NNDR Paid to pool		79,038	
153	NNDR discretionary payments		123	
51,981	Housing Benefits paid out		49,960	
645,629				672,237
	Cash Inflows			
(25,715)	Council House Rents		(25,450)	
(54,099)	Council Tax Income		(56,266)	
(77,541)	NDR income collected		(78,567)	
(89,118)	NNDR income from pool		(84,754)	
(158,277)	RSG		(187,441)	
(43,042)	Housing Revenue subsidy (including MRA)		(39,849)	
(46,581)	DWP Benefits Subsidies		(56,068)	
(64,486)	Other grants	5	(98,357)	
(108,278)	Cash received for goods and services		(92,205)	
(667,137)				(718,957)
(21,508)	Net Cashflow from revenue activities	1		(46,720)

2002/03			2003/04	
£'000			£'000	£'000
	SERVICING OF FINANCE			
	Cash Outflows			
21,044	Interest paid		24,538	
15	Interest element of finance lease payments		10	24,548
	Cash Inflows			
(2,270)	Interest received			(1,983)
18,789	Net Cashflow from servicing of finance			22,565

2002/03			2003/04	
£'000		Note	£'000	£'000
	CAPITAL ACTIVITIES			
	Cash Outflows			
57,663	Purchase of fixed assets		67,395	
8,767	Deferred charges		6,815	
(5,502)	Internal fees		(3,564)	
60,928				70,646
	Cash Inflows			
(18,271)	Capital receipts		(40,358)	
(17,432)	Capital grants rec'd to finance cap exp.		(24,734)	
(4,370)	External contrib. Rec'd to finance cap exp.		(437)	
(40,073)				(65,529)
20,855	Net Cashflow from capital activities			5,117

2002/03			2003/04	
£'000			£'000	£'000
	CAPITAL FINANCING			
	Cash Outflows			
1,951	County Council principal repaid		1,873	
1,835	Temporary Loans		(1,347)	
12,802	PWLB Loans		13,773	
0	Stock Issue		71,432	
	Cash Inflows			
(25,000)	LOBO loans			(71,300)
(8,412)	Net Cashflow from capital financing	2		14,431

2002/03			2003/04	
£'000			£'000	
(21,508)	Net Cashflow from revenue activities		(46,720)	
18,789	Net Cashflow from servicing of finance		22,565	
20,855	Net Cashflow from capital activities		5,117	
(8,412)	Net Cashflow from capital financing		14,431	
9,724	(inc)/dec in cash & cash equiv.	3		(4,607)

Notes to the Cash Flow Statement

1. Net Cashflow From Revenue Activities

	Note	2003/04	
		£'000	£'000
Reconciliation of surplus / (deficit) to net revenue cash flow			
Surplus / (Deficit) for the year:			
General Fund surplus/(deficit)		(798)	
HRA surplus/(deficit)		292	
Collection Fund surplus/(deficit)		772	
			266
Non-cash transactions:			
Net movement on reserves		5,460	
Internal capital financing and other non-cash transactions		(40,939)	
			(35,479)
			(35,213)
Items on an accruals basis:			
(Increase)/decrease in revenue debtors		6,755	
Increase/(decrease) in revenue creditors		3,676	
(Increase)/decrease in stocks and W.I.P		772	
Increase/(decrease) in deferred receipts		(145)	
	4		11,058
Items elsewhere on cashflow statement			
Servicing of finance			(22,565)
Net Cashflow from Revenue Activities			(46,720)

2. Movement in Financing Items

As at 31st March 2003 £'000		As at 31st March 2004 £'000	Movement £'000
	Movements in borrowing		
	Public Works Loan Board (PWLB):		
(154,361)	Long Term	(154,361)	0
(13,773)	Short Term	0	13,773
(80,000)	Stock Issue	(8,568)	71,432
(6)	City of Leicester Bonds	(6)	0
(25,000)	LOBO Loans	(96,300)	(71,300)
(46,827)	Leicestershire County Council	(44,954)	1,873
(1,550)	Temporary Loans	(2,897)	(1,347)
(321,517)	Net Movement	(307,086)	14,431

3. Movement in Cash and Cash Equivalents

As at 31st March 2003 £'000		As at 31st March 2004 £'000	Movement £'000
	Movements in cash and cash equivalents		
51,067	Temporary loan investments	51,346	279
(7,313)	Cash and bank overdrawn	(2,985)	4,328
43,754	Net cash inflow/(outflow)	48,361	4,607

4. Items on an Accruals Basis

As at 31st March 2003 £'000		As at 31st March 2004 £'000	Movement £'000
	Movements in other current assets and liabilities		
52,366	Revenue Debtors	45,611	(6,755)
(58,568)	Revenue Creditors	(62,244)	(3,676)
2,177	Stock and W.I.P	1,405	(772)
(745)	Deferred Receipts	(600)	145
(4,770)	Net Movement	(15,828)	(11,058)

5. Analysis of Government Grants

Revenue Grants	As at 31st March 2004 £'000
Education	
Standards Fund	11,484
Other Education	29,867
Social Care and Health	
Preserved Rights	3,993
Leaving Care	2,776
Other Social Care and Health	9,016
Regeneration and Culture	
SRB	3,748
Other Regeneration and Culture	4,288
Housing	
Supporting People	17,157
Other Housing	4,031
Corporate	
NRF	8,896
Waste Management PFI	2,070
Other	1,031
Total	98,357

Capital Grants	As at 31st March 2004 £'000
Standards Funds	5,284
Single Regeneration Budget	1,826
Modernisation Fund	2,801
Braunstone Leisure Centre	2,465
Cultural Heartland Incubator Centre	2,023
Other	10,335
Total	24,734

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 (BV)

Is a government initiative in local government, aimed at improving the quality of public services.

Best Value Accounting Code of Practice (BVACOP)

The authority's financial statements are produced in accordance with the BVACOP. This has modernised the system of local authority accounting in order to secure and demonstrate BV in the provision of services.

Capital Expenditure

Capital expenditure is the acquisition, reclamation, enhancement or laying out of land; the acquisition, construction, enhancement or replacement of roads, buildings and other structures; the acquisition, installation or replacement of moveable or immovable plant, machinery and apparatus and vehicles and vessels.

Capital Financing

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

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 set aside to repay debt.

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* and outstanding Community Charge (Poll Tax) are paid, and through which *NNDR* payments pass, and which pays out money to fund expenditure from the *General Fund*, and the *precept* made by the Police Authority.

Consolidated Balance Sheet (CBS)

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

Council Tax

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

Credit Approvals

Credit approvals indicate the level of capital expenditure which the government considers appropriate for each service at individual local authority level.

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.

District Audit

A body appointed to provide an independent examination of the accounts of a local authority.

Emluments

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.

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.

Precept

An amount charged by another authority to the Council's *Collection Fund*. There is one preceptor on Leicester's collection fund: the Police Authority.

Provision

An amount of money set aside in the budget to meet liabilities that are likely or certain to arise in the future, but which cannot be quantified with certainty.

Public Works Loan Board (PWLB)

A government agency providing long and short-term loans to local authorities. Interest rates are generally lower than the private sector, and slightly higher than the rates at which the Government 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*. The amount of *RSG* paid calculated on the basis of the Council's Formula Spending Share (FSS): It represents the difference between the authority's FSS,

and the amount it would receive from *Council Tax* at the government's standard level ("Assumed National Council Tax") plus redistributed *NNDR*.

Specific Grants

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

Statement of Standard Accounting Practice (SSAP)

A statement of common accounting practice, devised by the Accounting Standards Board (itself a division of the Financial Reporting Council), which is applicable to the majority of large organizations, both public and private sector. SSAP's are being progressively replaced by Financial Reporting Standards.

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 (in accordance with the Local Authority (Goods & Services) Act 1970)

