



Statement of Accounts 2015/16

Audited figures for approval
as at 7th September 2016





Leeds

CITY COUNCIL

Statement of Accounts 2015/16

Audited figures for approval
7 September 2016

Preface

Foreword by the Deputy Chief Executive i

1 Introductory Statements

Statement of Responsibilities 1

Accounting Concepts and Policies 2

2 Main Financial Statements and Explanatory Notes

Comprehensive Income and Expenditure Statement 16

Movement in Reserves Statement 17

Consolidated Balance Sheet 18

Cash Flow Statement 19

Explanatory Notes 21

3 Other Financial Statements and Explanatory Notes

Housing Revenue Account 80

Collection Fund 88

Foreword

by the Deputy Chief Executive

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of such a large and diverse organisation as Leeds City Council are by their nature both technical and complex and so this foreword explains some of the statements and provides a summary of the council's financial performance for 2015/16 and its financial prospects. The foreword also aims to set this financial performance in the context of the council's overall strategic objectives and its performance in delivering its services.

1 What is included in the Statement of Accounts

The Statement of Accounts features four main statements reporting on Leeds City Council's core activities:

- The Comprehensive Income and Expenditure Statement,
- the Movement in Reserves Statement,
- the Balance Sheet, and
- the Cash Flow Statement.

The Comprehensive Income and Expenditure Statement summarises the council's financial performance for the year, and must be produced on the basis of International Financial Reporting Standards. However, there are statutory arrangements in place which mean that the amount which is chargeable to a council's general reserves for the year is different from its net income or expenditure for the year. These statutory arrangements are largely designed to change the timing over which items of income or expenditure must be paid for through council tax or rents, to ensure greater fairness for local taxpayers and council tenants. The Movement in Reserves Statement shows how the impact of the council's net comprehensive income and expenditure for the year is distributed across its usable and unusable reserves. The Balance Sheet gives the council's financial position at the end of the year, showing the value of the assets and liabilities which make up the council's overall reserves, sometimes known as its net worth. Finally the Cash Flow Statement summarises how the council's income and expenditure for the year has been reflected in cash flows to and from the council.

Each of the main statements is preceded by a short note describing its purpose, and they are followed by notes which give more information on some of the figures included in the statements.

The main statements are supplemented by two further sections:

- the Housing Revenue Account reports on the council's activities as a social landlord, which are consolidated into the main statements; and
- the Collection Fund statement reports on the collection of council tax and business rates, and on how these taxes have been distributed to the council, the government and to other local services;

These too are preceded by notes explaining their purpose and have explanatory notes.

2 Accountability and financial reporting

Local authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability the council is required to produce a set of accounts in order to inform you, as a stakeholder of the council that we have properly accounted for all of the public money we have received and spent, and that the financial standing of the council is on a secure basis. In order to provide assurance that the final published accounts can be relied upon, they must be audited by independent auditors who report on their conclusions. The council's auditors for 2015/16 are KPMG LLP.

Local electors and taxpayers have statutory rights to inspect the draft accounts before the audit is completed and to question the auditors. A period of thirty working days is designated by each council as their public inspection period, and for the 2015/16 accounts this must include the first ten working days in July 2016. To make the accounts as widely available as possible we publish both the draft and final versions on the internet at www.leeds.gov.uk/accounts (Leeds residents have free internet access at their local libraries). From the internet page you can also read the National Audit Office publication *Council accounts – a guide to your rights* and the external audit reports, e-mail me with any comments or questions you have about the accounts, or click through to the other documents mentioned above.

The council's Statement of Accounts concentrates on clear and accurate reporting of the financial position of the council in relation to a particular year. This foreword provides an overview on how the financial performance relates to the council's strategic objectives and performance. However, more detailed information on the council's priorities, strategy and performance for the services it delivers can be found in documents such as the Best Council Plan, available on the council's website (<http://www.leeds.gov.uk/council/Pages/default.aspx>).

3 The council's financial performance and position

The following summary of the financial performance of the council covers:

- The council's overall financial performance for the year;
- Its financial position at the end of the year; and
- The performance of statutory ring fenced accounts;

3.1 The council's financial performance for the year

As noted in section 1 above, the council is required to produce its Comprehensive Income and Expenditure Statement on the basis of accounting standards, but the net income or expenditure which affects its general fund and HRA reserves is then adjusted by statutory items. The council sets its budget for the year on the basis of the amounts chargeable to the general fund reserve and to HRA reserves. The council's financial performance against its budget for the year was reported to the Executive Board on 22nd June 2016 (a copy of the report is available on the council's website). This report identified an underspend of £0.4m on the £523.8m budget for service expenditure. As the 2015/16 budget was supported by the agreed usage of £1.5m of general reserves, this underspend reduced the required amount of reserves to fund the budget to £1.1m. Subsequently, an increase in the level of the business rates appeals provision has meant a reduction of £0.3m in the council's business rates levy for the year, meaning a revised use of the general fund reserve of £0.8m. This was reported at a later Executive Board meeting.

The 2015/16 Comprehensive Income and Expenditure Statement (CI&E a/c) takes a wider view of the financial performance of the council and shows a surplus for the year of £64.8m (a £1.7m deficit in 2014/15). This surplus represents the amount that the council's net worth has increased

over the year. This is shown on the Balance Sheet as an increase in net assets less liabilities between 31st March 2015 and 31st March 2016.

a Performance against budget for the year

Whilst recognising that the Comprehensive Income and Expenditure Statement provides a number of important indicators of the financial health of the council, it is the £1.1m deficit which has the immediate impact on taxpayers and dictates the level of available General Fund reserves.

The 2015/16 budget was set in the context of continuing reductions in government grant together with pressures on spending, resulting in the council needing to identify significant savings. The budget included some difficult and challenging decisions, and the demand-led budgets within Children's services have continued to be under pressure. However other savings have been identified and additional income secured. The main issues contributing to the final outturn position were as follows:

- Children's Services – overall, the Children's Services directorate overspent by £4.3m. Within this figure there was an overspend of £5.8m in the cost of placements for children looked after by the council, and an overspend of £2m in the cost of home to school transport, due to a rise in the number of children needing education outside of the city. These overspends were partly offset by additional income of £1.6m from the Health Service to fund Children's Centres, and additional income of £1.0m from the Schools Forum and £0.8m of higher needs Dedicated Schools Grant.
- Staffing issues – a £2m reserve was established in 2014/15 to meet the cost of severance payments due under the Early Leavers Initiative, which aims to generate long term savings by reducing staffing numbers. During 2015/16, the council decided to carry forward this reserve to meet the future costs of the scheme, with the in-year severance costs being met from the General Fund, leading to an additional cost of £2.7m. A further £1m cost has arisen as a result of a regional collective agreement in respect of a recent court ruling on holiday pay enhancements. The agreement applies an increase to annual leave payments to reflect amounts such as overtime payments which are not currently paid to employees on annual leave.
- Environment and Housing – the directorate's budget was underspent by £1.6m. The biggest factor in this was an underspend of £1.4m in parking services, arising from a combination of staffing savings and additional income generated. There was also an underspend of £0.7m in the waste management budget, largely due to additional grant income from the new PFI waste treatment plant becoming operational earlier than was originally scheduled.
- Citizens and communities – there was an underspend of £1.5m across the directorate's budget for the year. This included £0.6m from the additional recovery of housing benefits overpayments.
- The City Development and Strategy and Resources directorates showed underspends of £0.4m and £0.5m respectively, arising from the achievement of a variety of savings plans. The remaining directorates – Adults Social Care, Public Health and Civic Enterprise Leeds, showed only minor variations from their overall budgets.
- Flood relief grant – following the damage caused by Storm Eva, the council received £4.7m of government grant to fund both direct payments to those affected and reliefs in council tax and business rates. Of this grant, £2.3m has been carried forward in an earmarked reserve

to be allocated in 2016/17. It should be noted that whilst £1.2m of grant in relation to local tax reliefs paid out has been recognised in the general fund in 2015/16, the impact in terms of reduced precepts from the Collection Fund will not be passed through to the general fund until 2017/18.

- Business rates levy – the council is required to make a levy contribution to the Leeds City Region Business Rates Pool, which is determined by the net business rates income generated in the Collection Fund for the year. The levy payable for 2015/16 was £2.4m less than was budgeted for. Further details of the reasons for this are given in the section on the Collection Fund in 3.4 (ii) below.

b Other factors affecting comprehensive income and expenditure

In addition to the in year use of £0.8m from the General Fund reserve, the other main factors which have contributed to the increase in the net worth of the council are:

- i) For 2015/16 the council's net pensions liability has decreased, resulting in a £52m net credit to the reported bottom line of the Comprehensive Income and Expenditure Statement. Although there has been a decrease in the council's pension fund assets, this has been more than offset by a significant reduction in the actuarial valuation of the fund's future liabilities. The pension liabilities are discounted at a rate based on corporate bonds, and the increased market yields seen on such bonds at the balance sheet date has resulted in a lower current valuation for the pension liabilities. For consideration of how this compares with the latest actuarial review of the pension fund see section 3.2 (Financial Position as at 31st March 2016) below.
- ii) The Comprehensive Income and Expenditure Statement receives a charge for the depreciation of fixed assets. This charge is an indication of the cost the council will have to incur, through borrowing and repairs and maintenance budgets, in order to maintain the standard of our buildings and other assets. For 2015/16 this amounted to a cost of £149m (£141m in 2014/15). The Statement also includes impairment charges, which reflect where the value of assets has fallen either because of falls in prices or because of deterioration in the assets. For 2015/16 impairment charges amounted to £102m (£33m in 2014/15). The majority of this (£94m) relates to HRA dwellings, where spending on acquisitions and refurbishments was greater than the resulting increase in the social housing value of the dwellings.
- iii) The Comprehensive Income and Expenditure Statement also records changes in the valuations of fixed assets. In 2015/16 these amounted to gains of £140m (gains of £170m in 2014/15).
- iv) Under International Financial Reporting Standards (IFRS) any grants for which any conditions imposed by the granting body have already been met, or where there is a reasonable expectation that the conditions will be met, must be recognised in the CI&E account. This means that capital grants received are recognised as income in the CI&E account, but due to statutory restrictions on how they can be spent they are then carried forward on the balance sheet as earmarked capital reserves to meet planned expenditure in future years. For 2015/16, £86.9m of income from capital grants was recognised.
- v) The Comprehensive Income and Expenditure Statement also recognises any gains or losses on the disposal of fixed assets. For 2015/16 this amounted to a loss of £36.6m (£33.7m in 2014/15), and included a £44m loss arising from the transfer of a number of

schools to become academies. The council has no choice in whether to transfer these assets and does not receive any consideration for their transfer.

- vi) Whilst the precepts relating to council tax and business rates credited to the General Fund each year are fixed when the budget is set, the Comprehensive Income and Expenditure Statement reflects the actual council tax and business rates income received during the year. For 2015/16, the income recognised from business rates was £13.4m lower than the precept set for the year. However council tax income recognised was £2.8m higher than the level of the precept. Further information on the performance of the Collection Fund for the year is given in section 3.4 (ii) below.

Whilst financial reporting under IFRS provides an important indication as to the financial health of the council, the amounts actually chargeable to a local authority's council tax and its General Fund reserves are controlled by legislation, and include a number of statutory and accounting adjustments. Of the above factors the pension losses, the depreciation and impairment charges and the losses on disposal of fixed assets are reversed under statute. The reason for these statutory overrides is that these liabilities will materialise over a number of years, if at all, and as such the Government feels that it would not be reasonable for this liability to fall only on current taxpayers. However depreciation charges are replaced by a requirement to set aside a prudent amount for the repayment of debt, known as the Minimum Revenue Provision.

3.2 Financial position as at 31st March 2016

As identified in the CI&E a/c, the council's assets net of liabilities have risen by £64.8m and now stand at £853.4m. Whilst section (a) i) – v) above identifies the main reasons for this increase, the council's balance sheet also contains other transactions, mainly relating to capital, which impact on the council's financial standing. The following section analyses the main issues impacting on the council's balance sheet as at 31st March 2016:

- The council's overall pension deficit has fallen slightly to £1,055m. The majority of the net liability relates to the council's share of the pension deficit on the West Yorkshire Pension Fund and represents the difference between the value of the council's pension fund assets at 31st March 2016 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in their full actuarial review of the pension fund, carried out as at 31st March 2013. Whilst the actuarial review is done on a forward looking basis, in contrast to the deficit in the annual accounts which does not take into account expected future earnings from assets, it does provide a good indication of the future standing of the pension fund based on the fund's position at 31st March 2013. The actuarial review concluded that the pension fund was 96% funded, with a predicted deficit for the whole of the West Yorkshire Pension Fund of £454m. Based on the actuarial review, the council has established appropriate employer contribution rates in order to move the fund towards a fully funded position over a 22 year recovery period. The next actuarial review of the pension fund will be carried out as at 31st March 2016, and the council expects to receive the results of this review in late 2016. The results of the latest review will be used to set future employer contribution rates.
- Overall the value of the council's tangible and intangible fixed assets have risen by £299m. There are a number of factors affecting the value of our assets but as outlined in section a (ii), (iii) and (v) above the largest impacts are due to the depreciation, revaluations and the disposal of assets, including the transfer of a number of schools to

become Academies. The other major factor impacting on the carrying value of our assets is additional capital spend in year of £473m.

It is also worth noting that the overall market value of the council's assets is considerably higher than the balance sheet value, which reflects existing use for operational assets. In particular the market value of our housing stock is around £4.6bn (current social value £1.4bn) and our infrastructure assets are currently only recognised at depreciated historic cost (£696m) when their market value would run into billions of pounds.

- Creditors have reduced by £19.3m. The primary reason for this is that the figure for 2014/15 included £26m held on behalf of the former Leeds City Region Joint Committee, which has been transferred to the West Yorkshire Combined Authority.
- Overall the council's usable reserves have fallen from £390m in 2014/15 to £320m in 2015/16, a decrease of £70m. The majority of these £320m of useable reserves are ring fenced (£269m) and are not available to support general expenditure. The main ring fenced reserves as at 31st March 2016 are:
 - School based reserves £38m;
 - Revenue and capital grants received in advance of planned expenditure £134m;
 - Housing Revenue Account reserves £38m, statutorily ring fenced to the provision of local authority housing;
 - Major repairs reserve £32m, ring fenced to major repairs to council houses;
 - Useable Capital Receipts reserve £26m, to finance capital expenditure, partly ring fenced to council houses.

The remaining £51m of reserves is made up of the £21m General Fund reserve and £30m of earmarked reserves.

- Overall debt net of treasury management investments stands at £2,320m (£1,979m in 2014/15) made up of long term borrowing £1,367m (£1,358m in 2014/15), borrowing repayable on demand or within one year of £278m (£99m in 2014/15), credit arrangements and deferred income under Private Finance Initiative (PFI) schemes of £677m (£550m in 2014/15) and finance lease liabilities of £2m (£3m in 2014/15). The council held no treasury management investments at the end of the financial year (£30m in 2014/15)

The level of overall net debt has increased by £341m from 2014/15. The main movements in respect of this debt position are:

- A net increase of £127m in PFI liabilities, reflecting new liabilities of £138m from the acquisition of a waste treatment plant and £61m new liabilities on a scheme within the HRA to provide new social housing, less repayments during the year of £72m. It should be noted that within the liability recognised for the waste treatment facility is an element valued at £26m and known as a deferred income balance, which will be met by granting the operator the right to use the asset to earn income from third parties, rather than being met by payments from the council;
- An increase of £215m in borrowing net of investments, reflecting the extent to which new capital expenditure financed by borrowing has not been funded from increased reserves and balances.

The council's level of external borrowing is primarily determined by its need to finance capital expenditure, but the council seeks to minimise its actual external borrowing by offsetting the revenue balances it holds against its capital financing requirement.

- Short and long term provisions have reduced by £8.0m. This is largely due to a reduction in the level of provisions for appeals against business rates valuations, reflecting the settlement of many appeals which were outstanding at the start of the year.

3.3 Cash flows during the year

The cash flow statement shows how the above financial position has been reflected in cash movements during the year. In terms of treasury management and financing activities, the turnover of short term borrowing has increased during the year, reflecting the reduced availability of revenue balances to offset the borrowing requirement. This also resulted in the higher level of short term borrowing shown on the balance sheet at the end of the year (see section 3.2 above). Allied to this the council reduced its use of short term investments during the year, due to the reduced level of returns available and the desire to minimise risk.

Within operational cashflows, reductions in the level of government grants can be seen in the cash inflows, and a reduction in the cash outflows on employee costs reflects the council's ongoing efforts to reduce the size of its workforce.

3.4 Ring-fenced accounts

The following is a summary of the financial performance of the statutory ring fenced accounts managed by the council. The Housing Revenue Account (HRA) shows the council's financial performance in its provision of social housing. The HRA is consolidated into the council's overall financial statements. The Collection Fund account reflects the statutory requirement to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Business Rates, and this account is not consolidated into the council's accounts. However the council's Comprehensive Income and Expenditure Account receives a share of the collected Council Tax and Business Rates.

i The Housing Revenue Account (HRA)

The HRA Income & Expenditure Account shows a deficit for the year of £46.8m. This deficit is then adjusted to reflect any statutory overrides to accounting practice in order to produce a reported financial position which directly impacts on council house rent payers. For 2015/16 the statutory overrides amounted to a credit to the HRA of £30.5m, resulting in a financial deficit for the HRA of £16.3m (compared to a surplus of £18.1m in 2014/15). This deficit largely relates to the planned use of £16.5m previously set aside in reserves to fund costs in 2015/16 relating to the Little London Beeston and Holbeck PFI scheme. The most significant statutory override impacting on the HRA in 2015/16 is a £93.5m credit transfer which reverses the impact of impairment on dwellings, as this is not required to be funded by tenants. There is also a transfer of £28.9m to the Major Repairs Reserve to fund council house repairs and repay debt.

The deficit of £16.3m was transferred to HRA earmarked reserves as approved by the Executive Board on 22nd June 2016.

Overall the HRA reserves stand at £38.1m as at 31st March 2016 (£54.4m as at 31st March 2015). £7.3m of this sum represents the HRA general reserve; this is deemed to be a prudent level based on the council's risk based reserves strategy. The remaining £30.8m HRA reserve represents amounts identified as necessary to fund specific future costs, £20.6m of which is being held to fund the future costs of Housing PFI schemes. Full details of the purpose of the remaining balance of the HRA reserve are shown in the explanatory note H4.

ii Collection Fund

The Collection Fund for 2015/16 shows a total deficit for the year of £13.3m (a £44.0m deficit in 2014/15). This leaves the Collection Fund with negative reserves of £70.9m as at 31st March 2016 (as at the 31st March 2015 the fund had negative reserves of £57.6m). The deficit at 31st March 2016 is made up of a £2.6m surplus on council tax (a £1.6m surplus at 31st March 2015) and a £73.5m deficit on business rates (a £59.2m deficit at 31st March 2015).

In respect of council tax this surplus arose because of differences between estimated and actual amounts of total council tax bills. The in-year surplus will feed into the estimate of the Collection Fund position that is made in January 2017, and the estimated balance at that point in time will be taken into account when calculating the council tax for the 2017/18. The surplus carried forward from 2014/15 was taken into account when setting the 2016/17 council tax.

The deficit on business rates has arisen due to further reductions in rateable values arising from appeals by ratepayers and other reductions initiated by the Valuation Office, coupled with slower than expected growth in new commercial properties within Leeds. The Collection Fund has also recognised a loss arising from a court judgement affecting councils' ability to recover empty rates where the occupier has gone into voluntary liquidation. The deficit includes the creation of a provision for the estimated costs of valuation appeals relating to business rates income received before the local retention scheme was introduced on 1st April 2013. The government has allowed local authorities to spread an element of this cost (the element which was known when the 2014/15 precept was set) over 5 years in their calculation of the precept transfer to the General Fund, so that the cost which is permitted to be deferred (£10.3m at 31st March 2016) remains in the Collection Fund. Taking this into account, the 2016/17 precept was set to recover £47m of the projected 2015/16 deficit. The element of the £73.5m 2015/16 deficit which will remain to be addressed by the end of 2016/17 is therefore £26.5m, of which the council will bear 49%.

The percentage of local taxation collected in year was 95.9% for council tax (95.7% in 2014/15) and 97.8% for business rates (97.3% in 2014/15).

3.5 Leeds City Council's group

Following the closure of its Housing ALMO companies during 2013/14, the council no longer has a material group and therefore does not produce group accounts.

The council has two remaining subsidiary charitable companies, Leeds Grand Theatre Ltd and the Craft Centre and Design Gallery Ltd. It also has four associates - Belle Isle Tenant Management Organisation Ltd, Green Leeds Ltd, The Leeds Groundwork Trust and Leeds Apprenticeship Training Agency Ltd, and one joint venture (NPS Leeds Ltd). There have been no financial issues affecting any of these organisations which materially impact on the council's financial position in 2015/16.

Since 2014/15 the Code has required local authority maintained schools to be treated as part of a local authority's group, but to be included within its single entity financial statements. This means that the council is required to recognise on its balance sheet any school properties which are deemed to be assets of the individual school governing bodies, as well as those which are its own assets. This requirement has led to the council recognising £411m of assets owned by school governing bodies on its balance sheet at 31st March 2016. However it should be noted that these assets are the assets of the school governing bodies, and are not available to the council for any other purpose than providing a school.

4 The council's strategic objectives and performance

4.1 The Best Council Plan for Leeds

The Council's strategic objectives are set out in the Best Council Plan, which can be accessed via the council's website at <http://www.leeds.gov.uk/council/Pages/Council-plans.aspx>. The documents available include our Best Council Plan 2015-20 and the 2016-17 Update to it, which provides a succinct summary of our priorities and proposed performance measures for the coming year.

The 2016/17 Best Council Plan Update reiterates the council's Best City/Best Council overall objective of 'Tackling poverty and reducing inequalities'. It also sets out the council's twin ambitions :-

- for the city of Leeds to have a strong economy and to be a compassionate city, and
- for the council to contribute to this by being a more enterprising and efficient organisation.

The 2016/17 budget was developed in conjunction with the 2016/17 Best Council Plan Update, ensuring that the council's strategic objectives and its allocation of resources both inform and are informed by each other. This means that the annual budget and medium-term financial strategy represent the financial expression of the council's ambitions, policies and priorities.

4.2 Corporate governance

Like any organisation, the council's corporate governance arrangements are a key factor in ensuring that it can achieve its strategic objectives and secure economy, efficiency and effectiveness in delivering its services. Councils are required to carry out an annual review of the effectiveness of their corporate governance arrangements. The result of this review, the Annual Governance Statement, is published alongside this statement of accounts at <http://www.leeds.gov.uk/council/Pages/our-financial-performance.aspx>

4.3 Key performance indicators

Progress on the best Council Plan as a whole is reported on regularly via a set of key performance indicators known as our 'Best Council Plan Success Measures'. Some of these indicators are deliverable by the council's own services, but others are wider and require input from our partners within the city in order to achieve success. For 2016/17 performance reporting has been simplified to a list of 20 key indicators. However, for 2015/16 we reported on a more detailed list of performance indicators. A quarterly scorecard and an annual report are produced, details of which can be found on the council's website at <http://www.leeds.gov.uk/council/Pages/Performance-information.aspx>

The latest quarterly scorecard was published in May 2016, and showed a mixed picture overall, with progress against some indicators but declining performance against others. It contains too many indicators to include them all here, but some of the outcomes it records are :

- Number of children looked after – 1,232 (76.8 / 10,000) (1,265 for 2014/15)
- Primary school and secondary school attendance – 96.1% and 94.4% (96.4% and 94.6% for 2014/15)
- Percentage of 16-18 year olds not in education training or employment, or of status not known – 8.2% (9.7% for 2014/15)

- Increase the percentage of older people who are still at home 91 days after leaving hospital into reablement/rehabilitation services – 81% (81% for 2014/15)
- Increase the percentage of waste recycled to 44.2% - 42.3% to December 2015 (42.8% for 2014/15)
- Increase the number of people supported into jobs – 4,877 (4,630 for 2014/15)
- Housing growth – 2,516 new homes; 755 fewer empty properties (2,011 and 215 for 2014/15)
- Maximise business rates growth – 1.43% decrease from 2012/13 baseline (1.19% decrease at 2014/15)
- Overall satisfaction with cultural provision in Leeds – 73% satisfied or very satisfied (84% for 2014/15)

Our annual report on the council's performance against its Best Council Plan objectives for 2015/16 will be published at the end of July 2016.

5 **Current accounting practice and new developments**

There have been no significant changes in accounting policies required for local authorities for 2015/16. However, from 2016/17 local authorities will be required to recognise their highways and other infrastructure assets at current value rather than holding them at historic cost. It is expected that this will significantly increase the value of local authority assets.

The 2016/17 accounting Code will also require changes to the format of some of the statements included within the accounts, which aim to make them more understandable to the non-expert reader.

6 **Looking forward – future financial challenges**

The environment in which local government operates continues to be one which presents significant financial challenges to all local authorities. The 2016/17 budget will again require the Council to deliver significant savings, and it is also clear that an even greater level of savings will be required in 2017/18 and beyond as part of the Government's continuing deficit reduction plans. In addition, the level of appeals against business rates valuations represents a significant ongoing risk to the Council's funding. The government's plan to introduce 100% local retention of business rates does present some opportunities, but will also increase the level of risk.

Between the 2010/11 and 2015/16 budgets, Leeds' core funding from Government has reduced by around £180m. Our net budget for 2016/17 has reduced by a further £31m, and ongoing annual reductions are expected over the period to 2019/20. In addition to the reductions in its funding, the council faces continuing growth in demands for many of its services, particularly for adults' and childrens' social care, together with increases in costs and reductions in income due to the general economic climate. Whilst we have responded successfully to these financial challenges to date, it is important that the Council has a robust financial strategy in place to address the continuing financial pressures.

Our budget strategy sees many areas of the Council continuing to reduce budgets, in some cases through significant changes to the way the Council operates. The strategic framework outlining how we will allocate resources and respond to financial pressures is detailed in the Best Council Plan 2015-20.

Whilst continuing its programme of efficiencies, the council needs to work differently, to keep evolving and innovating in terms of *what* it does and *how* it does it, exploring different service models and greater integration with other organisations and encouraging staff to grow their commercial and business acumen. We will continue to work with partners across the city and the region so that collectively we can achieve more with less. A major part of this is the government's devolution agenda. We have already seen the formation of the West Yorkshire Combined Authority, and discussions continue on the future shape and role of the Leeds City Region.

The council also needs to move away from being simply a provider of services towards a more enabling role, working with people and communities so that they can become less reliant on the state and more resilient. If more people are able to do more themselves, the council and its partners can better prioritise service provision and resources towards those areas and communities which are most in need. To be successful in this we will need to evolve the relationship between public services and citizens, so that there is a balance between rights and responsibilities; a balance between improving outcomes and reducing public sector costs and managing demand.

Statement of Responsibilities

1 The City Council's responsibilities

The City Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Leeds City Council, that officer is the Deputy Chief Executive.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

2 The Deputy Chief Executive's responsibilities

The Deputy Chief Executive is responsible for the preparation of the City Council's Statement of Accounts. In preparing the statement, the Deputy Chief Executive has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting;
- applied the accounting concept of a 'going concern' by assuming that the authority's services will continue to operate for the foreseeable future.

The Deputy Chief Executive has also:

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

3 Certification of the accounts

I certify that the Statement of Accounts gives a true and fair view of the position of Leeds City Council at 31st March 2016 and its income and expenditure for the year ended 31st March 2016.

Alan T Gay CPFA
Deputy Chief Executive
16th September 2016

4 Approval of the accounts

I certify that the Statement of Accounts has been approved by a resolution of the Corporate Governance and Audit Committee of Leeds City Council in accordance with the Accounts and Audit Regulations 2015.

Councillor Pauleen Grahame
Chair, Corporate Governance and Audit Committee
16th September 2016

Statement of Accounting Concepts and Policies

The accounts follow the appropriate accounting standards as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code). The Code constitutes a “proper accounting practice” under the terms of section 21(2) of the Local Government Act 2003. The Code is based on approved accounting standards, except where these conflict with specific statutory accounting requirements, so that the authority’s accounts present a ‘true and fair’ view of the financial position and transactions of the authority.

The accounting concepts and policies which have a material impact on the accounts are as follows:

1 Fundamental accounting concepts

1.1 Qualitative characteristics of financial information

a Relevance

The accounts have been prepared with the objective of providing information about the authority’s financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

b Reliability

The financial information is a faithful representation, as it

- has been prepared so as to reflect the reality or substance of the transaction and activities underlying them, rather than their formal legal character;
- includes all information necessary for a user to understand the authority’s financial performance and position
- is free from deliberate or systematic bias;
- is free from material error; and
- has been prudently prepared.

c Comparability

In addition to complying with the Code, the authority’s accounts also comply with the Service Reporting Code of Practice. This code establishes proper practice with regard to consistent financial reporting below the statement of accounts level and therefore aids comparability with other local authorities.

d Understandability

These accounts are based on accounting concepts, treatments and terminology which require reasonable knowledge of accounting and local government. However, every effort has been made to use plain language and where technical terms are unavoidable they have been explained as they occur.

1.2 Materiality

As allowed under the Code, the concept of materiality has been utilised in preparing these accounts. Information is material if omitting or misstating it could influence the decisions that users may make on the basis of the accounts. The Code permits authorities not to comply with

specific disclosure requirements or accounting principles where the information is not material to the 'true and fair' view of the financial position and financial performance of the authority, and to the understanding of users.

1.3 Pervasive accounting concepts

a Accruals

The financial statements, other than the cash flow information, are prepared on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received.

b Going concern

The accounts have been prepared on the assumption that the authority will continue in operational existence for the foreseeable future.

c Fair value

The concept of fair value is used throughout the Code. Where the Code requires assets and liabilities to be measured at fair value, from 2015/16 this has been done in accordance with the requirements of IFRS 13 Fair Value Measurement. This requirement is prospective from 1st April 2015. Any fair values included in the comparator figures for 2015/16 have not been restated to comply with IFRS 13.

d Primacy of legislative requirements

In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards or generally accepted accounting concepts. The following legislative accounting requirements have been applied when compiling these accounts:

- i Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government Act 2003.
- ii The Local Government Act 2003 requires the authority to set aside a minimum revenue provision (MRP) for repayment of debt. This should be at a prudent level, having regard to statutory guidance. The MRP is charged to the general fund as a transfer in the Statement of Movement in Reserves. This adjustment is made by way of an appropriation to or from the capital adjustment account.
- iii The Collection Fund account reflects the statutory requirement of section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992).
- iv The Housing Revenue Account is compiled following proper practice as defined in section 74(1) of the Local Government and Housing Act 1989 and section 21 of the 2003 Act.

None of the above legislative requirements impacts on the authority's accounts to the extent that they no longer present a true and fair view of the financial position of the authority.

2 Accounting policies and estimation techniques

The accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the authority. Consistent accounting policies have been applied both within the year and between

years. Where accounting policies are changed, the reason and effect have been separately disclosed.

Where estimation techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the authority's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is separately disclosed.

2.1 Accruals of income and expenditure

- a Revenue from the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- b Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- c Employee costs are charged to the accounts of the period within which the employees worked. Accruals have been made for wages earned but unpaid at the year-end.
- d Interest payable on external borrowings and interest income is accrued and accounted for in the period to which it relates on a basis which reflects the overall economic effect of the borrowings. In accordance with the accounting requirements for financial instruments, accrued interest is added to the balance of the instrument to which it relates rather than being shown within short term debtors and creditors.
- e Supplies and services are accrued and accounted for in the period during which they are consumed or received. Accruals have been made for all material sums unpaid at the year end for goods or services received or work completed. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

2.2 Provisions and contingencies

- a Provisions have only been recognised in the accounts when there is a legal or constructive obligation to transfer economic benefits as a result of a past event, and where such an amount can be reliably estimated. Provisions are charged to the revenue account and, depending on their materiality, are either disclosed as a separate item on the Balance Sheet or added to the carrying balance of an appropriate current liability. When expenditure is incurred to which the provision relates, it is charged directly to the provision.
- b Where a material contingent loss cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included within the financial statements but is disclosed in explanatory note 4
- c Where a material contingent gain is identified it is not accrued for within the accounting statements but disclosed in explanatory note 13.4.
- d The authority accounts for the estimated cost of settling self-insured risk by way of an insurance provision. Where estimation techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the authority's view, appropriate

and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is separately disclosed.

- e The carrying amount of debtors has been adjusted for doubtful debts, which should be provided for, and known uncollectable debts have been written off in full.

2.3 Other comprehensive income and expenditure reclassifiable to the surplus or deficit on provision of services

The Code requires the items within Other comprehensive income and expenditure to be separately grouped into those items which are reclassifiable to the Surplus or deficit on provision of services and those which are not, where this split is material.

The only item which the council currently has within Other comprehensive income and expenditure which is reclassifiable to the Surplus or deficit on provision of services is Gains or losses on the revaluation of available for sale assets. This is not sufficiently material to require a separate grouping.

3 Revenue expenditure funded from capital under statute

Local authorities are permitted by statute to treat as capital some items of expenditure that do not generate an asset or lasting economic benefit, and thus would not be capital expenditure under Generally Accepted Accounting Practice (GAAP). Such expenditure is referred to as revenue expenditure funded from capital under statute (REFCUS), and is charged to the relevant service heading within the Comprehensive Income and Expenditure Account. Any external capital funding used to finance the expenditure is credited to the Comprehensive Income and Expenditure account. However, in order to ensure that the net expenditure is funded from capital funding sources rather than from Council Tax payers, the transactions are reversed out of the General Fund revenue account via the Movement in Reserves Statement.

4 Grants and contributions

Government grants and other contributions are recognised as due to the authority when the conditions of their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

Grants and contributions are credited to income when there is reasonable assurance that any conditions attached to the grant or contribution will be met. Any grants received where conditions have not been met are carried in the balance sheet as creditors. When all conditions are satisfied, the grant is credited to the relevant service line, except for non-ringfenced grants and capital grants, which are credited to General government grants in the Comprehensive Income and Expenditure Statement.

Capital grants are reversed out of the general fund balance in the Movement in Reserves Statement to the Capital Grants Unapplied Account. When the grant has been applied to fund capital expenditure it is posted to the Capital Adjustment Account.

5 Employee Benefits

Accruals for short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick pay for current employees and are recognised as an expense for services in the year which employees render service to the authority.

Paragraph 10 below covers accounting for pensions.

Potential liabilities arising in relation to unequal pay claims have been treated in accordance with the authority's policies on provisions and contingencies (see 2.2 above).

6 Financial instruments – financial assets

Financial assets in the classification 'loans and receivables' are valued on recognition at fair value (usually the cost of acquisition), and are subsequently valued at amortised cost less a provision, if appropriate, for impairment. Loans and receivables are included in the Balance Sheet within either long term debtors, long term investments, current debtors or current investments. Interest receivable on financial assets is credited to the income and expenditure account at the effective interest rate arising from the amortised cost calculation. Any accrual of interest at the balance sheet date is included within the value of the relevant financial assets rather than being shown as a separate debtor.

Where the authority makes a loan at less than the prevailing market interest rate (a 'soft loan'), the fair value on recognition is taken to be the estimated present value of all future cash receipts discounted using the prevailing market rate. The amount by which the value lent exceeds the fair value of the loan on recognition is charged immediately to the Comprehensive Income and Expenditure Account. In accordance with legislation, this amount is then reversed within the Movement in Reserves Statement and does not impact on council tax. In subsequent years, transactions are made in the Movement in Reserves Statement to ensure that the amounts credited to the general fund balance are equal to the interest received rather than the effective interest rate of the loan.

Available-for-sale financial assets are valued in the Balance Sheet at fair value, and are included in the long term investments category. Where available-for-sale assets are quoted in an active market, the quoted market price is taken as fair value. If no market price is available, then fair value is estimated using the best available information. Impairments to the value of available-for-sale assets are recognised in the Comprehensive Income and Expenditure Account. Unrealised gains and losses arising as a result of changes to the fair value of available-for-sale assets are also recognised in the Comprehensive Income and Expenditure Account.

7 Leases

7.1 Finance leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Rentals payable under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease. The amount of outstanding principal has been recognised on the balance sheet as a deferred liability with a corresponding entry into fixed assets.

The amount due from a lessee under a finance lease is recorded as a long-term debtor at the amount of the net investment. The lease payments under a finance lease are allocated to accounting periods to give a constant periodic rate of return to the net investment in the lease in each period.

7.2 Operating leases

Rentals payable under operating leases are charged to revenue on a straight-line basis over the term of the lease. In addition operating lease rentals payable are accounted for net of benefits received or receivable.

Rental income from operating leases is recognised on a straight-line basis over the period of the lease. Assets held for use in operating leases are recorded as property plant and equipment or investment property on the balance sheet.

8 Overheads

The costs of support services are charged to service revenue accounts, trading undertakings, capital accounts and other support services. The costs of service management are apportioned to the accounts representing the activities managed. All the bases of apportionment are adopted consistently for all heads to which apportionment should be made. The costs of the corporate and democratic core and of non-distributable costs are not charged or apportioned to service revenue accounts but are classified separately in the Comprehensive Income and Expenditure Account.

9 Reserves

Any amounts set aside for purposes falling outside the definition of provisions have been accounted for as reserves, and transfers to and from reserves are shown in the Movement in Reserves Statement and not within service expenditure. Expenditure is charged to the Comprehensive Income and Expenditure Account and not directly to any reserve (other than the Major Repairs Reserve - see note a below).

The exceptions allowed by the code and by statute are:

- a The Major Repairs Reserve, which is a statutory reserve for Housing Revenue Accounts in England and Wales. Statute allows authorities to charge defined capital expenditure on assets directly to this reserve, along with sums voluntarily set aside to repay debt.
- b The Usable Capital Receipts Reserve is required under the Local Government Act 2003 and is credited with income from the disposal of fixed assets and other receipts defined by statute as capital receipts. In the year the usable receipts are used to finance capital expenditure or to fund credit arrangements they are applied to the Capital Adjustment Account. Any reserved element of receipts from Right to Buy sales of council dwellings is paid over to the government's national pool for redistribution back to local authorities.

10 Pensions

The authority has accounted for its pension costs arising from the Local Government Pension Scheme, and for all unfunded discretionary benefits which it has granted, as defined benefit schemes. Pension costs relating to the national teachers' pension scheme have been treated as defined contribution schemes, in accordance with the code. The NHS pensions scheme is also accounted for as a defined contribution scheme.

10.1 Defined benefit schemes

For those schemes treated as defined benefit schemes, pension fund assets are accounted for at fair value (that is, market value for investments and properties). Pension liabilities are measured on an actuarial basis using the projected unit method. This requires the use of various

assumptions about future events. Details of the assumptions used can be found in explanatory note 8.

Within the Comprehensive Income and Expenditure Account, service revenue accounts and trading services have been charged with their current service cost, which represents the extent to which pensions liabilities have increased as a result of employee service during the year. Past service costs, settlements and curtailments have been charged to non-distributable costs. The net interest cost on the net pension liability has been included in net operating expenditure.

As required by legislation, an appropriation to the Pensions Reserve has been made, which reverses out the IAS 19 based pension costs in the Comprehensive Income and Expenditure Account and replaces them with the actual pensions related payments made in year. This ensures that the amount to be funded from Council Tax for the year is equal to the employer's pension contributions payable and payments made directly to pensioners.

The pension costs shown within the Housing Revenue Account (HRA) reflect the current service costs relating to HRA staff. The HRA's apportioned share of the net interest cost has been included in net operating expenditure. The impact of these adjustments is reversed by an appropriation to the Pensions Reserve, so that the pension cost fundable from rents equates to the actual pensions related payments for the year.

10.2 Defined contribution schemes

For defined contribution schemes, the pension cost to be accounted for is equal to the pension contributions payable for the year. These costs are recognised within Net Cost of Services. No assets or liabilities are required to be recognised other than accruals relating to these contributions.

11 Cash and cash equivalents

The authority's Cash Flow Statement reflects the movements in cash and cash equivalents during the year. Cash is represented by cash in hand and the net balances on the authority's operational bank accounts, including any overdrawn balances. The authority has defined cash equivalents as those investments that are held for treasury management purposes and which can be realised within 1 month or which have a lifetime of 3 months or less.

12 Inventories and long term contracts

12.1 Inventories

Inventories are valued at cost less an allowance for loss in value. This is assessed annually to ensure there is no material impact on the carrying value of the assets. Work in progress is included with inventories in the Balance Sheet at cost less any foreseeable losses.

12.2 Long term contracts

Long-term contracts are assessed on a contract by contract basis and are reflected in revenue by recording turnover and related costs as contract activity progresses. Turnover has been ascertained by reference to valuation of the work carried out to date or, if appropriate, separately ascertainable sales values and costs (eg because delivery or customer acceptance has taken place).

When the outcome of a long-term contract can be assessed with reasonable certainty before its conclusion, then the prudently calculated attributable profit is recognised in the revenue account as the difference between the reported turnover and related costs for the contract.

13 Value Added Tax (VAT)

Value Added Tax is included within the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure or capital expenditure as appropriate.

14 Associated and subsidiary companies; group accounts

The local authority group has been determined by reference to the definitions of subsidiaries, associates and joint ventures in the Code (see the preamble to this statement). These definitions are consistent with International Financial Reporting Standards. From 2014/15 onwards, the entities within the council's group have not been sufficiently material to require it to produce separate group accounts.

15 Intangible assets

15.1 Measurement

Intangible assets where the authority has control of the asset through either custody or legal protection are capitalised at cost. Such intangible assets held by the authority are not revalued.

The authority undertakes no research and development, nor has it acquired or is it holding any goodwill (as defined in IAS 38).

15.2 Basis for charging for intangible assets

The capital cost of an intangible asset is charged to revenue over its economic life on a straight-line basis. The asset life of each intangible asset is assessed on an annual basis and does not extend beyond any granted legal rights unless the legal rights are renewable and renewal is assured. The asset lives used for the intangible assets are 5 or 10 years. None of the authority's intangible assets are deemed to have any residual value at the end of their useful life.

Assets have been reviewed for any impairment loss in respect of consumption of economic benefit. Where an impairment loss has occurred, it has been charged to the service revenue account. An amount equal to the amortised charges for the use of intangible assets and relevant impairment losses included in revenue accounts is reversed within the movement in reserves statement.

15.3 Disposal

Gains or losses on disposal of intangible assets are recorded in the Comprehensive Income and Expenditure Account, and accounted for on an accruals basis.

16 Tangible long-term assets

16.1 Recognition

All expenditure on the acquisition, construction or enhancement of a tangible asset, as defined by the Accounting Code of Practice, has been capitalised and classified as a long-term asset, where the asset brings benefit to the authority for a period of more than one year.

16.2 Measurement

Operational land and properties are valued on the basis of current value in existing use, unless there is no market based evidence of their current value due to their specialist nature, in which case their current value is estimated on a depreciated replacement cost basis. In particular, and

in accordance with Department for Communities and Local Government guidance, council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. Consequently council dwellings are included in the balance sheet at 31% of current value.

The value of infrastructure assets, such as highways, in existence at 1st April 1994 is included in the Balance Sheet at the equivalent of any net loan debt outstanding. Since the 1st April 1994 any new infrastructure assets and enhancements are included at construction cost, net of depreciation where appropriate.

The value of community assets in existence at 1st April 1994 is included in the Balance Sheet at nominal value. Since 1st April 1994 all new community assets and enhancements to existing assets have been included at historic cost, net of depreciation where appropriate.

Capital spend on tangible long term assets is included in the carrying value of an asset until such time as it is revalued. Where material capital spend has occurred on an asset, a revaluation is carried out in the year in which work is completed. Where construction or major enhancement work to an asset spans more than one year, any financing costs incurred during the construction period are included in the capital cost of the acquisition or enhancement.

At revaluation, any gains are credited to the revaluation reserve. Any revaluation losses are firstly written down against any previous revaluation gains or where there are no previous revaluation gains, such losses are charged to the Comprehensive Income and Expenditure Account in accordance with the Accounting Code of Practice. Where revaluation losses which have been charged to the income and expenditure account are reversed by subsequent events, the reversing revaluation gains are credited to the Comprehensive Income and Expenditure Account.

16.3 Estimation

In accordance with the Code, all valuations are subject to review as part of a five year rolling revaluation programme. In order to reflect a more accurate value of the authority's assets any asset which is not revalued in the year or not included at either cost or nominal value is uplifted based on appropriate indices. The indices used are as follows –

- the Royal Institute of Chartered Surveyors' forecast rebuild indices for assets valued at depreciated replacement cost; and
- a property rents index produced by external property management surveyors, for assets valued at open market value

New developments from the authority's capital programme are included in the register at construction cost from completion until they are subject to valuation.

The information on council houses is derived from the number of properties included in the Housing Rents system. The summary totals have been adjusted to reflect all known disposals during the year. Full valuations of the authority's housing stock are carried out on a five-yearly cycle, with an annual desktop exercise during the five years.

16.4 Basis of charge for use of fixed assets

Capital charges are made to the users of fixed assets and are calculated on the basis of the opening balance sheet value of the asset and comprise –

- i A depreciation charge for all tangible fixed assets other than non-depreciable land, investment properties, assets held for sale and heritage assets.

Depreciation is calculated by writing off the cost or revalued amount, less estimated residual value, over the remaining useful life of the asset. All assets have been depreciated on a straight line basis with no residual value. Individual remaining asset lives are assessed having regard to the structural condition of the building, to age and state of repair, condition of the mechanical and electrical services, compliance with current legislation and suitability for its existing use. Once completed, depreciation is calculated based on the individual remaining asset life. However, where remaining lives are not available for individual assets, a range for remaining asset lives has been determined for a variety of asset categories. The midpoint has then been used as the estimated remaining asset life. The categories and ranges of remaining asset lives used in the estimation are as follows:

- vehicles, plant and equipment between 3 and 7 years
 - schools between 20 and 60 years
 - libraries, administration offices and council houses between 40 and 60 years
 - car parks between 40 and 60 years
 - farms, golf clubs, cemeteries and markets 60 years
 - all other significant properties between 20 and 40 years
 - infrastructure assets 30 years.
- ii Assets have been reviewed for any impairment loss in respect of consumption of economic benefit. Where an impairment loss has occurred, it has been firstly written down against any previous revaluation gains. Where there are no previous revaluation gains, such losses are charged to the service revenue account.
- iii The basis for charging the external cost of capital financing to the Housing Revenue Account (HRA) is the Item 8 determination contained within Part 6 of the Local Government and Housing Act 1989. This requires long term loans to be allocated between the HRA and the General Fund, and for the HRA to receive an appropriate share of overall short term borrowing costs.
- Authorities are also required, by the Accounts and Audit Regulations 2011, to establish and maintain the Major Repairs Reserve (MRR). The main credit to the MRR is an amount equivalent to the total depreciation charges for all HRA assets. The Item 8 determination allows that where depreciation charges for HRA dwellings are greater than or less than the specified amount deemed necessary to carry out major repairs to the properties for the year, an amount equal to the difference may be transferred between the HRA and the Major Repairs Reserve.
- iv Repairs and maintenance expenditure is charged to the appropriate service revenue account.

16.5 Componentisation of fixed assets

The land and building elements of all properties are valued separately and treated as two separate assets for accounting purposes.

In addition to this, and subject to an appropriate materiality threshold, the Code requires that any individual components within buildings which have a cost that is significant in relation to the total cost of the host building should be separately accounted for, unless they have a useful life similar to that of the host building.

In considering assets for potential componentisation, the authority has included all general fund buildings with a carrying value of above £1m, and any buildings below this value which are considered to have unique characteristics. Within each building, the authority has set its

threshold for the recognition of components as 20% of the cost of the building. Buildings considered to be unique in nature have been separately reviewed, but sample reviews have been undertaken for groups of similar assets. The overall population of HRA assets has been reviewed on a sample basis, using the same threshold for the recognition of individual components. All reviews were carried out by professional quantity surveyors.

Components have been separately recognised only where their cost is 20% or more of the cost of the host asset and their useful life is sufficiently different from the useful life of the host building to mean that the potential impact on depreciation would be material.

17 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value. As non-financial assets, investment properties are measured at highest and best use. Properties are not depreciated but are reviewed annually for any changes in value. All gains and losses on revaluation are posted to gain or loss on investment properties line in the Comprehensive Income and Expenditure Account. Rentals received in relation to investment properties are also credited to the gain or loss on investment properties line.

18 Assets held for sale

When it becomes highly probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through continuing use, it is reclassified as an asset held for sale. Assets held for sale are carried at the lower of carrying value and fair value less costs to sell.

Subsequent decreases in fair value less costs to sell are charged directly to the Comprehensive Income and Expenditure Account. Gains in fair value are only recognised to the extent that they reverse a loss previously recognised in the surplus or deficit on provision of services. No depreciation is charged on assets held for sale.

When an asset no longer meets the criteria to be classified as held for sale, it is reclassified back to long-term assets and valued at the lower of their carrying value before they were classified as held for sale (adjusted for any depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale) and their recoverable amount.

19 Heritage assets

Heritage assets are those assets with historical, artistic, cultural, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture, and are intended to be preserved for future generations.

Where it is practicable to obtain a valuation, heritage assets are held at their latest valuation. Valuation methods used by the authority include professional valuations and insurance valuations. Where a valuation is not practicable at a reasonable cost, heritage assets are held at historic cost, if this is known. If neither valuation nor historic cost is available then heritage assets are not recognised on the balance sheet. The authority discloses information about the nature and scale of its collections of heritage assets, whether or not these have been identified on the balance sheet.

Heritage assets are assumed to be held in perpetuity, and are therefore not depreciated. However, heritage assets are reviewed for impairment in the same way as any other tangible or intangible assets.

Operational heritage assets, i.e. those assets which have heritage characteristics but which are also used for operational purposes, are classified and accounted for as operational assets in accordance with accounting policy 15 or 16 as appropriate.

20 Capital receipts

Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government Act 2003. Capital receipts must be used to fund capital expenditure, to repay debt, or to fund credit arrangements, subject to the de minimis level set out in the relevant regulations (currently £10k).

Capital receipts realised from the sale of non-housing land and dwellings are fully usable. Under current legislation, housing receipts are split between those that can be used by the authority for any purpose, those which must be paid over to the government, and those which the council can keep subject to certain conditions on their use.

21 Financial instruments – financial liabilities

All of the authority's financial liabilities are valued at amortised cost, calculated using the effective interest rate method. Transaction costs are only included in the calculation of the amortised cost of a financial liability where they are considered to be material. Interest is charged to the income and expenditure account on the basis of the effective interest rate. Any accrual of interest at the balance sheet date is included within the value of the relevant financial liabilities rather than being shown as a separate creditor.

Where the repurchase or early settlement of borrowing leads to the derecognition of the debt instrument, any premium or discount arising is recognised immediately in the income and expenditure account. However, where the original debt instrument is modified or replaced with a new debt instrument from the same lender, and the terms of the new/modified debt instrument are not substantially different, the transaction is accounted for as a modification of existing debt and any premium or discount is included in the amortised cost calculation of the new debt instrument.

22 Exceptional items and prior year adjustments

Any material exceptional items are included within the cost of the relevant individual service or, if a degree of prominence is necessary in order to give a fair presentation of the accounts, separately identified on the face of the comprehensive income and expenditure account. Details of any such exceptional items are given in the explanatory notes.

Material prior period adjustments arising from changes in accounting policies or from the correction of material errors have been accounted for by restating the comparative figures in the financial statements and notes, along with the cumulative effect on reserves. Any effect of material prior period adjustments is disclosed separately as a note to the accounts.

23 Events after the reporting date

Any material events after the balance sheet date which provide additional evidence relating to conditions existing at the balance sheet date or indicate that application of the going concern concept is not appropriate have been included in the accounts.

Any material events after the balance sheet date which concern conditions which did not exist at the balance sheet date have been disclosed as a separate note to the accounts.

Events after the balance sheet date are included in the accounts up to the date when the Statement of Accounts is authorised for issue. The Code defines three 'authorised for issue' dates within the process of producing a local authority's accounts – the date on which the draft accounts are certified by the responsible financial officer (on or before 30th June), the date on which the final accounts are authorised for publication (on or before 30th September), and the date on which an audit certificate is issued (if later).

24 Private Finance Initiatives (PFI)

In accordance with the Code, the authority accounts for its Private Finance Initiative contracts in accordance with IFRIC 12 Service Concession Agreements (as adapted for the public sector), which sets out control tests that determine whether or not assets provided under PFI schemes are recognised on an entity's balance sheet.

Where the authority concludes that assets provided under PFI schemes should be recognised on its balance sheet, a corresponding deferred liability to pay for those assets is recognised. Throughout the life of the scheme, an element of the unitary charge paid to the contractor is applied to write down the value of the deferred prepayment, and a further element of the unitary charge is treated as being interest payable on the outstanding deferred liability balance. For General Fund schemes, a Minimum Revenue Provision (MRP) charge is made to the General Fund Reserve for an amount equal to the amount by which the deferred liability has been written down, less the element of this debt repayment which has been funded by capital receipts. For HRA schemes, a statutory charge is made to the HRA revenue account equal to the repayment of the deferred liability. The net amount funded from either capital receipts or revenue charges in year is therefore equal to the unitary charge payment for the year.

Assets provided under PFI schemes which are recognised on the authority's balance sheet are subsequently accounted for in the same way as all other tangible long-term assets.

25 Local Taxation

- i** The authority is a Council Tax billing authority, collecting Council Tax on behalf of other authorities as well as itself. The collection of Council Tax on behalf of other authorities is treated as being on an agency basis, and thus only the elements of Council Tax collection that relate to the authority's own income are included in its main financial statements.
- ii** The authority is a Non Domestic Rates billing authority, collecting Non Domestic Rates on behalf of itself, the government and the West Yorkshire Fire and Rescue Service. The collection of Non Domestic Rates on behalf of these other bodies is treated as being on an agency basis, and thus only the elements of Non Domestic collection that relate to the authority's own income are included in its main financial statements.
- iii** The Collection Fund account covers all local taxation collected by the authority on behalf of itself, other local authorities and the government.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement summarises the authority's financial performance for the year on the basis of International Financial Reporting standards. However, the amounts chargeable to a local authority's council tax and its General Fund reserves for the year are controlled by legislation, and include a number of statutory adjustments and transfers to specific reserves. The effect of these statutory transactions is shown in explanatory note 5.2.

2014/15		2015/16			notes
<i>net</i>		<i>gross</i>	<i>gross</i>	<i>net</i>	
<i>expenditure</i>		<i>expenditure</i>	<i>income</i>	<i>expenditure</i>	
	£000s				
210,097	Adult Social Care	278,734	61,072	217,662	
15,976	Central Services	38,770	21,390	17,380	
205,829	Children's and Education Services	768,444	554,376	214,068	
74,263	Cultural and Related Services	90,226	27,429	62,797	
65,986	Environmental and Regulatory Services	73,710	17,240	56,470	
29,606	Planning Services and Economic Development	40,436	23,736	16,700	
73,820	Highways and Transport Services	96,961	19,015	77,946	
(89,999)	Housing Revenue Account	266,660	251,783	14,877	5.6
20,096	Other Housing Services	322,330	302,625	19,705	
(945)	Public Health	46,361	47,829	(1,468)	
12,125	Corporate and Democratic Core	12,197	-	12,197	
3,684	Non-distributable costs	3,936	-	3,936	
620,538	Net cost of services	2,038,765	1,326,495	712,270	
33,738	(Gain) or loss on disposal of fixed assets			36,622	5.7
-	(Gain) or loss on disposal of long term debtors and investments			1,240	
1,490	Parish Council precepts			1,536	
(5,765)	(Surpluses) / deficits on trading undertakings			(5,036)	
5,144	Amounts payable into the Housing Capital Receipts Pool			5,888	
655,145	Net Operating Expenditure			752,520	
98,467	Interest payable and similar charges			105,711	
37,723	Net accrued interest on the net pension liability			34,114	3
2,761	(Gain) or loss on investment properties			(2,068)	
(1,136)	Interest and investment income			(765)	
792,960	Net Expenditure after financing and investment			889,512	
(244,306)	Council Tax Income			(254,280)	
(130,865)	Non-Domestic Rates Income and Expenditure			(140,451)	
(386,641)	Non-Ringfenced Government Grants			(310,332)	6
31,148	(Surplus) / deficit on provision of services			184,449	
(170,105)	(Surplus) / deficit on revaluation of fixed assets			(140,235)	
(29)	(Surplus) / deficit on revaluation of available-for-sale assets			(96)	
140,712	Remeasurements of the net pension liability			(108,964)	
1,726	Total Comprehensive Income and Expenditure			(64,846)	

Movement in Reserves Statement

This statement shows the movements in the year on the different reserves held by the authority, analysed between usable reserves and unusable reserves. The statement shows how the movement in the authority's reserves is broken down between gains and losses recognised on an accounting basis and the statutory adjustments required to control the amounts chargeable to council tax for the year.

2015/16

	Usable reserves					Unusable reserves		Total reserves	notes
	General Fund Reserve	HRA Reserve	Earmarked GF revenue reserves	Usable capital reserves	Total usable reserves	Statutory revenue reserves	Capital accounting balances		
Balance brought forward 1st April 2015	22,341	54,379	85,397	228,136	390,253	(1,219,451)	1,617,775	788,577	
Surplus / (deficit) on provision of services	(137,642)	(46,807)			(184,449)			(184,449)	
Other comprehensive income and expenditure					-	108,964	140,331	249,295	11.1
Total comprehensive income and expenditure	(137,642)	(46,807)	-	-	(184,449)	108,964	140,331	64,846	
Statutory adjustments between accounting basis and funding basis	125,822	30,547		136,641	293,010	(63,022)	(229,988)	-	11.2
Statutory capital adjustments	-	-	-	45,650	45,650	-	(45,650)	-	11.3
Increase / (decrease) before transfers	(11,820)	(16,260)	-	182,291	154,211	45,942	(135,307)	64,846	
Transfers to/(from) earmarked revenue reserves	11,039	-	(11,039)	-	-	-	-	-	
Transfers to fund capital expenditure	-	-	-	(224,068)	(224,068)	-	224,068	-	11.4
Increase / (decrease) during year	(781)	(16,260)	(11,039)	(41,777)	(69,857)	45,942	88,761	64,846	
Balance carried forward 31st March 2016	21,560	38,119	74,358	186,359	320,396	(1,173,509)	1,706,536	853,423	

2014/15

	Usable reserves					Unusable reserves		Total reserves	notes
	General Fund Reserve	HRA Reserve	Earmarked GF revenue reserves	Usable capital reserves	Total usable reserves	Statutory revenue reserves	Capital accounting balances		
Balance brought forward 1st April 2014	26,022	36,229	67,555	196,189	325,995	(1,005,398)	1,469,706	790,303	
Surplus / (deficit) on provision of services	(87,936)	56,788			(31,148)			(31,148)	
Other comprehensive income and expenditure					-	(140,712)	170,134	29,422	11.1
Total comprehensive income and expenditure	(87,936)	56,788	-	-	(31,148)	(140,712)	170,134	(1,726)	
Statutory adjustments between accounting basis and funding basis	102,097	(38,638)	-	168,344	231,803	(73,341)	(158,462)	-	11.2
Statutory capital adjustments	-	-	-	39,815	39,815	-	(39,815)	-	11.3
Increase / (decrease) before transfers	14,161	18,150	-	208,159	240,470	(214,053)	(28,143)	(1,726)	
Transfers to/(from) earmarked revenue reserves	(17,842)	-	17,842	-	-	-	-	-	
Transfers to fund capital expenditure	-	-	-	(176,212)	(176,212)	-	176,212	-	11.4
Increase / (decrease) during year	(3,681)	18,150	17,842	31,947	64,258	(214,053)	148,069	(1,726)	
Balance carried forward 31st March 2015	22,341	54,379	85,397	228,136	390,253	(1,219,451)	1,617,775	788,577	

Balance Sheet

The balance sheet is the key statement of an authority's financial position at the year-end. It shows its balances and reserves, and the values of its long term and current assets and liabilities.

31 March 2015	£000s	31 March 2016	notes
	<i>Long-term assets</i>		
3,854,811	Property, plant and equipment	4,124,541	1, 13.1
69,137	Heritage assets	80,398	1, 13.2
18,803	Investment property	27,850	1
12	Intangible fixed assets	6	1
3,298	Long-term investments	13,710	
18,559	Long-term debtors	18,767	13.3
3,964,620		4,265,272	
	<i>Current assets</i>		
150,315	Debtors	165,792	14.1
30,099	Investments	-	2
3,802	Inventories	3,421	
16,520	Assets held for sale	25,287	
-	Carbon Reduction Commitment licences	623	
2,852	Cash and cash equivalents	5,164	
203,588		200,287	
	<i>Current liabilities</i>		
(212,945)	Creditors	(193,599)	15.1
(99,324)	Borrowing repayable on demand or within one year	(277,846)	2, 16
(34,690)	Provisions for current liabilities	(26,114)	4
(346,959)		(497,559)	
3,821,249	Total assets less current liabilities	3,968,000	
	<i>Long-term liabilities</i>		
(1,358,227)	Long-term borrowing	(1,366,990)	2, 16
(1,108,376)	Net pensions liability	(1,055,993)	3
(561,745)	Deferred liabilities	(687,128)	17.1
(3,663)	Provisions for long term liabilities	(4,286)	4
(661)	Capital grants receipts in advance	(180)	
(3,032,672)		(3,114,577)	
788,577	Total assets less liabilities	853,423	
	Financed by		
	<i>Unusable capital accounting balances</i>		
644,353	Revaluation Reserve	739,496	18.1
967,860	Capital Adjustment Account	960,494	18.2
5,451	Deferred Capital Receipts	6,378	18.3
111	Available for Sale Reserve	168	18.4
1,617,775		1,706,536	
	<i>Usable capital funding reserves</i>		
24,409	Usable Capital Receipts Reserve	26,566	18.5
153,362	Capital grants unapplied	128,029	18.6
50,365	Major Repairs Reserve	31,764	H6
228,136		186,359	
	<i>Unusable statutory revenue reserves</i>		
(1,108,376)	Pensions Reserve	(1,055,993)	3
(72,771)	Financial Instruments Adjustment Account	(73,441)	20.1
(10,664)	Accumulated Absences Account	(10,257)	20.2
(27,640)	Collection Fund Adjustment Account	(33,818)	20.3
(1,219,451)		(1,173,509)	
	<i>Usable revenue reserves</i>		
22,341	General Fund Reserve	21,560	
54,379	Housing Revenue Account Reserve	38,119	
85,397	Other earmarked reserves	74,358	12
162,117		134,037	
788,577	Total reserves and balances	853,423	

Cash Flow Statement

This statement summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties. For the purposes of this statement, cash and cash equivalents are defined as cash in hand, plus deposits repayable on demand, less overdrafts repayable on demand, plus short term investments held for the purposes of cash flow management.

2014/15	£000s	2015/16
	Operating activities :	
	<i>Cash outflows</i>	
(809,037)	Cash paid to and on behalf of employees	(798,821)
(817,059)	Other operating cash payments	(827,016)
(162,189)	Housing Benefit paid out	(158,538)
(5,025)	Payments to the Capital Receipts Pool	(5,707)
(30,500)	Revenue expenditure funded by capital under statute	(33,592)
(1,490)	Precepts paid	(1,536)
(56,979)	Interest paid	(57,477)
(41,437)	Finance lease and PFI scheme interest paid	(48,122)
(1,923,716)		(1,930,809)
	<i>Cash inflows</i>	
1,124,296	Government revenue grants	1,073,719
239,828	Income from council tax	248,993
176,242	Income from Business Rates collected	170,838
181,447	Cash received for goods and services	162,427
227,738	Rents (after rebates)	233,428
40,622	Other operating cash receipts	50,650
18,008	Grants funding expenditure capitalised under statute	18,727
1,136	Interest and dividends received	867
2,009,317		1,959,649
85,601	Net cash flow from operating activities	28,840
	Capital and financial investment activities:	
	<i>Cash outflows</i>	
(232,400)	Purchase of fixed assets	(274,260)
(330,400)	Purchase of treasury investments	(38,000)
-	Purchase of service loans and investments	(10,596)
	<i>Cash inflows</i>	
106,272	Capital grants received	65,571
33,844	Disposal of fixed assets	24,503
617	Disposal of service loans and investments	7,510
315,400	Disposal of treasury investments	68,000
17,820	Other capital cash receipts	17,050
(88,847)	Net cash flow from investing activities	(140,222)
(3,246)	Net cash inflow / (outflow) before financing	(111,382)
	Financing:	
	<i>Cash outflows</i>	
(1,014,730)	Short term loans repaid	(1,152,125)
(293)	Loans repaid	(9,094)
(24,874)	Finance lease and PFI scheme principal repayments	(72,957)
	<i>Cash inflows</i>	
1,022,230	New short term loans raised	1,315,295
20,000	New loans raised	32,575
2,333		113,694
(913)	Increase / (decrease) in cash and cash equivalents	2,312
3,765	Balance of cash and cash equivalents brought forward	2,852
(913)	Increase / (decrease) for the year	2,312
2,852	Balance of cash and cash equivalents carried forward	5,164

List of Explanatory Notes to the Main Financial Statements

1. Tangible and intangible fixed assets
2. Borrowing and investments undertaken for capital and treasury management purposes
3. Pensions liabilities
4. Provisions and contingent liabilities
5. Additional information on reported income and expenditure
6. General Government grants
7. Trading with other public bodies under the Local Authorities (Goods and Services) Act 1970
8. Pensions
9. Private Finance Initiative (PFI)
10. Additional notes to the comprehensive income and expenditure account
11. Movements on reserves
12. Earmarked Revenue Reserves
13. Assets
14. Current assets
15. Current liabilities
16. Financial Instruments
17. Long term liabilities
18. Capital accounting
19. Capital financing
20. Unusable statutory revenue reserves
21. Exceptional items and prior period adjustments
22. Excepted items
23. The Council's Group
24. Judgements made by management
25. Assumptions and major sources of estimation uncertainty
26. Events after the reporting date
27. New accounting standards not yet implemented

Explanatory notes - Key Assets and Liabilities Affecting the Council's Financial Standing

The key assets and liabilities which have a material effect on the council's financial standing at the balance sheet date are:

- Tangible fixed assets (i.e. land, buildings and equipment) and intangible assets
- Borrowing and investments undertaken for capital and treasury management purposes
- Pensions liabilities
- Provisions and contingent liabilities

This section of the explanatory notes to the statement of accounts gives an overview of each of these issues.

1 Tangible and intangible fixed assets

The council holds a wide variety of land, buildings, equipment and other fixed assets reflecting the diversity of the services it provides.

Under IFRS accounting, the council's fixed assets are shown within several different headings on the balance sheet. These are :

- Property, plant and equipment – land, buildings and equipment which is used to provide services, or which is under construction and will be used to provide services once completed.
- Heritage assets – assets which are held and maintained principally for their contribution to knowledge and culture, and which are intended to be preserved for future generations. These include historic buildings, and art gallery and museum exhibits.
- Investment property - land and buildings that the council holds to earn rentals, or for capital appreciation. This includes surplus assets which the council intends to sell, but which are unlikely to be disposed of within the next 12 months.
- Assets held for sale - land and buildings that it is probable the council will sell in the next 12 months. This includes council dwellings that are to be sold under the Right to Buy scheme.
- Intangible fixed assets – assets such as software, patents or copyrights, which have no physical substance but which are owned or controlled by the council and generate economic benefit or service potential.

The following table shows the total value of the council's tangible and intangible fixed assets :

31/03/2015	£000s	31/03/2016
3,854,811	Property, plant and equipment	4,124,541
69,137	Heritage assets	80,398
18,803	Investment property	27,850
16,520	Assets held for sale	25,287
3,959,271	Total land, buildings and equipment	4,258,076
12	Intangible fixed assets	6
3,959,283		4,258,082

Within the above table, Investment properties are measured at their fair value and the remaining assets are measured at their current value. The fair values for investment properties have been derived from market values for similar properties in the same area and therefore falls within Level 2 of the fair value hierarchy, i.e. they are based on observable data. Further information on the valuation basis for property, plant and equipment is given in Accounting Policy 16.2.

The following table gives a breakdown of the movement in the value of fixed assets during the year, and shows how the gains and losses impact on the Income and Expenditure statement and the Movement in Reserves statement. However these gains and losses do not represent the bottom line impact on the General Fund and HRA reserves, as statute requires that the accounting entries are replaced by charges to fund capital expenditure.

31/03/2015	£000s		31/03/2016
3,744,272	1 April		3,959,283
285,520	Capital expenditure on acquisitions		472,731
	<i>Gains / (losses) recognised in Surplus/(Deficit) on the provision of services</i>		
(140,522)	Depreciation and amortisation	(148,545)	
(12,638)	Impairment	(3,720)	
(19,737)	Revaluations	(98,641)	
-	Donations	-	
(67,663)	Disposals	(63,261)	
(240,560)			(314,167)
	<i>Gains / (losses) recognised in Other Comprehensive Income and Expenditure</i>		
172,730	Revaluations	140,967	
(2,679)	Impairments charged to revaluation reserve	(732)	
170,051			140,235
3,959,283	31 March		4,258,082

More detailed information on Property, plant and equipment and on Heritage assets is given in Notes 13.1 and 13.2, and information on gains and losses on disposals is given in Note 5.7.

2 **Borrowing and investments undertaken for capital and treasury management purposes**

The Prudential Framework for Capital Finance in Local Authorities allows councils to finance some of their capital expenditure by borrowing, provided this is at a level that is prudent and affordable. The extent to which a council has decided to finance its capital expenditure by borrowing is reflected in the borrowing element of its Capital Financing Requirement (see note 19.2). In order to repay past borrowing used to fund capital expenditure on General Fund assets, each year councils are required to set aside an amount known as the Minimum Revenue Provision (MRP). The council's policy is to set its MRP in order to repay new borrowing over the life of the asset which the borrowing has funded.

The actual amount which the council needs to borrow for its long term funding needs will depend on the extent to which its borrowing requirement to fund capital can be offset by the other balances which it holds. Also, in addition to its borrowing requirement to finance capital expenditure, the council manages its day-to-day cashflow situation in the most cost-efficient way possible by making use of short term borrowing and investments.

The council's total debt also includes the acquisition of assets via Private Finance Initiative (PFI) schemes, and via finance leases. Further details of the council's PFI schemes can be found in Note 9.

The following table shows the council's borrowing and investments held for capital funding and treasury management purposes at the balance sheet date :

31/03/2015	£000s	31/03/2016
	Borrowing	
(1,358,227)	Long term borrowing	(1,366,990)
(99,324)	Borrowing repayable on demand or within one year	(277,846)
	Investments made for treasury purposes	
-	Long term investments	-
30,099	Investments maturing on demand or within one year	-
1,772	Cash equivalents	4,258
(1,425,680)	Net borrowing	(1,640,578)
	Other debt financing of fixed assets	
(550,017)	Deferred liabilities - PFI schemes	(650,787)
(3,458)	Deferred liabilities - finance leases	(2,229)
(1,979,155)	Net debt	(2,293,594)

The council seeks to manage the most significant risks associated with its treasury management activities by limiting the value of deposits which can be placed with any one institution and by managing the maturity profile of its borrowing to limit its exposure to interest rate changes in any one year. These limits are set out in its Treasury Management Policy.

Further information on the council's borrowing and investing activities, the financial instruments it holds for service reasons, and the management of risks associated with all of these can be found in Note 16.

3 Pensions liabilities

The council is required to account for its pension costs under IAS19 – Employee Benefits. This means that it is the expenditure and income relating to IAS19 based pensions assets and liabilities that is shown in the accounts, rather than the actual payments made in relation to pensions during the year. The objective of IAS19 is to ensure that the council's financial statements reflect at fair value the future pension liabilities which have been incurred, and the extent to which assets have already been set aside to fund them.

The council's employees include members of three different pension schemes. The majority of non-teaching staff are members of the West Yorkshire Pension Fund (WYPF), and teachers are members of the national Teachers Pension Scheme (TPS). There are also a very small number of former NHS staff who are members of the NHS Pension Scheme. The WYPF is a funded scheme, meaning that it holds assets which are invested to generate income in order to help to pay for future pensions. The assets and liabilities held in the fund can be separately identified to individual employers, and so the fair value of all of its assets and liabilities relating to WYPF pensions can be estimated and included in the council's accounts. The TPS and NHS schemes are unfunded multi-employer schemes and the liabilities relating to individual employers for mainstream pensions cannot be separately identified, and so these pensions are accounted for on a defined contribution basis with expenditure only recorded when payments are due. However, any discretionary pensions awarded to teachers can be separately identified, and so liabilities in respect of these are included in the council's accounts. No discretionary pensions have been awarded to former NHS staff.

The following table gives a breakdown of the council's net pensions liabilities between the two pension schemes.

31/03/2015	£000s	31/03/2016
(932,804)	WYPF mainstream pensions	(894,073)
(73,007)	WYPF discretionary pensions	(67,400)
(1,005,811)		(961,473)
(102,565)	Teachers discretionary pensions	(94,520)
(1,108,376)	Net asset / (liability)	(1,055,993)

The £961m net liability relating to the WYPF represents the difference between the value of the council's pension fund assets at 31st March 2016 and the estimated present value of the future pension payments to which it was committed at that date. These pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1st April 2016 would also have an impact on the capital value of the pension fund assets. The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in their most recent full actuarial review of the Pension Fund, carried out as at 31st March 2013. This concluded that the WYPF was 96% funded, and set contribution rates for the next three years which are designed to move the fund towards a fully funded position.

The net pensions liabilities and the corresponding pensions reserve in the Balance Sheet represent a decrease in the overall level of reserves. However, this does not represent a decrease in the cash reserves held by the council, and does not impact on council tax levels. Under the Local Authorities (Capital Finance) (Amendment No2) (England) Regulations, local authorities are not required to fund expenditure relating to an IAS 19 based pensions reserve from council tax.

The following table shows the impact of accounting for pensions on an IAS 19 basis in the council's Comprehensive Income and Expenditure statement :

2014/15			£000s	2015/16		
WYPF	Teachers	Total		WYPF	Teachers	Total
818,305	99,391	917,696	1 April	1,005,811	102,565	1,108,376
-	-	-				
-	-	-	<i>In Surplus/(Deficit) on the provision of services</i>			
18,616	(6,372)	12,244	Adjustment for IAS19 based service expenditure	29,102	(6,635)	22,467
-	-	-	Net pensions liabilities for staff transferred			-
33,682	4,042	37,724	Interest cost and expected return on assets	31,037	3,077	34,114
-	-	-				-
-	-	-	<i>In Other Comprehensive Income and Expenditure</i>			
135,208	5,504	140,712	Actuarial gains and losses	(104,477)	(4,487)	(108,964)
1,005,811	102,565	1,108,376	31 March	961,473	94,520	1,055,993

Further information on pensions assets and liabilities, including the assumptions used by the council's actuaries in carrying out their valuations, can be found in Note 8.

4 Provisions and contingent liabilities

Provisions and contingent liabilities relate to potential future costs which the council may face, but where there is a degree of uncertainty over the extent of the liability. Provisions are raised and charged to expenditure where a liability is known to exist but where its amount or timing are uncertain. Cases where there is a possible liability whose existence is unconfirmed, or where no reliable estimate can be made of the cost of a known liability, are not recorded in the accounting statements but are disclosed below where they have the potential to be material.

4.1 Provisions for current and long term liabilities

The council has a number of provisions in its accounts for liabilities which are expected to be settled either within the next financial year or over a longer period of time. The table below analyses how the balance on each of these types of provision has changed during the year.

Total provisions

£000s	31/03/2015	Provisions raised	Provisions used	Provisions reversed	31/03/2016	notes
Equal pay compensation	4,032	-	(648)	(1,360)	2,024	i
Insurance liabilities	11,138	11,650	(10,145)	-	12,643	ii
Business rates appeals	20,322	7,099	(16,038)	-	11,383	iii
Other	2,861	2,289	(489)	(311)	4,350	
	38,353	21,038	(27,320)	(1,671)	30,400	
Short term provisions	34,690				26,114	
Long term provisions	3,663				4,286	
	38,353				30,400	

i Leeds City Council is in the process of settling claims in respect of equal pay, following the Single Status Agreement introduced in 1997 by the National Joint Council for Local Government Services to bring together manual and white collar employees under one set of terms and conditions of employment. From 2006/07 onwards, compensation payments have been made in relation to some specific groups of employees who were deemed to have been affected. At 31st March 2016, the council has agreed compensation offers in principle for a number of employees in specific groups, which it is in the process of settling. The closing value of the provision reflects the estimated cost of the remaining unsettled claims covered by the agreed offers. The potential for further liabilities arising from equal pay claims is covered in note 4.2 below.

ii The insurance provision covers the value of insurance claims for which the council estimates that it has a potential legal liability. Employee, public liability and motor third party liability claims are covered by external insurance policies which limit the council's maximum liability on individual claims to £500k (£150k for motor third party liability claims). The council is also limited to a maximum total liability across all employee and public liability claims of £10m per year from 2009/10 onwards and £12m for each of the previous six years. Included within the provision is £0.9m (£1.9m at 31st March 2015) in respect of housing disrepair claims.

It is expected that some insurance claims will be settled within the next financial year and others over a longer period of time, but it is not possible to say on a claim-by-claim basis when particular claims will be settled. Based on previous experience, the value of claims expected to be settled after more than a year has been estimated as £4,286k (£3,663k at 31st March 2015) and this amount has been shown in the balance sheet as a provision for long term liabilities.

Details of contingent liabilities relating to insurance appear in section 4.2 below.

iii Under the current arrangements for local retention of business rates, the council receives a fixed proportion (49%) of the business rates it collects, rather than collecting the business rates on behalf of the government in return for a share of the national business rates pool. This means that the council is required to include in its accounts its own share of the assets and liabilities arising from the collection of business rates. The provision for the estimated cost of appeals is £9,891k (£20,322k at 31st March 2015).

4.2 Contingent liabilities

Contingent liabilities are required to be disclosed but they are not included within financial statements. They include cases where there is the potential that the council may incur future costs but the possible obligation is dependent on future events, and cases where the council has a present obligation but the cost of settling it cannot be estimated with sufficient reliability to justify the raising of a provision.

The council had the following contingent liabilities at 31st March 2016:

a General

The council has a number of general litigious matters ongoing which could result in payments totalling £1.46m (£1.34m at 31st March 2015).

b Specific

- i Insurance claims. The council has been advised by its actuaries that the value of outstanding legal liability claims against it is £22.6m (£23.6m at 31st March 2015). It is estimated that if successful £3.2m of these claims will be met by the Council's external insurers (£0.2m at 31st March 2015) leaving a balance of £19.4m where any liabilities would be met by the council. A provision has been set aside on the Balance Sheet to the value of £12.6m (see note 4.1 above) for the estimated future settlement of these claims. The contingent liability value for insurance claims therefore stood at £6.8m at 31st March 2016 (£12.4m at 31st March 2015).
- ii Prior to 1992, the council's public liability and employer's liability insurance were supplied by Municipal Mutual Insurance Ltd. In 1992 the company ceased to accept new business and entered a run off period. In 1994, a Scheme of Arrangement under the Companies Act 1985 was put in place, under which if the company became at risk of insolvency, it would be able to claw back the necessary percentage of the claims it had paid out since the commencement of the Scheme of Agreement. Under this scheme the council has made payments totalling £1.2m and there is potential for further claims in the future.
- iii Equal pay claims. Arising from the 1997 Single Status Agreement, the council has included in its accounts a provision for the estimated cost of compensation payments where a settlement offer has been made in relation to a specific group of outstanding equal pay claims (see note 4.1 for further details). However, the council recognises the potential that further equal pay claims may arise, some of which may lead to additional compensation agreements or to employees taking employment tribunal action. It is not possible to estimate with any certainty the likely financial impact in advance of such claims being made.
- iv In 1988 the council issued an undertaking regarding a potential structural defect to a number of former council houses. The undertaking given related to properties of a particular construction on one estate, and applied only if the specified defects became apparent. A small number of claims have been received, but to date there is no indication that the council is likely to incur a significant liability in relation to this undertaking.

Further explanatory notes to the main financial statements

These notes provide information that supports, and helps in interpreting, the main financial statements.

5 Additional information on reported income and expenditure

5.1 Leeds City Council outturn position and organisational structure

The Comprehensive Income and Expenditure Account included in local authorities' Statement of Accounts shows its income and expenditure on the basis of IFRS (International Financial Reporting Standards), and is therefore comparable to other types of organisations both within the public sector and beyond. Further, within this statement the net cost of services is required to be broken down by national standard definitions of services, to assist readers in making comparisons between different authorities. However, neither this accounting basis for reporting overall results nor this breakdown of services reflects how the council manages its finances in practice.

In governance terms, the council is accountable to council tax payers for the outturn position on the General Fund reserve and to its domestic tenants for the outturn position on the HRA reserve. The amounts chargeable to a local authority's council tax payers and to HRA tenants for the year show significant differences from the net expenditure position on an accounting basis. They are controlled by legislation, and include a number of statutory adjustments and transfers to specific reserves. These are designed to ensure that the amounts chargeable to council tax payers and tenants for the year are a fair reflection of the services provided to them during that year. All of the council's internal reporting of its financial position is therefore focussed on the outturn position on its General Fund and HRA reserves.

In practice, local authorities organise service delivery in response to the needs and conditions in their area, and the council's internal directorate structure does not align with the standard service definitions. All internal reporting of the council's financial position is broken down on the basis of its directorate structure, which reflects management responsibilities.

The table below reflects the actual reporting within the council of the outturn positions for the General Fund and the Housing Revenue Account, in terms of the council's organisational structure.

Outturn position – Leeds City Council organisational units

2014/15		2015/16			
<i>net</i>		<i>gross</i>	<i>gross</i>	<i>transfer to</i>	<i>net</i>
<i>outturn</i>	£000s	<i>expenditure</i>	<i>income</i>	<i>reserves</i>	<i>outturn</i>
51,881	City Development	128,811	(85,553)	(194)	43,064
68,006	Environment & Housing	166,872	(109,765)	1,011	58,118
133,201	Children's Services	299,430	(166,986)	(6,144)	126,300
14	Schools	551,641	(549,051)	(2,590)	-
197,853	Adult Social Care	267,939	(74,641)	(1,867)	191,431
61,151	Central and Corporate Functions	402,164	(341,567)	(689)	59,908
16,435	Civic Enterprise	88,718	(66,580)	-	22,138
106	Public Health	48,756	(50,267)	1,789	278
43,511	Central Accounts	101,379	(75,799)	(2,355)	23,225
572,158		2,055,710	(1,520,209)	(11,039)	524,462
(568,477)	RSG, Business Rates & Local Taxation	-	(523,681)	-	(523,681)
3,681	Total General Fund	2,055,710	(2,043,890)	(11,039)	781
(18,150)	Housing Revenue Account	244,408	(257,037)	28,889	16,260

5.2 Reconciliation between reported outturn position and total comprehensive income and expenditure

The following table analyses the differences between the council's reported outturn position on its General Fund and HRA reserves and its total comprehensive income and expenditure shown in the Comprehensive Income and Expenditure Account.

2014/15	£000s	2015/16
3,681	General fund outturn (surplus) / deficit	781
(18,150)	HRA outturn (surplus) /deficit	16,260
(14,469)	Overall outturn position	17,041
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Transfers to other usable revenue reserves</i>		
(17,842)	Transfers (to) / from earmarked reserves	11,039
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Statutory items relating to capital accounting and financing</i>		
185,538	Transfer impact of capital charges to capital reserves	265,316
(121,671)	Transfer capital grants received to usable capital reserves	(86,980)
(41,887)	General Fund Minimum Revenue Provision for debt redemption	(29,818)
(14,347)	HRA transfers to capital reserves for repayment of debt	(28,982)
(212)	Transfers to capital reserves to fund capital expenditure	(694)
33,742	Transfer net (gain) / loss on disposal of assets to capital reserves	37,901
-	Transfer gain on donated assets to reserves	-
5,144	Transfer from capital reserves to fund pooling of HRA capital receipts	5,888
(56,189)	Transfer HRA major repairs allowance to major repairs reserve	(69,284)
(9,882)		93,347
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Other statutory items</i>		
49,968	Transfer to / (from) Pensions reserve	56,581
471	Transfer to / (from) Financial instruments adjustment account	670
22,477	Transfer to / (from) Collection Fund adjustment account	6,178
425	Transfer to / (from) Accumulated absences account	(407)
73,341		63,022
<i>Unrealised items of income and expenditure not affecting usable reserves and not reported within Outturn</i>		
(170,105)	(Surplus) / deficit on revaluation of fixed assets	(140,235)
(29)	(Surplus) / deficit on revaluation of available-for-sale assets	(96)
140,712	Remeasurements of the net defined benefit liability / (asset)	(108,964)
(29,422)		(249,295)
1,726	Total comprehensive income and expenditure (council)	(64,846)

5.3 Subjective analysis for individual organisational units

The following tables show an analysis of the outturn for each organisational unit by type of expenditure (a subjective analysis)

a City Development

2014/15	£000s	2015/16	
	<i>Expenditure</i>		
59,251	Employee Expenses	51,822	
89,222	Other Running Expenses	76,836	
150	Agency Payments	152	
1	Transfer Payments	1	
148,624	Total Expenditure		128,811
	<i>Income</i>		
(16,394)	Government grants and contributions	(15,330)	
(78,926)	Fees, charges and other service income	(70,259)	
-	Interest and investment income	36	
(95,320)	Total Income		(85,553)
	<i>Transfers to Reserves</i>		
(1,423)	Transfer to/(from) other earmarked reserves	(194)	
(1,423)	Total transfers to reserves		(194)
51,881	Outturn position		43,064

b Environment & Neighbourhoods

2014/15	£000s	2015/16	
	<i>Expenditure</i>		
66,645	Employee Expenses	74,182	
77,956	Other Running Expenses	82,227	
11,332	Agency Payments	10,463	
5	Transfer Payments	-	
155,938	Total Expenditure		166,872
	<i>Income</i>		
(885)	Government grants and contributions	(4,080)	
(86,965)	Fees, charges and other service income	(105,685)	
(10)	Interest and investment income	-	
(87,860)	Total Income		(109,765)
	<i>Transfers to Reserves</i>		
(72)	Transfer to/(from) other earmarked reserves	1,011	
(72)	Total transfers to reserves		1,011
68,006	Outturn position		58,118

c Children's Services

2014/15	£000s	2015/16	
	<i>Expenditure</i>		
108,236	Employee Expenses	100,654	
109,179	Other Running Expenses	114,577	
80,392	Agency Payments	81,395	
2,647	Transfer Payments	2,804	
300,454	Total Expenditure		299,430
	<i>Income</i>		
(109,094)	Government grants and contributions	(105,854)	
(57,309)	Fees, charges and other service income	(61,131)	
(1)	Interest and investment income	(1)	
(166,404)	Total Income		(166,986)
	<i>Transfers to Reserves</i>		
(849)	Transfer to/(from) other earmarked reserves	(6,144)	
(849)	Total transfers to reserves		(6,144)
133,201	Outturn position		126,300

d Schools

2014/15	£000s	2015/16	
	<i>Expenditure</i>		
343,119	Employee Expenses	350,193	
188,919	Other Running Expenses	193,092	
6	Agency Payments	-	
4,257	Transfer Payments	8,356	
536,301	Total Expenditure		551,641
	<i>Income</i>		
(432,893)	Government grants and contributions	(434,156)	
(111,626)	Fees, charges and other service income	(114,892)	
(3)	Interest and investment income	(3)	
(544,522)	Total Income		(549,051)
	<i>Transfers to Reserves</i>		
1,462	Transfer to/(from) other earmarked reserves	(3,126)	
6,773	School reserves	536	
8,235	Total transfers to reserves		(2,590)
14	Outturn position		-

e Adult Social Care

2014/15	£000s	2015/16	
	<i>Expenditure</i>		
76,170	Employee Expenses	57,289	
22,635	Other Running Expenses	18,679	
161,902	Agency Payments	182,284	
9,343	Transfer Payments	9,687	
270,050	Total Expenditure		267,939
	<i>Income</i>		
(5,979)	Government grants and contributions	(9,897)	
(76,421)	Fees, charges and other service income	(64,744)	
(82,400)	Total Income		(74,641)
	<i>Transfers to Reserves</i>		
10,203	Transfer to other earmarked reserves	(1,867)	
10,203	Total transfers to reserves		(1,867)
197,853	Outturn position		191,431

f Central and Corporate Functions

2014/15	£000s	2015/16	
	<i>Expenditure</i>		
85,370	Employee Expenses	82,677	
33,152	Other Running Expenses	30,138	
536	Agency Payments	15	
294,413	Transfer Payments including benefits	289,334	
413,471	Total Expenditure		402,164
	<i>Income</i>		
(300,336)	Government grants and contributions	(288,428)	
(50,864)	Fees, charges and other service income	(53,139)	
2	Interest and investment income	-	
(351,198)	Total Income		(341,567)
	<i>Transfers to Reserves</i>		
(1,108)	Transfer to/(from) the Capital reserve	(148)	
(14)	Transfer to/(from) other earmarked reserves	(541)	
(1,122)	Total transfers to reserves		(689)
61,151	Outturn position		59,908

g Civic Enterprise

2014/15	£000s	2015/16	
	<i>Expenditure</i>		
36,884	Employee Expenses	45,023	
42,249	Other Running Expenses	43,636	
62	Agency Payments	59	
79,195	Total Expenditure		88,718
	<i>Income</i>		
(177)	Government grants and contributions	(178)	
(62,583)	Fees, charges and other service income	(66,402)	
-	Interest and investment income	-	
(62,760)	Total Income		(66,580)
	<i>Transfers to Reserves</i>		
-	Transfer to/(from) other earmarked reserves	-	
-	Total transfers to reserves		-
16,435	Outturn position		22,138

h Public Health

	£000s	2015/16	
	<i>Expenditure</i>		
4,375	Employee Expenses	4,551	
2,176	Other Running Expenses	1,840	
41,489	Agency Payments	42,365	
48,040	Total Expenditure		48,756
	<i>Income</i>		
(42,117)	Government grants and contributions	(43,354)	
(7,028)	Fees, charges and other service income	(6,913)	
(49,145)	Total Income		(50,267)
	<i>Transfers to Reserves</i>		
1,211	Transfer to/(from) earmarked reserves	1,789	
1,211	Total transfers to reserves		1,789
106	Outturn position		278

i Central Accounts

2014/15	£000s	2015/16	
	<i>Expenditure</i>		
1,773	Employee Expenses	5,620	
70,734	Other Running Expenses	58,014	
37,674	Agency Payments	37,738	
7	Transfer Payments	7	
110,188	Total Expenditure		101,379
	<i>Income</i>		
(21,604)	Government grants and contributions	(29,956)	
(45,664)	Fees, charges and other service income	(45,095)	
(1,068)	Interest and investment income	(748)	
(68,336)	Total Income		(75,799)
	<i>Transfers to Reserves</i>		
(246)	Transfer to/(from) the Capital reserve	(223)	
1,905	Transfer to/(from) other earmarked reserves	(2,132)	
1,659	Total transfers to reserves		(2,355)
43,511	Outturn position		23,225

j Housing Revenue Account

2014/15	£000s	2015/16	
	<i>Expenditure</i>		
33,927	Employee Expenses	26,160	
176,625	Other Running Expenses	214,912	
147	Agency Payments	135	
3,108	Transfer Payments	3,201	
213,807	Total Expenditure		244,408
	<i>Income</i>		
(21,385)	Government grants and contributions	(21,385)	
(228,480)	Fees, charges and other service income	(235,634)	
(69)	Interest and investment income	(18)	
(249,934)	Total Income		(257,037)
	<i>Transfers to Reserves</i>		
17,977	Transfer to/(from) Major Repairs Reserve	28,889	
17,977	Total transfers to reserves		28,889
(18,150)	Outturn position		16,260

5.4 **Reconciliation between reported outturn position shown in segmental analysis and net cost of services**

The following table explains the differences between the council's reported outturn position on its General Fund and HRA reserves and its net cost of services within the Comprehensive Income and Expenditure Account.

2014/15 £000		2015/16	
(14,469)	Net reported Outturn position per segmental analysis	17,041	
	<i>Amounts included in Outturn reporting but not included in the Comprehensive Income and Expenditure Account</i>		
(17,842)	Transfers to other usable revenue reserves	11,039	
(9,882)	Statutory items relating to capital accounting and financing	93,347	i
73,341	Other statutory items	63,022	i
45,617		167,408	
	<i>Amounts included below Net cost of services in the Comprehensive Income and Expenditure Account</i>		
(34,607)	Other operating expenditure	(40,250)	ii
(137,815)	Financing and investment income and expenditure	(136,992)	ii
761,812	Local taxation and general government grant income	705,063	ii
589,390		527,821	
620,538	Net Cost of Services in Comprehensive Income and Expenditure Statement	712,270	

i A more detailed breakdown of these items can be seen in note 5.2 above.

ii A more detailed breakdown of these items is shown on the face of the Comprehensive Income and Expenditure Account.

5.5 Subjective analysis comprehensive income and expenditure

The following table gives a breakdown by type of income and expenditure of the council's overall results for the year.

2014/15	£000s	2015/16
	<i>Income</i>	
(459,659)	Fees, charges and other service income	(420,044)
(1,136)	Interest and investment income	(765)
(109,375)	Expected return on pension assets	(90,394)
(244,306)	Income from council tax	(254,280)
(163,126)	Non domestic rates income	(173,741)
(1,243,830)	Government Grants	(1,119,508)
(2,221,432)	Total Income	(2,058,732)
	<i>Expenditure</i>	
828,452	Employee expenses	820,234
968,296	Other service expenses	904,879
172,897	Depreciation, amortisation and impairment	250,906
98,468	Interest payments	105,712
1,490	Precepts and levies	1,536
5,144	Payments to Housing Capital Receipts Pool	5,888
33,738	Gain or loss on disposal of non-current assets	36,622
2,761	Gain or loss on investment properties	(2,068)
(5,765)	(Surplus)/deficit on trading activities	(5,036)
147,099	Pension interest costs	124,508
2,252,580	Total Expenditure	2,243,181
31,148	(Surplus)/ deficit	184,449

5.6 Housing Revenue Account (HRA)

The HRA Income and Expenditure Account and other movements on the HRA reserve have been consolidated into the council's Comprehensive Income and Expenditure Account on a line by line basis. The components making up the net decrease on HRA reserves of £16.3m (a net increase of £18.1m in 2014/15) are shown as a separate column in the Movement in Reserves Statement.

There is a section reporting in detail on the Housing Revenue Account later in this Statement of Accounts (please see page 80).

5.7 Gains or losses on the disposal of fixed assets

The figures shown in the Comprehensive Income and Expenditure account for gains or losses on the disposal of fixed assets represents the difference between the carrying value of assets which have been disposed of and the proceeds of any sale, less any administrative costs of disposal. As well as the sale of surplus assets, the figure includes assets which the council has been required to transfer to other bodies at nil consideration. The most significant element of the loss recorded in both the current and previous financial year is the value of school buildings which have been handed over to other organisations to run them as academies. Transfers of schools led to a loss being recognised of £44.4m in 2015/16 (£36.7m in 2014/15). The table below gives a breakdown of the figures.

2014/15	£000s	2015/16
(33,925)	Receipts from sale of fixed assets	(26,639)
-	Receipts used to fund disposal costs	-
(33,925)		(26,639)
	<i>Value of fixed assets disposed of</i>	
36,671	Schools transferred to an Academy	44,434
-	Schools transferred to a Trust	-
30,992	Other fixed assets	18,827
67,663		63,261
33,738	Total (gain) or loss on disposal of fixed assets	36,622

6 General Government grants

The table below analyses the grants included within the General Government Grants figure in the Comprehensive Income and Expenditure Account. These are grants which do not relate to any specific service.

The table also gives the value of government grants included in each individual service line within the Net cost of services section of the Comprehensive Income & Expenditure Account.

General Government Grants

<u>2014/15</u>	<u>£000s</u>	<u>2015/16</u>
	General Government Grants	
(172,319)	Revenue Support Grant (RSG)	(124,308)
(45,109)	Private Finance Initiative (PFI) grant	(47,158)
(121,671)	Capital Grants	(86,979)
(47,542)	Non-Ringfenced Government Grants	(51,887)
<u>(386,641)</u>		<u>(310,332)</u>
Government Grants included in Net cost of services		
(592)	Adult Social Care	(177)
(2,881)	Central Services	(2,471)
(499,055)	Children's & Education Services	(500,201)
(3,188)	Cultural and Related Services	(2,293)
(519)	Environmental and Regulatory Services	(1,318)
(378)	Planning Services	(903)
(75)	Highways and Transport Services	(129)
(21,385)	Housing Revenue Account	(21,385)
(286,999)	Other Housing Services	(279,719)
(42,117)	Public Health	(43,350)
<u>(857,189)</u>		<u>(851,946)</u>

7 Trading with other public bodies under the Local Authorities (Goods and Services) Act 1970

The Local Authority (Goods and Services) Act 1970 allows local authorities to provide goods and services to various other public bodies, and requires that the income and expenditure under such contracts is disclosed in an authority's statement of accounts. For 2015/16, the council generated £1,436k of income under such contracts, and incurred costs of £1,069k. The comparative figures for 2014/15 were £1,582k of income and £1,302k of costs.

8 Pensions

An overview of the impact of pensions within the council's accounts is given in Note 3 on page 24. This note gives further information on the pensions assets and liabilities included in the council's accounts, and details the actuarial assumptions used in estimating them.

8.1 West Yorkshire Pension Fund (WYPF)

The West Yorkshire Pension Fund is treated as a defined benefit scheme under IAS 19, since the council's liabilities to its current and former employees can be identified within the fund, and the council will be liable to meet these irrespective of the future performance of the fund. The figures relating to West Yorkshire Pension Fund assets and liabilities given below include both mainstream pensions and discretionary increases to pensions.

The last full actuarial valuation to be completed for the WYPF was carried out as at 31st March 2013. In calculating the council's assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future, meaning that the results of actuarial calculations are subject to uncertainties within a range of possible values. The following actuarial assumptions were made:

WYPF – actuarial assumptions

31/03/2015		31/03/2016	
	Financial assumptions		
2.9%	Rate of inflation (RPI)	2.9%	(i)
1.8%	Rate of inflation (CPI)	1.8%	(i)
3.3%	Rate of increase in salaries	3.3%	
1.8%	Rate of increase in pensions	1.8%	
3.2%	Discount rate	3.4%	
	Mortality assumptions (years)		
22.6	Longevity at 65 for current male pensioners	22.7	
25.5	Longevity at 65 for current female pensioners	25.6	
24.8	Longevity at 65 for future male pensioners	24.9	
27.8	Longevity at 65 for future female pensioners	28.0	

- i Following an announcement by the Government in June 2010, the inflation index used to derive statutory pension increases changed from RPI (Retail Prices Index) to CPI (Consumer Prices Index). Assumptions on the future rate of increase in salaries continue to be based on RPI.

Any change in these assumptions would have an impact on the present value of the defined benefit obligation. The sensitivity analysis below shows the impact on the liability if each assumption changes by 0.1% (or 1 year for mortality assumptions). In each case all other assumptions remain constant.

WYPF – sensitivity analysis of actuarial assumptions

Change in assumption	Impact on defined benefit obligation (funded)	
	%	£000s
Rate of increase in salaries (increase or decrease by 0.1%)	0.5	17,351
Rate of increase in pensions (increase or decrease by 0.1%)	1.4	53,866
Discount rate assumption (increase or decrease by 0.1%)	1.9	71,377
Mortality assumption (increase or decrease by 1 year)	2.6	95,954

WYPF – assets and liabilities

At 31st March 2016, the fund's actuaries estimated that the council had the following assets and liabilities relating to pensions payable through the West Yorkshire Pension Fund:

WYPF – assets and liabilities

31/03/2015	£000s	31/03/2016
(3,767,622)	Estimated present value of liabilities (funded)	(3,722,998)
(73,007)	Estimated present value of liabilities (unfunded)	(67,400)
(3,840,629)		(3,790,398)
2,834,818	Fair value of assets	2,828,925
(1,005,811)	Net asset / (liability)	(961,473)

The following table shows the movements in the pension fund assets and liabilities during the year. Amounts relating to service expenditure shown below appear within the Net Cost of Service in the Comprehensive Income and Expenditure Account, finance gains and losses appear within Financing and Investment Income and Expenditure, and actuarial gains and losses are shown within Other comprehensive income and expenditure.

WYPF – movement in pension assets and liabilities

£000s	<i>present value of defined benefit obligation</i>	<i>plan assets</i>	<i>net</i>
1 April 2015	(3,840,629)	2,834,818	(1,005,811)
<i>Actuarial gains and losses</i>			
- change in financial assumptions	144,580		
- experience gains and losses	34,867		
- change in demographic assumptions	-		
Gain / (loss) on plan assets		(74,970)	
	179,447	(74,970)	104,477
<i>Service expenditure</i>			
Current service cost	(93,642)		
Past Service Cost	(3,368)		
Employer contributions		67,908	
	(97,010)	67,908	(29,102)
<i>Finance gains and losses</i>			
Interest income		90,394	
Interest on pension liabilities	(121,431)		
	(121,431)	90,394	(31,037)
<i>Other movements</i>			
Benefits paid	112,787	(112,787)	
Employee contributions	(24,731)	24,731	
Administration expenses	1,169	(1,169)	
Net transfers in/out			
	89,225	(89,225)	-
31 March 2016	(3,790,398)	2,828,925	(961,473)

The council's net pensions liability has decreased by £44m since 31st March 2015. Although there was a slight loss in the fund assets, this was more than offset by a decrease in the current value of the future liabilities, resulting from changes to the financial assumptions used for the actuarial gains.

WYPF – further information on assets

The following table shows the percentage of the total value of scheme assets made up by different categories of asset.

31/03/2015		31/03/2016		
		<i>quoted</i>	<i>unquoted</i>	<i>total</i>
76.2%	Equities	68.8%	6.4%	75.2%
10.6%	Government bonds	10.7%	0.0%	10.7%
4.7%	Other bonds	4.6%	0.0%	4.6%
4.3%	Property	4.9%	0.0%	4.9%
1.9%	Cash/liquidity	1.3%	0.0%	1.3%
2.3%	Other	1.2%	2.1%	3.3%

Further details on the nature and risks of these assets, and the investment policies of the fund can be found in the West Yorkshire Pension Fund Statement and Explanatory Notes in Bradford Council's Statement of Accounts, that is available at www.bradford.gov.uk, and the West Yorkshire Pension Fund Report and Accounts, that is available at www.wypf.org.uk

a Expected contributions to the scheme for 2016/17

The council expects to make contributions of approximately £58,766k to WYPF in 2016/17.

8.2 Teachers' pensions

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the government. The scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The employer's contribution rate is set by the government.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the government uses a notional fund as the basis for calculating the employers' contribution rate. Valuations of the notional fund are undertaken every four years. The scheme has in excess of 3,700 participating employers and consequently the council is not able to identify its share of the liabilities, therefore it is accounted for as a defined contribution scheme. The council's contributions into the Teachers' Pension Scheme during 2015/16 equate to approximately 0.41% of the total contributions for the year.

The employer's contribution rate for the teachers' pension scheme during 2015/16 was 14.1% of pensionable pay between April and August, and the contribution rate increased to 16.4% of pensionable pay from 1st September 2015. The actual amount payable to the teachers' pension scheme by the council for 2015/16 was £25,434k. The council's contributions for 2016/17 are expected to be approximately £27m.

In addition the council has granted discretionary additional pensions to some of its former teachers, for which it is directly responsible. Under IAS 19 guidelines, these discretionary pensions are required to be treated as a defined benefit scheme, with an IAS 19 liability being disclosed. As the council funds these pensions on a 'pay as you go basis, there are no pensions assets for this scheme.

In calculating the pension liability for discretionary teachers pensions, the council's actuaries have used the following assumptions:

Teachers' discretionary pensions – actuarial assumptions

31/03/2015		31/03/2016
	Financial assumptions	
1.8%	Rate of inflation (CPI)	1.8%
1.8%	Rate of increase in pensions	1.8%
3.1%	Discount rate	3.4%
	Mortality assumptions (years)	
22.6	Longevity at 65 for current male pensioners	22.7
25.5	Longevity at 65 for current female pensioners	25.6

The council's IAS 19 pensions liability in respect of teachers' discretionary pensions has been calculated as:

Teachers' discretionary pensions – assets and liabilities

31/03/2015	£000s	31/03/2016
(102,565)	Estimated present value of liabilities	(94,520)

The movement in the pension liability during the year is broken down in the following table. Amounts relating to service expenditure shown below appear within the Net Cost of Service in the Comprehensive Income and Expenditure Account, finance gains and losses appear within Net

Operating Expenditure, and actuarial gains and losses are shown under Other Comprehensive Income and Expenditure.

Teachers' discretionary pensions – movement in pension liability

£000s	<i>liability</i>
1 April 2015	(102,565)
<i>Service expenditure</i>	
Employer contributions	6,809
Past service cost / curtailment cost / settlements	(174)
	6,635
<i>Finance gains and losses</i>	
Interest on pension liabilities	(3,077)
	(3,077)
<i>Actuarial gains and losses</i>	
Change in financial assumptions	2,736
Change in demographic assumptions	-
Experience gain / (loss)	1,751
	4,487
31 March 2016	(94,520)

The council expects to make payments of approximately £6,809k in relation to teachers discretionary pensions in 2016/17.

8.3 NHS pensions

Council employees who transferred from the NHS are members of the NHS Pension Scheme, administered on behalf of the government. The scheme provides specified benefits upon retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The employer's contribution rate is set by the government.

In 2015/16 the council made contributions of £272k into the scheme (£284k in 2014/15) at a contribution rate of 14.3%. Contributions for 2016/17 are expected to be £268k.

Details on the pension fund's assets and its investment policies can be found in the NHS Pension Fund Report and Accounts, that is available at www.nhsbsa.nhs.uk.

9 Private Finance Initiative (PFI)

The council has thirteen PFI schemes where service delivery has commenced, all but one of which have resulted in all of the assets and corresponding liabilities being recognised on its balance sheet. The exception is the contract to provide two Joint Service Centres (see paragraph (j) below for further details).

For all of these schemes, the annual amount payable under the contract is subject to both indexation factors and the contractor's performance in meeting service standards. The council also receives government grant in support of its expenditure on each of the schemes (see note 6 on page 36). The notes below give more information on the nature of each scheme:

a Leeds Seven Schools PFI Project

On 31st October 2001 the council entered into a 29-year contract under the Private Finance Initiative for the provision and maintenance of five primary schools and two secondary schools in Leeds. Service commenced between June 2002 and August 2003 and the contract will finish on 31st July 2030. Since the contract started, one of the schools has transferred to academy status and is therefore no longer included in the council's balance sheet.

b Leeds Primary Schools PFI Project

The council entered into a long term contract on 31st March 2004 for the provision and operation of ten primary schools in Leeds. Service for the first school started on 30th March 2005 and commencement for the remaining nine schools took place between July and September 2005. The contract will finish on 31st July 2031.

c Leeds Combined Secondary Schools PFI Project

The council entered into a long term contract for the provision and operation of five secondary schools and one primary school in Leeds on 31st March 2005. The first four schools commenced service in September 2006 and the other two became operational in September 2007. The contract will run until 2033/34. Since the contract started, three of the secondary schools have transferred to academy status. These schools are therefore no longer included as assets in the council's balance sheet.

d Swarcliffe PFI Project

On 16th March 2005 the council entered into a 30-year contract for the refurbishment and maintenance of 1,781 council houses. Service commencement took place in June 2005 and the contract expires on 31st March 2035.

e Street Lighting PFI Project

The council entered into a long term contract on 31st March 2006 for the renewal of 80% of the lighting columns in Leeds over a five year period. The contract includes the operation of the street lighting service in Leeds from July 2006 through to the completion of the contract in June 2032.

f Building Schools for the Future (BSF) Scheme (1)

On 3rd April 2007, Leeds City Council entered into a long term partnership contract with Leeds LEP Ltd, the Local Education Partner ("LEP") in which it is a shareholder, to procure the rebuilding or refurbishment of 14 high schools in Leeds. On the same date the council also entered into a PFI contract for the rebuilding of 4 high schools; service commenced for 3 of these schools in September 2008, and the fourth opened in September 2009. Since the contract started, one of the schools has become an academy. This school is therefore no longer included as an asset in the council's balance sheet. The contract will run until 2034/35.

g Independent Living

In June 2008 the council entered into a 28-year contract for the provision of purpose-built properties on 39 sites enabling people with a learning disability or mental health needs to live in communities of their choosing and to take greater control of their lives. The first of these sites came into service in March 2009, and the remaining sites have become operational on a phased basis. A portion of the income received by the contractor will be received directly by them from tenants as rental. In accordance with the Code the council accounts for this as income to itself, with a matching increase in the annual unitary charge. The council has opted to recognise this income as it falls due rather than to recognise a deferred income balance at the start of the contract.

h Building Schools for the Future (BSF) Scheme (2)

On 13th March 2008, the council entered into a further contract with Leeds LEP Ltd for the building of a new school for West Leeds and Wortley, which opened during 2009/10. The school has subsequently become an academy and is therefore no longer recognised on the council's balance sheet. The contract will run until 2034/35.

i New Leaf Leisure Centres

In 2008 the council entered into a PFI contract for the rebuilding of two "New Leaf" Leisure Centres at Armley and Morley. The two leisure centres became operational in 2010/11, and will be run by the contractor until 2035/36.

j Harehills and Chapeltown Joint Service Centres

In April 2009 the council entered into a contract for the provision of two Joint Service Centres (JSCs) in Chapeltown and Harehills, where the council and National Health Service bodies provide face to face customer services. Both of these buildings became operational during 2010/11. At the conclusion of the contract in 2035/36 the council will have the option to lease the Harehills JSC for the rest of its expected useful life, but it will have no further rights in relation to the Chapeltown JSC. The council has therefore recognised the Harehills JSC as its asset, and is treating expenditure in relation to Chapeltown JSC as a revenue contract which includes an operating lease.

k Holt Park Wellbeing Centre

The council has entered into a contract for the provision of a Wellbeing Centre in the Holt Park area of the city, which provides sports and other community facilities. The centre opened to the public in autumn 2013, and the contract will run until the 2038/39 financial year. At the conclusion of the contract the centre will be owned outright by the council. The council has therefore recognised the centre as an asset on its balance sheet.

l Little London, Beeston and Holbeck Housing Project

The council has entered into a contract for the provision of council dwellings within the Little London, Beeston and Holbeck areas of the city. The scheme involves partly new-built properties and partly major renovations of existing council dwellings. The contract will be for a 20 year period, during which the contractor will maintain the assets and provide a facilities management service.

m Residual Waste Treatment scheme

The council has entered into a contract for the provision of a treatment plant for the processing of residual waste. Following a commissioning period during 2015/16, full service delivery commenced on 31st March 2016. The contract comprises a core period of 25 years during which the council will send all of its waste to the facility and will pay fees as determined under the contract. This will be followed by a further period of 15 years during which the council is not committed to sending its waste to the facility, and will pay at open market rates if it does

so. The facility will revert to the council's ownership after this secondary period. Throughout the full 40 years of the contract the facility will generate income towards its operating costs from the sale of recyclable materials and the generation of electricity. During the core 25 year period the contractor will be able to generate further income by processing waste from third parties to utilise spare capacity left after processing the council's waste. During the final 15 years the contractor will be free to operate the facility on a commercial basis. The council has recognised the waste treatment plant as an asset on its balance sheet. Since the contractor will be compensated for the cost of providing the facility partly by the council and partly by third parties, the council has recognised two distinct liabilities on its balance sheet – one to reflect its own liability to pay the contractor and one to reflect the value of the right to earn income from the facility which has been granted to the contractor.

The following table analyses the movement in the value of assets recognised under PFI schemes during the year :

Movement in PFI assets

£000s	01/04/2015	Acquisitions, lifecycle costs	Disposals	Revals, depreciation, impairment	31/03/2016
Seven Schools	40,742	626		1,679	43,047
Primary Schools	31,226	377		4,939	36,542
Combined Secondary Schools	24,037	1,517		(1,518)	24,036
Swarcliffe Housing	-	1,118		-	1,118
Street Lighting	71,738	-		(2,869)	68,869
Building Schools for the Future (1)	52,392	673		(627)	52,438
Independent Living	15,443	260		1,263	16,966
Building Schools for the Future (2)	-	147		(147)	-
New Leaf Leisure Centres	24,503	50		(2,244)	22,309
Harehills JSC	814	50		566	1,430
Holt Park Wellbeing Centre	12,789	67		(57)	12,799
Little London, Beeston & Holbeck Housing	80,283	60,670		(83,143)	57,810
Residual Waste Treatment Facility	-	138,046		717	138,763
	353,967	203,601	-	(81,441)	476,127

The following table breaks down the movement in the council's recognised PFI liabilities during the year :

Movement in PFI liabilities

£000s	01/04/2015	New liabilities	Amounts repaid	31/03/2016
Seven Schools	27,029		(1,322)	25,707
Primary Schools	28,731		(1,058)	27,673
Combined Secondary Schools	85,410		(2,670)	82,740
Swarcliffe Housing	35,539		(1,035)	34,504
Street Lighting	75,529		(2,669)	72,860
Building Schools for the Future (1)	95,870		(2,690)	93,180
Independent Living	52,560		(1,780)	50,780
Building Schools for the Future (2)	30,892		(940)	29,952
New Leaf Leisure Centres	24,982		(682)	24,300
Harehills JSC	4,921		(128)	4,793
Holt Park Wellbeing Centre	15,733		(306)	15,427
Little London, Beeston & Holbeck Housing	72,821	60,670	(25,041)	108,450
Residual Waste - Council's Liability	-	111,825	(31,404)	80,421
Residual Waste - 3rd Party Deferred Income	-	26,221	-	26,221
	550,017	198,716	(71,725)	677,008

The following table analyses the council's PFI liabilities at the balance sheet date over the years in which they will be written down from unitary charge payments :

£000s	Payable in 1 Year	Payable in 2-5 Years	Payable in 6-10 Years	Payable in 11-15 Years	Payable in 16-20 Years	Payable in 21-26 Years	Total
Seven Schools	958	4,586	9,135	11,028			25,707
Primary Schools	1,190	6,160	8,112	12,211			27,673
Combined Secondary Schools	3,592	11,342	16,592	30,553	20,661		82,740
Swarcliffe	938	3,842	6,465	10,218	13,041		34,504
Street Lighting	2,772	12,917	19,231	35,796	2,144		72,860
Building Schools for the Future (1)	2,897	13,465	21,666	29,087	26,065		93,180
Independent Living	1,936	4,172	9,369	11,529	22,336	1,438	50,780
Building Schools for the Future (2)	967	4,449	6,997	9,202	8,336		29,951
New Leaf Leisure Centres	654	2,877	5,136	6,922	8,711		24,300
Harehills JSC	130	659	1,048	1,396	1,560		4,793
Holt Park Wellbeing Centre	321	1,432	2,153	3,288	4,944	3,289	15,427
Little London, Beeston & Holbeck Housir	4,295	20,075	33,542	34,362	16,176		108,450
Residual Waste - Council's Liability	2,149	13,638	24,635	22,357	14,855	2,787	80,421
Total Liabilities	22,799	99,614	164,081	217,949	138,829	7,514	650,786

The following table shows the future interest costs expected to be incurred in relation to the above liabilities over the life of the schemes. The figures shown for the Waste Treatment Facility are those costs which will be incurred directly by the council, and do not include costs to be recovered by the contractor from third parties.

£000s	Payable in 1 Year	Payable in 2-5 Years	Payable in 6-10 Years	Payable in 11-15 Years	Payable in 16-20 Years	Payable in 21-26 Years	Total
Seven Schools	1,876	6,737	5,691	1,477			15,781
Primary Schools	2,057	7,368	6,792	2,736			18,953
Combined Secondary Schools	5,834	21,194	21,439	12,563	1,092		62,122
Swarcliffe	2,787	10,300	10,886	7,410	1,828		33,211
Street Lighting	5,757	20,414	19,039	7,245			52,455
Building Schools for the Future (1)	5,939	21,565	21,141	12,704	2,139		63,488
Independent Living	3,654	13,657	14,399	10,391	4,120		46,221
Building Schools for the Future (2)	1,800	6,518	6,370	3,816	675		19,179
New Leaf Leisure Centres	1,872	6,916	7,057	4,578	1,211		21,634
Harehills JSC	263	962	952	610	154		2,941
Holt Park Wellbeing Centre	1,181	4,454	4,861	3,774	2,137	204	16,611
Little London, Beeston & Holbeck Housir	9,226	32,825	29,686	15,976	1,691		89,404
Residual Waste Treatment Facility	2,249	10,613	7,892	6,627	3,495	6,477	37,353
Total	44,495	163,523	156,205	89,907	18,542	6,681	479,353

Under PFI contracts, the operator provides annual revenue services in addition to providing the asset or assets. In future years, the council will pay the contractor for the services it provides during each year in accordance with the terms set out in the contract. The Code recommends the disclosure of an estimate of the level of the revenue costs that have not yet been incurred under the contracts. However it should be noted that by the nature and duration of these schemes and the number of factors which will affect both the services provided and their cost, this can only be a broad estimate. The figures below represent an indication of the potential future costs, and do not represent a contractual commitment by the council to pay the specific amounts disclosed. Future PFI scheme revenue costs represent a very small percentage of the Council's annual revenue expenditure over the 25 year . The figures shown for the Waste Treatment Facility are those which will be incurred directly by the council, and do not include costs to be recovered by the contractor from third parties.

£000s	Payable in 1 Year	Payable in 2-5 Years	Payable in 6-10 Years	Payable in 11-15 Years	Payable in 16-20 Years	Payable in 21-26 Years	Total
Seven Schools	2,389	10,007	14,862	15,173			42,431
Primary Schools	1,771	7,561	10,721	12,742	1,204		33,999
Combined Secondary Schools	3,870	16,570	23,686	26,761	14,760		85,647
Swarcliffe	3,657	15,413	22,483	26,787	33,393		101,733
Street Lighting	5,113	22,856	32,236	42,822	2,437		105,464
Building Schools for the Future (1)	3,919	15,864	22,137	24,971	18,440		85,331
Independent Living	1,167	4,854	7,214	7,823	10,036	62	31,156
Building Schools for the Future (2)	938	3,999	5,586	6,296	4,772		21,591
New Leaf Leisure Centres	941	4,017	5,610	6,332	5,917		22,817
Harehills JSC	104	441	617	1,051	1,387		3,600
Holt Park Wellbeing Centre	672	2,849	3,946	4,444	5,010	2,683	19,604
Little London, Beeston & Holbeck Housir	2,219	13,699	19,178	22,135	12,937		70,168
Residual Waste Treatment Facility	1,843	10,144	10,194	13,381	19,256	44,372	99,190
Total	28,603	128,274	178,470	210,718	129,549	47,117	722,731

Lifecycle costs relating to the schemes are accounted for as grant funded capital expenditure.

10 Additional notes to the comprehensive income and expenditure account

This section brings together notes about spending in particular areas and on transactions with related parties. Councils are required to disclose information on these areas, and the transactions covered are included within the Comprehensive Income and Expenditure Account but are not sufficiently material to appear as individual figures within it.

10.1 Dedicated Schools Grant

Expenditure on schools is funded primarily by grant funding provided by the Department for Education (DfE), as a separate Dedicated Schools Grant (DSG). An element of the DSG is recouped by the DfE to fund academy schools within the authority area. The use of the DSG is restricted by statutory regulations, and the Accounts and Audit Regulations 2011 require local authorities to include a note to their accounts disclosing how the DSG has been used. The DSG must be allocated between the Individual Schools Budget and the Central Schools Budget, and overspends or underspends on the two elements must be accounted for separately. The amount of DSG received by an authority is dependent on pupil numbers, and thus the total grant for the year is not finalised until after the expenditure budget has been allocated.

For 2015/16 the total available DSG funding was £439.9m, however it was agreed that £4.3m of the 2014/15 balance would be carried forward to 2016/17, leaving £435.6m available to be allocated in 2015/16.

Calculation of available DSG

2014/15	£000s	2015/16
536,399	Final DSG before Academy recoupment	551,483
(106,100)	Academy figure recouped in year	(123,293)
430,299	Total DSG after Academy recoupment	428,190
10,471	Brought Forward	11,712
(8,318)	Carry forward to 2016/17 agreed in advance	(4,307)
432,452	Total for distribution	435,595

The allocation between Individual Schools and Central Schools budgets is shown in the table below:

Allocation of Schools Budget and Dedicated Schools Grant

2014/15				2015/16		
<i>Central schools budget</i>	<i>Individual schools' budget</i>	<i>Total</i>		<i>Central schools budget</i>	<i>Individual schools' budget</i>	<i>Total</i>
63,500	368,952	432,452	Agreed budgeted distribution	64,890	370,705	435,595
744	(777)	(33)	In year adjustments	6	332	338
64,244	368,175	432,419	Final budgeted distribution	64,896	371,037	435,933
62,080	-	62,080	Actual Central Expenditure	63,915		63,915
-	366,945	366,945	Actual ISB deployed to schools		372,645	372,645
-	-	-	Local Authority contribution			-
2,164	1,230	3,394	In year carry forward	981	(1,608)	(627)
-	8,318	8,318	Carry forward agreed in advance	1,456	2,851	4,307
2,164	9,548	11,712	Total to carry forward	2,437	1,243	3,680

The £0.627m in year carry forward will be added to the 2014/15 carry forward, giving a total of £3.68m DSG funding brought forward into 2016/17. Any underspends on the element of DSG funding allocated to schools will be carried forward within schools reserves (see explanatory note 12).

10.2 Pooled budgets

Section 75 of the NHS Act 2006 allows partnership arrangements between National Health Service bodies, local authorities and other agencies in order to improve and co-ordinate services. Each partner makes a contribution to a pooled budget, with the aim of focussing services and activities for a client group. Funds contributed are those normally used for the services represented in the pooled budget and allow the organisations involved to act in a more cohesive way.

a Joint Commissioning Board for People with Learning Disabilities

The council has a Section 75 Pooled Budget Agreement (previously Section 31 of the 1999 Health Act) with NHS Leeds which has been in place since 1st April 2006. The pooled budget fund is summarised below:

Joint Commissioning Board for People with Learning Disabilities

2014/15	£000s	2015/16
<i>Funding</i>		
77,006	Leeds City Council	86,900
20,209	Clinical Commissioning Groups	22,460
97,215		109,360
<i>Expenditure on services provided by</i>		
79,903	Independent sector	100,788
17,312	Leeds City Council	8,572
97,215		109,360

b Leeds Community Equipment Services

This is an integrated service managed jointly by NHS Leeds and the council. It holds, delivers, collects and refurbishes a wide range of equipment. Some of the equipment issued by the store is purchased by a pooled equipment fund, which is made up of contributions by the managing agencies, and is provided following assessment and recommendation by a range of health and social care staff. The pooled budget fund is summarised below:

Leeds Community Equipment Services

2014/15	£000s	2015/16
	<i>Funding</i>	
2,607	Leeds City Council	2,419
-	NHS Leeds	
3,217	Clinical Commissioning Group	3,381
<u>5,824</u>		<u>5,800</u>
	<i>Expenditure on services provided by</i>	
4,422	Leeds City Council	4,741
1,402	NHS Leeds	1,059
<u>5,824</u>		<u>5,800</u>

c South Leeds Independent Centre

This Section 75 partnership arrangement provides nursing and non-nursing care in an intermediate care unit. It is jointly commissioned by the three Leeds Clinical Commissioning Groups and Leeds City Council. It supports the ongoing commissioning priorities of the Council to work with health partners to reshape services at the intermediate tier and provide a service that is responsive and prevents older people from needing to access more intense care and support services.

The pooled budget is summarised below:

South Leeds Independent Centre

2014/15	£000s	2015/16
	<i>Funding</i>	
440	Leeds City Council	440
1,631	Clinical Commissioning Group	1,631
<u>2,071</u>		<u>2,071</u>
	<i>Expenditure on services provided by</i>	
2,071	Leeds Community Healthcare NHS Trust	2,071
<u>2,071</u>		<u>2,071</u>

d Better Care Fund

The council has a Section 75 Pooled Budget Agreement with the three Leeds Clinical Commissioning Groups, which has been effective since 1st April 2015. The pooled budget fund is summarised below:

Better Care Fund

£000s	2015/16
<i>Funding</i>	
Leeds City Council	7,946
Leeds South & East Clinical Commissioning Group	17,351
Leeds West Clinical Commissioning Group	20,105
Leeds North Clinical Commissioning Group	12,665
	<hr/> 58,067
<i>Expenditure</i>	
Social Care and Community Health	23,681
Social Care	18,019
Third Sector	6,668
Acute	9,699
	<hr/> 58,067

10.3 Employee remuneration

Under the Accounts and Audit Regulations 2015, local authorities are required to disclose information on their employees' remuneration in three sections. Full details are required for senior employees who have a role in the overall management of the council or who occupy certain statutory posts, and whose annual salary is above £50,000. Those senior officers whose salary is above £150,000 are required to be named.

In addition two summary disclosures are required, covering the numbers of other staff whose total remuneration (i.e. salary plus pension etc.) is above £50,000, and the number and value of all exit packages agreed during the year.

a Senior employees

The following table gives details of the remuneration for senior officers (as defined above) with an annual salary of above £50,000:

Senior employees remuneration

	<i>Employment period</i>	<i>Salary, Fees and Allowances</i>	<i>Employers Pension Contribution</i>	<i>Total Remuneration</i>
		£	£	£
2014/15				
Chief Executive (Tom Riordan)	1 April 2014 to 31 March 2015	176,367	25,573	201,940
Deputy Chief Executive (Alan Gay)	1 April 2014 to 31 March 2015	161,181	-	161,181
Assistant Chief Executive (Planning, Policy & Improvement) (James Rogers)	1 April 2014 to 31 March 2015	124,151	18,002	142,153
Director of Environment & Neighbourhoods (Neil Evans)	1 April 2014 to 31 March 2015	146,238	21,204	167,442
Director Adult Social Care (Sandie Keene)	1 April 2014 to 30 November 2014	97,609	-	97,609
Acting Director Adult Social Care (Dennis Holmes)	1 December 2014 to 31 March 2015	44,782	6,493	51,275
Director of City Development (Martin Farrington)	1 April 2014 to 31 March 2015	146,266	21,204	167,470
Director of Children's Services (Nigel Richardson)	1 April 2014 to 31 March 2015	149,038	21,610	170,648
Director of Public Health (Ian Cameron)	1 April 2014 to 31 March 2015	153,875	-	153,875
City Solicitor (Catherine Witham)	1 April 2014 to 31 March 2015	98,888	14,299	113,187
2015/16				
Chief Executive (Tom Riordan)	1 April 2015 to 31 March 2016	176,645	25,573	202,218
Deputy Chief Executive (Alan Gay)	1 April 2015 to 31 March 2016	161,157	-	161,157
Assistant Chief Executive (Planning, Policy & Improvement) (James Rogers)	1 April 2015 to 31 March 2016	124,151	18,002	142,153
Director of Environment & Neighbourhoods (Neil Evans)	1 April 2015 to 31 March 2016	146,238	21,204	167,442
Director Adult Social Care (Catharine Roff)	28 April 2015 to 31 March 2016	130,044	18,831	148,875
Acting Director Adult Social Care (Dennis Holmes)	1 April 2015 to 13 April 2015	4,478	649	5,127
Director of City Development (Martin Farrington)	1 April 2015 to 31 March 2016	146,264	21,204	167,468
Director of Children's Services (Nigel Richardson)	1 April 2015 to 31 March 2016	149,387	21,610	170,997
Director of Public Health (Ian Cameron)	1 April 2015 to 31 March 2016	153,030	-	153,030
City Solicitor (Catherine Witham)	1 April 2015 to 31 March 2016	100,432	14,513	114,945

General notes

- No bonuses were paid during 2014/15 and 2015/16.
- No expense allowances were paid during 2014/15 and 2015/16.
- No additional benefits, either in cash or otherwise, were paid during 2014/15 and 2015/16.
- Any officer who acts as an Elections officer does so in a personal capacity and not as an employee of Leeds City Council. Any fees received in this capacity are therefore not included in the above figures.

b Other employees

The following table gives the numbers of employees whose total remuneration is above £50,000 but who are not included in the detailed disclosure for senior employees given above.

Other employee remuneration in excess of £50,000

2014/15			Number of employees	2015/16		
<i>Teachers</i>	<i>Other Staff</i>	<i>Total</i>		<i>Teachers</i>	<i>Other Staff</i>	<i>Total</i>
69	167	236	£50,000 to £54,999	91	157	248
53	59	112	£55,000 to £59,999	58	46	104
37	61	98	£60,000 to £64,999	32	56	88
20	37	57	£65,000 to £69,999	24	27	51
20	20	40	£70,000 to £74,999	19	30	49
11	15	26	£75,000 to £79,999	7	14	21
5	13	18	£80,000 to £84,999	7	10	17
1	9	10	£85,000 to £89,999	3	3	6
2	8	10	£90,000 to £94,999	2	6	8
2	8	10	£95,000 to £99,999	1	8	9
1	3	4	£100,000 to £104,999	1	1	2
-	3	3	£105,000 to £109,999	1	2	3
-	-	-	£110,000 to £114,999		3	3
-	2	2	£115,000 to £119,999		1	1
1	1	2	£120,000 to £124,999			-
-	1	1	£125,000 to £129,999	1	2	3
-	-	-	£130,000 to £134,999			-
-	-	-	£135,000 to £139,999			-
-	-	-	£140,000 to £144,999			-
-	1	1	£145,000 to £149,999			-
222	408	630		247	366	613

During 2015/16 a number of employees, who are normally paid less than £50k, have left the council under an Early Leavers Initiative and received a lump sum payment. For 2015/16, 6 teachers and 43 other staff have been added to this disclosure due to these one off payments. The equivalent figures for 2014/15 were 4 teachers and 99 other staff.

c Costs of compulsory redundancies and other leavers

The Code requires councils to disclose any costs it has incurred as a result of compulsory redundancies and of staff who have left for other reasons such as voluntary early retirement. The costs shown represent the total cost to the council rather than the amounts actually received by the employee. This includes pension strain payments paid to the West Yorkshire Pension Fund to cover the impact of voluntary early retirements. Since 2010/11 the council has adopted a policy of encouraging voluntary early retirements as the most cost effective means of reducing the size of its workforce. Staff have been allowed to retire early in cases where the additional pension cost will be recovered by the resulting salary savings within 5 years or less. During 2015/16 the council incurred £4.5m of pension strain costs, which are estimated to have resulted in an £23.4m salary saving over 5 years. The comparable figures for 2014/15 were £8.2m of pension strain costs, resulting in a £53.6m salary saving over 5 years.

The following table shows the number and value of exit packages agreed during the year, analysed between compulsory redundancies and other departures, shown in bands of £20k up to £100k, and bands of £50k thereafter. As required by the Code, bands have been combined where this is necessary to ensure that individual exit packages cannot be identified.

Costs of leavers

2014/15		2015/16	
Number of packages	Total cost	Number of packages	Total cost
	£		£
<i>Compulsory redundancies</i>			
36	450,017	65	192,789
<i>Other leavers</i>			
425	3,983,336	190	1,513,699
108	2,955,829	46	1,283,495
55	2,769,490	23	1,160,547
26	1,760,488	8	544,432
17	1,532,128	10	868,510
15	1,737,841	11	1,311,394
9	1,557,060	4	685,335
2	456,358	2	540,817
657	16,752,530	294	7,908,229

10.4 Related parties

Related parties are organisations or individuals with whom the council may potentially enter into transactions other than on an arms-length commercial basis, because of a relationship that exists between the council and the related party. Related parties are individuals or organisations who :

- have the potential either to influence or control the council's activities (for example the UK Government can exercise significant influence over local authorities via legislation or conditions attached to grant funding), or
- those who can be influenced or controlled by the council (for example its subsidiary companies), or
- those who are subject to a common influence from the same source (for example the National Health Service which is also subject to government control)

The Code requires the disclosure of significant related party relationships irrespective of whether any transactions have taken place, and of any material transactions between the council and its related parties to ensure that stakeholders are aware that these transactions have taken place and the amount and implications of such transactions.

Information on the council's related parties is given below:

a Council members

The council maintains a register of all members' disclosable pecuniary interests. Within 28 days of election, Councillors are legally required to inform the council's Monitoring Officer of any pecuniary interests they have. If a Councillor is present at a meeting of the authority, or any committee, subcommittee, joint committee or joint subcommittee of the authority, and has a disclosable pecuniary interest then, if that interest is not registered, must disclose that interest to the meeting and notify the Council's Monitoring officer to have that interest added to the register of interests.

The register of member's interests is open to public inspection as required by Section 29 of the Localism Act 2011. A copy of the register of members' interests is also available to view on the council's website. Where a member has a disclosable pecuniary interest they are precluded from taking any part in meetings or decisions related to their previously disclosed interest, unless an appropriate dispensation has been granted.

In respect of the 2015/16 financial year a number of council members had a controlling interest in a company, partnership, trust or entity. The controlling interest was by way of ownership, or as a director, trustee, governor or partner of an organisation. The existence of the procedures described above ensure that the council is able to both identify where a member has an interest, and take action to ensure that there is no participation in any decisions relevant to their interest. All major decisions are available for public scrutiny and challenge as part of the council's constitutional arrangements.

b Senior officers

Officers falling within the definition of related parties for Leeds City Council are its Corporate Leadership Team, comprising the Chief Executive, the Deputy Chief Executive, the City Solicitor and departmental directors. The definition also covers members of those officers' close families or households.

As in the case of members, there is a code of conduct governing the disclosure of interests held by officers. Under s117 of the Local Government Act 1972, senior officers are required to disclose any pecuniary interests they hold. Furthermore the employee code of conduct precludes an officer from making any decision which is not in the best interests of the council and does not represent value for money.

All key and significant decisions are published on the council's website and are available for public inspection. This framework ensures that both the scope for related party transactions is minimal, and that disclosure is provided where any such transactions may have occurred.

c Other significant related parties

The United Kingdom government and other bodies within the UK public sector which fall within its control are related parties of the council. Apart from the government itself, the most significant of these for the council's activities are National Health Service bodies, with whom the council co-operates in the delivery of various areas of health and social care, and West Yorkshire Combined Authority (WYCA), who determine public transport policy in the region.

Related party transactions with National Health Service bodies amounted to income to the council of £32.7m in 2015/16 (£19.4m in 2014/15), including £1.1m accrued at 31st March 2016. This is mainly made up of the increased CCGs contribution for social care expenditure. An additional £1.6m is held as receipts in advance at 31st March 2016. This income relates to

various schemes and includes funded nursing care for local authority funded residents, under Section 49 of the Health and Social Care Act 2001. Payments to NHS bodies amounted to £23.4m in 2015/16 (£20.3m in 2014/15), including £1.4m accrued at 31st March. These payments mainly relate to services commissioned by the Public Health service, which transferred to the council on 1st April 2013.

Related party transactions with WYCA (previously known as West Yorkshire Integrated Transport Authority) amounted to expenditure by the council of £36.4m in 2015/16 (£36.6m in 2014/15). £34m relates to the transport levy paid by the council, and the remainder is payments for transport services provided by the WYCA such as home to school transport, including £1m accrued at 31st March.

The following related party transactions with other entities within the UK public sector are disclosed elsewhere in the accounts:

- Precepting authorities (see the Income and Expenditure and Collection Fund Accounts)
- Local Authority (Goods and Services) Act 1970 (see explanatory note 7)
- West Yorkshire Pension Fund (see explanatory note 3)
- Pooled services (see explanatory note 10.2)
- Government grants (see explanatory note 6)

Agency payments by way of grants made to voluntary organisations for undertaking certain statutory duties on behalf of the council amounted to £13.3m in 2015/16 (£13.6m in 2014/15).

10.5 Audit fees

The Code requires a summary of the fees payable to the council's appointed auditors in relation to the financial year:

Audit fees

2014/15	£000s	2015/16	notes
308	General audit	232	i
27	Certification of grant claims and returns	16	ii
4	National Fraud Initiative	-	
4		-	
339		248	

i Services carried out under section 5 of the Audit Commission Act 1998

ii Services carried out under section 28 of the Audit Commission Act 1998

11 Movements on reserves

The council's reserves have been split between usable and unusable reserves, and between revenue and capital reserves. Usable revenue reserves and usable capital reserves are the only amounts within total reserves which are available to fund future expenditure. Usable capital reserves can only be used to fund capital expenditure, but revenue reserves can be used to fund either revenue or capital expenditure.

Unusable revenue reserves are those established by statute in order to adjust the timing with which certain items affect council tax payers and housing tenants. For example, the largest statutory revenue reserve relates to pensions liabilities measured under IAS19. The government has determined that current council tax payers and tenants should only be charged with the actual level of pension fund contributions payable by the council, and thus the level of the pensions reserve reflects the extent to which pension liabilities already earned at the balance sheet date will be paid for through future pension fund contributions and income earned from pension fund assets.

Unusable capital reserves reflect unrealised gains on the council's long term assets, and timing differences between the extent to which funding has been set aside for previous capital expenditure, and the extent to which the benefits of that expenditure have been consumed.

The following notes give more detailed breakdowns of the figures shown in the Movement in Reserves Statement.

11.1 Other comprehensive income and expenditure

The following table gives a breakdown of the figures for Other comprehensive income and expenditure shown within the Movement in Reserves Statement.

2014/15	£000s	2015/16
	<i>Gains / (losses) on Capital accounting balances</i>	
170,105	Surplus / (deficit) on revaluation of long term assets	140,235
29	Surplus / (deficit) on revaluation of available-for-sale assets	96
170,134		140,331
	<i>Gains / (losses) on Statutory revenue reserves</i>	
(140,712)	Actuarial gains / (losses) on pension fund	108,964
29,422	Total of other recognised gains and losses	249,295

11.2 Statutory adjustments between the accounting basis and the funding basis

The Comprehensive Income and Expenditure Account shows the council's income and expenditure for the year on the basis of International Financial Reporting Standards. However, the amounts actually chargeable to a local authority's General Fund reserves and its Housing Revenue Account, and therefore to its council tax and housing rents, are controlled by legislation and include a number of statutory adjustments and transfers to specific reserves. The statutory adjustments which are required largely relate either to the arrangements for the funding of a local authority's capital expenditure or to the timing with which some items are charged or credited to council tax and housing rents. The table below summarises these adjustments.

2014/15		2015/16	
Total	£000s	Total	notes
<i>Transfers to/(from) the Usable Capital Receipts Reserve</i>			
33,840	Net gain / (loss) on sale of fixed assets - capital receipts	26,660	
(5,144)	Transfer to I&E to fund payment of HRA pooled receipts	(5,888)	
28,696		20,772	
<i>Transfers to/(from) the Housing Major Repairs Reserve</i>			
17,977	Excess of depreciation charged to HRA over Major Repairs Allowance	28,889	
<i>Transfers to/(from) the Capital Grants Unapplied account</i>			
121,671	Capital grants received	86,980	
168,344	Total transfers to / (from) usable capital reserves	136,641	
<i>Transfers to/(from) General Fund and HRA reserves to Statutory revenue</i>			
(49,968)	Transfer to / (from) the pensions reserve	(56,581)	i
(471)	Transfer to / (from) the financial instruments adjustment account	(670)	
(22,477)	Transfer to / (from) the collection fund adjustment account	(6,178)	
(425)	Transfer to / (from) the accumulated absences account	407	
(73,341)	Total transfers to / (from) statutory revenue reserves	(63,022)	
<i>Transfers to/(from) General Fund and HRA reserves to Capital accounting</i>			
(134,834)	Depreciation and impairment of fixed assets (excl depr'n on HRA assets)	(210,056)	
(30,500)	Capital expenditure defined under statute	(33,592)	
18,008	Grants and contributions for capital expenditure defined under statute	18,727	
(67,664)	Net gain / (loss) on sale of fixed assets - assets written out	(63,328)	
-	- Discount granted on repayment of capital long term debtor	(1,233)	
82	Deferral of capital receipts due	-	
41,887	Statutory provision for repayment of debt	29,818	
212	Capital expenditure funded from revenue	694	
-	- Donated assets received	-	
3,000	HRA set aside to redeem debt	2,116	
11,347	Other statutory items within the HRA	26,866	
(158,462)	Total transfers to / (from) capital accounting balances	(229,988)	
(63,459)	Net additional amounts to be debited/(credited) to General Fund and HRA	(156,369)	

- i A number of adjustments are required or permitted by statute, which have the effect of amending the rate at which certain items of income and expenditure are charged or credited to the General Fund and the Housing Revenue Account :
- The amount by which IAS19 pensions costs differ from the actual pension contributions payable for the year is transferred to or from the Pensions Reserve.
 - Premiums and discounts on re-scheduled borrowing are amortised over a number of years from the Financial Instruments Adjustment Account (please see explanatory note 20.1 for further details).
 - Differences between the council's Council Tax and Business Rates precepts for the year and its actual local tax income collected are transferred to or from the Collection Fund Adjustment Account (please see note 20.3).
 - Liabilities relating to untaken leave entitlements carried forward by staff are transferred to the Accumulated Absences Account (please see explanatory note 20.2).

Details of the total movements in the remaining reserves referred to above can be found in the following notes :

H6 Housing Major Repairs Reserve

18.6 Capital grants unapplied account

18.5 Usable capital receipts reserve

18.2 Capital adjustment account

11.3 Statutory capital adjustments

The table below shows the transfers between usable and non-usable capital reserves that are required by statute for the year.

2014/15	£000s	2015/16	notes
38,212	Transfer to Housing Major Repairs Reserve - HRA depreciation	40,395	i
1,603	Transfers to Usable capital receipts reserve - long term capital debtors received and capital investments sold	5,255	ii
<u>39,815</u>		<u>45,650</u>	

- i Local authorities are required to transfer from the Capital adjustment account to the Housing Major Repairs Reserve an amount equal to the depreciation on HRA properties.
- ii Long term debtors which arise either from the disposal of fixed assets or from the repayment of capital loans are required by statute to be treated as capital receipts and credited to the Usable Capital Receipts reserve in the year in which payment is received. As they do not represent income for that year, this is done via a transfer from the Deferred capital receipts account and the Capital adjustment account respectively.

11.4 Transfers to fund new capital expenditure and to repay capital debt

The following table gives a breakdown of the amounts which the council has transferred from its usable capital reserves to the Capital Adjustment Account (see note 18.2) to fund new capital expenditure for the year and to fund the repayment of credit arrangements and capital borrowings. Details of the total movements on the individual reserves affected by these items can be found in the explanatory notes referred to below.

2014/15	£000s	2015/16	notes
20,858	Transfer from Usable Capital Receipts Reserve	23,870	18.5
54,715	Transfer from the Major Repairs Reserve	87,885	H6
100,639	Transfer from Capital Grants Unapplied account	112,313	18.6
<u>176,212</u>		<u>224,068</u>	

12 Earmarked Revenue Reserves

Leeds City Council has a number of earmarked reserves set aside for specific purposes.

Earmarked revenue reserves

£000s	31/03/2015	net movements	31/03/2016	notes
Schools reserves	22,669	1,545	24,214	a
Central schools block	11,712	(8,031)	3,681	b
Extended schools	10,464	(270)	10,194	c
Total schools reserves	44,845	(6,756)	38,089	
Capital reserve	5,116	640	5,756	d
Government grants in advance	7,710	(1,474)	6,236	e
Early leavers initiative	2,000	-	2,000	f
Health and Social Care reserves	17,448	(2,162)	15,286	g
Other reserves	8,278	(1,287)	6,991	h
Total earmarked revenue reserves	85,397	(11,039)	74,358	

a Schools reserves

In accordance with section 48 of the School Standards and Framework Act 1998, the Leeds Scheme for the financing of schools provides for the carry forward of individual school surpluses. School reserves have increased by a net £1.5m in 2015/16, which partly reflects a £0.8m increase in aggregate school balances, borrowing from the reserves to fund initiatives on safeguarding and learning, and the repayment of previous borrowing from school reserves. At the close of 2015/16, net borrowing from schools reserves amounted to £5.4m. Thus the actual reserves available to schools are £28.7m. In the event of schools needing to call on their available reserves, the amounts not yet repaid would be transferred from the General Fund reserve.

b Central schools block

The Central Schools Budget comprises centrally managed pupil orientated services funded from the ring-fenced Dedicated Schools Grant. Any in year net surplus or deficit is carried forward to the schools budget in the following year.

c Extended Schools Reserve

Extended school activity is an initiative to make greater use of school facilities to provide wider community access and provide extended services such as quality childcare, study support activities and parenting support. Such activities are expected to broadly break even in the medium term and any net surplus or deficit is carried forward to the following financial year.

d Capital reserve

Directorate contributions towards the prudential borrowing costs of capital schemes are appropriated to the capital reserve based on the life of the asset. These contributions are released back to revenue to cover the actual cost of the debt over the life of the loan.

e Government grants in advance

Under IFRS accounting requirements, the council recognises income for the grants that it receives as soon as it has satisfied all of the grant conditions, rather than recognising them as income only when the associated expenditure which they are to fund occurs. This means that

in many cases grant income is recognised in an earlier financial year than its associated expenditure. The council has therefore established a reserve to hold such grant income separately until the expenditure which it is to fund occurs.

f Early leavers initiative

The council set aside a reserve to fund the future up-front costs of its early leavers initiative. Under this initiative, the council has adopted a policy of encouraging voluntary early retirements as the most cost effective means of reducing the size of its workforce. Staff have been allowed to retire early in cases where the additional pension cost will be recovered by the resulting salary savings within 5 years or less.

g Health and Social Care reserves

Funds received from health partners relating specifically to agreements with the council have been set aside in four individual reserves. The purpose of these reserves is to help deliver an Integrated Health and Social Care system, and information management and technology developments that benefit both the health and social care economy under the Health and Social Care agenda. In 2015/16 £2m has been spent during the year.

h Other reserves

The council has also set aside several reserves for various purposes, including :

- A £3.3m reserve to address demographic and demand pressures.
- A £0.8m general insurance reserve to meet the costs of future insurance claims.
- A £0.6m reserve created from the fee received for awarding a large casino licence, which aims to support social inclusion objectives.
- A ring-fenced reserve for the taxi and private hire licensing service.

13 Assets

This section provides additional information on the long term assets held on the Balance Sheet.

13.1 Property plant and equipment

a Balance sheet value

This note analyses the movement in the balance sheet value of the council's housing, land and other fixed assets.

The balance sheet value is made up of the cost or valuation, less any accumulated depreciation and impairment.

Cost or valuation is the historical cost or revalued amount of assets at the beginning of the year, plus any additions and revaluations (both positive and negative) during the year. The cost or revalued amount of assets disposed of during the year is written out to give the year end balance.

The deterioration of an asset between formal revaluations is measured by depreciation and impairment due to asset deterioration. The accumulated depreciation for an asset is written out when the asset is revalued, and all accumulated depreciation and impairment values are written out when an asset is disposed of.

The following table shows a breakdown of the carrying value of fixed assets on the balance sheet, and the movements in the carrying value during the year, for each category of fixed assets.

Balance sheet movements

<i>Property plant and equipment £000s</i>	<i>Council dwellings</i>	<i>Other land & buildings</i>	<i>Infrastructure</i>	<i>Vehicles, plant, eqpt</i>	<i>Community assets</i>	<i>Assets under construction</i>	<i>Total fixed assets</i>
Cost or valuation	1,370,827	1,829,574	892,207	235,121	52,336	107,293	4,487,358
Accumulated depreciation and impairment	(4,762)	(199,018)	(249,904)	(170,300)	(8,563)	-	(632,547)
Balance sheet value as at 1 April 2015	1,366,065	1,630,556	642,303	64,821	43,773	107,293	3,854,811
Depreciation	(30,674)	(66,177)	(28,178)	(22,388)	(1,121)		(148,538)
Additions	174,896	210,827	81,865	16,154	3,299	(15,792)	471,249
Donations	-	-	-				-
Impairments (charged to cost of services)	(797)	(2,923)	-				(3,720)
Impairments (charged to revaluation reserve)	(13)	(719)	-				(732)
Revaluations (charged to cost of services)	(92,753)	(7,957)	-				(100,710)
Revaluations (credited to revaluation reserve)	(6,937)	137,653	-				130,716
Disposals	(4,156)	(49,407)	-	-			(53,563)
Changes in classification	(14,692)	(10,280)	-		-		(24,972)
Balance sheet value as at 31 March 2016	1,390,939	1,841,573	695,990	58,587	45,951	91,501	4,124,541
Comprising:							
Cost or valuation	1,399,608	2,561,286	974,071	251,275	55,635	91,501	5,333,376
Accumulated depreciation and impairment	(8,669)	(719,713)	(278,081)	(192,688)	(9,684)	-	(1,208,835)

b Nature of asset holding

This table shows whether assets recognised on the balance sheet at 31st March 2016 are owned by the council, leased, or part of a PFI arrangement. Further details of PFI contracts can be found in explanatory note 9.

Nature of asset holding

<i>Property plant and equipment £000s</i>	<i>Council dwellings</i>	<i>Other land & buildings</i>	<i>Infrastructure</i>	<i>Vehicles, plant, eqpt</i>	<i>Community assets</i>	<i>Assets under construction</i>	<i>Total fixed assets</i>
Owned	1,390,939	1,464,032	627,121	58,587	44,334	33,691	3,618,704
Finance Lease	-	26,266	-	-	1,617	-	27,883
PFI	-	351,275	68,869	-	-	57,810	477,954
	1,390,939	1,841,573	695,990	58,587	45,951	91,501	4,124,541

c Valuation periods

This table summarises when assets were most recently valued, and so shows the progress of the council's five year rolling programme for revaluation. The bases for valuation are set out in accounting policy 16.

Valuation periods

<i>Property plant and equipment £000s</i>	<i>Council dwellings</i>	<i>Other land and buildings</i>	<i>Infrastructure</i>	<i>Vehicles, plant, eqpt</i>	<i>Community assets</i>	<i>Assets under construction</i>	<i>Total operational</i>
Valued at historical cost	-	-	695,990	58,587	45,951	91,501	892,029
Valued at current value in –							
2009/10	-	-	-	-	-	-	-
2010/11	-	-	-	-	-	-	-
2011/12	-	117,550	-	-	-	-	117,550
2012/13	-	237,441	-	-	-	-	237,441
2013/14	72	353,993	-	-	-	-	354,065
2014/15	3,170	568,980	-	-	-	-	572,150
2015/16	1,387,697	563,609	-	-	-	-	1,951,306
	1,390,939	1,841,573	695,990	58,587	45,951	91,501	4,124,541

d Asset valuations

The council's fixed assets are valued on the balance sheet in accordance with the Statement of Asset Valuation Principles and guidance notes issued by the Royal Institution of Chartered Surveyors.

All asset valuations were supervised by the council's Head of Property Services, who is a Member of the Royal Institution of Chartered Surveyors.

13.2 Heritage Assets

Heritage assets are those assets with historical, artistic, cultural, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture, and are intended to be preserved for future generations. Assets which have some of these characteristics but which are also used for operational purposes are classed as property plant and equipment rather than heritage assets. Such assets are referred to as operational heritage assets.

Heritage assets are held at current value where a valuation is practicable and can be obtained at a reasonable cost, and otherwise at historic cost if this is available. Where no cost or valuation information is available, heritage assets are not included in the balance sheet, but their nature and extent is explained in (b) below.

a Heritage assets included in the balance sheet

The council includes two groups of heritage assets in its balance sheet – historic buildings, and artworks and museum exhibits.

i Historic Buildings

The council recognises six buildings on its balance sheet as heritage assets. These are Kirkstall Abbey, Temple Newsam House, Lotherton Hall, Armley Mills, Thwaite Mills and Stank Hall Barn. Also recognised are three listed Venetian Towers and an associated Engine House. These assets have been judged by the council's valuers to be too unique in nature for a current valuation to be practicable, and they are all therefore held at historic cost. Since all of the buildings were acquired many years ago, and some at a nominal cost, the figures for cost included in the balance sheet relate substantially to recent preservation works on the buildings. As the Towers and Engine House were transferred to the council at no cost, their carrying value reflects the cost of restoration works.

All of these buildings are open to the public. Details of opening times and admission charges are available from the council's website.

ii Museum exhibits and works of art – valuable items

The council owns approximately 1.3 million separate works of art and exhibits. It is not considered practical to individually value this entire collection, and so only those items which have a significant value are individually valued and recorded in the balance sheet at their current valuation. These include paintings and historic items of furniture and silverware. Valuations are undertaken by the council's museum curators by comparison with auction sales of similar items, and individual insurance valuations where exhibits are given on loan to other organisations. Valuations are undertaken annually, with the last valuation at 1st March 2015.

In addition to the individually valuable items, recent lower value acquisitions where information on cost is available are also included in the balance sheet.

All of the council's individually valuable works of art and museum exhibits are regularly on public display either in Leeds Art Gallery, Leeds City Museum, or in one of the council's historic buildings. Details of the opening hours for these buildings are available on the council's website. Information on the council's acquisitions and disposals policy for works of art and museum exhibits are given in note (b) below.

The following table shows the breakdown of the movements in the balance sheet value of heritage assets held at cost and at valuation.

Heritage assets

	<i>Historic buildings held at cost</i>	<i>Artworks and museum exhibits held at cost</i>	<i>Total assets held at cost</i>	<i>Artworks and museum exhibits held at valuation</i>	<i>Total heritage assets</i>
£000s					
As at 1 April 2015	3,962	5,875	9,837	59,300	69,137
Acquisitions and enhancements	870	141	1,011		1,011
Donations	-	-	-	-	-
Revaluations	-	-	-	10,250	10,250
As at 31 March 2016	4,832	6,016	10,848	69,550	80,398

b Heritage assets not included in the balance sheet

Where valuation or cost information cannot be reliably obtained for the council's heritage assets, these assets are not included in the council's balance sheet. The following notes give an indication of the nature and scale of the heritage assets that the council holds which it does not include in its balance sheet.

i Museum exhibits and works of art – overall collections

As explained in note (a) above, the council owns approximately 1.3 million separate works of art and exhibits, and only those items which have a significant individual value are included in the balance sheet. The current overall insurance valuation of the whole collection is £171.3m, meaning that the lesser valued items have been given a collective value of £101.8m. Items within the collection are diverse, ranging from scientific specimens, to period fashion garments, to antique furniture. The council has determined that it would not be practical within a justifiable level of cost to obtain individual valuations for its entire collection.

Due to the extensive nature of the collection, only a limited number of items can be on public display at any one time. Items from within the collection are displayed at the council's various museums, galleries and historic buildings. Details of the opening hours for these buildings are available on the council's website.

The council has a collections development policy which is approved annually. This policy is accessible from the Leeds Museums and Galleries homepage on the internet. The website also provides information on the preservation and management of existing exhibits and works of art, as well as an online catalogue containing information on many items within the council's collections.

ii Civic Regalia

The council owns a number of items of civic regalia, including the mayoral chains, the civic plate and various gifts presented to the council. The entire collection has an overall insurance valuation of £1.2m, but individual items are not valued separately. The council has determined that the cost of valuing individual items would not be justifiable, and so these are not included in the balance sheet.

There is no regular public access to view items of civic regalia, but access for groups can be arranged on request.

iii Historical records

The council provides public access via its website to a comprehensive collection of historical records of births, deaths and marriages.

The council also manages, and owns a substantial portion of, the Leodis photographic archive of Leeds, which is a collection of approximately 58,000 images of Leeds and is available from the Leodis website. A link to the Leodis website can be found on the council's own website.

iv Other local heritage sites

The council is also responsible for a number of ancient monuments and historical sites, war memorials, and sites of special scientific interest. Public access to these varies, and further details can be found on the council's website.

c Operational heritage assets

The council has a number of historically important buildings and other structures which are used for operational purposes and therefore appear in its balance sheet as property, plant and equipment.

Included in this category are Leeds Town Hall, Kirkgate Market and Leeds Corn Exchange (all Grade 1 listed buildings), and Leeds Grand Theatre, Leeds Civic Hall and various other Grade 2* listed buildings. Also included are two of the council's bridges which have ancient monument status, Wetherby bridge and Otley bridge.

13.3 Long term debtors

This note identifies amounts owing to the council which are being repaid over various periods longer than one year. Long term debt which has become due in less than twelve months has been reclassified as short term debt. The following table analyses the council's long term debtors :

Long term debtors

31/03/2015	£000s		31/03/2016	notes
9,043	Loans made		1,939	
1,510	Amounts due under finance leases		1,484	
8,006	Other debtors		15,344	i
<u>18,559</u>			<u>18,767</u>	

- i Other debtors include mortgages issued on Right to Buy council house disposals, and amounts owing from other local authorities arising from the past winding up of various West Yorkshire joint committees.

13.4 Contingent assets

Contingent assets are assets which may possibly arise as a result of past events, and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control. Contingent assets are not accounted for in the financial statements because this could result in the recognition of material gains that may never be realised, but they should be disclosed.

i VAT compound interest claim

Following the repayment of its previous claims relating to the imposition of the 3 year cap on VAT repayments, the council has received "simple interest" and has requested compound interest via an appeal to VAT tribunal and has also lodged a number of compound interest claims in the High Court, which are stayed pending the final outcome of the lead cases in the matter.

HMRC have lost the lead case at the Court of Appeal, but have been granted leave to appeal this decision in the Supreme Court. Should HMRC lose the appeal in the Supreme Court, they are likely to prescribe the conditions in which compound interest would be paid. Some of the amounts claimed by the council may meet these criteria. The total amount of the council's claim is £26m.

14 Current assets

The following section provides additional information on the short term assets held on the Balance Sheet.

14.1 Debtors

As the balance sheet represents the position at the end of the financial year, there are monies owed to the council at that date which are yet to be received as cash. The following analysis shows the amounts owed to the council which had not been received at 31st March 2016.

The council also makes provision for outstanding monies which it is anticipated may not be recovered. These amounts are then deducted from the total value of debtors shown in the accounts. An analysis of this provision for bad and doubtful debts is included below.

Debtors

31/03/2015	£000s	31/03/2016	
	Government		
19,140	HM Revenue and Customs	23,443	
23,802	Department of Communities and Local Government	40,975	
19,044	Other departments	3,634	
61,986			68,052
	Taxpayers		
29,143	Council Tax	32,713	
7,889	Business rates	6,255	
37,032			38,968
	Group entities		
26	Arms-length Management Organisations	6	
583	Other group entities	638	
609			644
	Public sector organisations		
7,718	Local authorities and other public bodies		9,393
	Other		
9,184	Housing rents	10,053	
65,304	Other - Sundry Debtors	76,272	
74,488			86,325
181,833			203,382
	Provisions for bad and doubtful debts		
(14,932)	Taxpayers	(16,580)	
(4,444)	Housing rents	(4,892)	
(12,142)	Other	(16,118)	
(31,518)			(37,590)
150,315			165,792

The £76.3m of sundry debtors at the year end represents income due to be received from routine fees and charges.

15 Current liabilities

The following section provides additional information on the short term liabilities held on the Balance Sheet.

15.1 Creditors

Since the council's Balance Sheet represents the financial position at the end of the financial year, there are monies owed by the council at that date which have yet to be paid. There are also amounts which the council has received before the end of the financial year which relate to services which have not yet been provided, or are to fund schemes which have not yet taken place. This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31st March 2016.

Creditors

31/03/2015	£000s	31/03/2016
	Government	
15,267	HM Revenue and Customs	15,267
5,695	Department of Communities and Local Government	6,361
6,931	Other departments	6,446
27,893		28,074
	Public sector organisations	
24,800	Local authorities and other public bodies	27,549
	Taxpayers	
3,963	Council Tax	4,198
3,449	Business Rates	4,077
7,412		8,275
	Other	
5,106	Housing rents	4,064
130,437	Sundry creditors	109,139
135,543		113,203
195,648		177,101
	Receipts in advance	
17,297		16,498
17,297		16,498
212,945		193,599

The balance of sundry creditors at the year end relates to payments due for routine goods and services. The balance reflects the normal timing delay between goods and services being provided to the council and invoices being received and processed.

16 Financial Instruments

A financial instrument is any contract which gives rise to a financial asset of one entity (such as cash, an equity instrument or a right to receive cash or an equity instrument) and a financial liability of another (such as an obligation to deliver cash or another financial asset).

16.1 Amounts recognised in the Balance Sheet

Some balance sheet categories, for example current debtors, include both items which are financial instruments and items which are not financial instruments. The table below shows the carrying values of financial instruments included within the various lines of the council's balance sheet. In accordance with the Code, any accrued interest as at 31st March 2016 is

included within the carrying value of the relevant financial instrument, rather than within debtors and creditors.

Carrying values

<u>31/03/2015</u>	<u>£000s</u>	<u>31/03/2016</u>
	<i>Financial assets</i>	
	Loans and receivables	
30,099	Investments	-
58,752	Debtors	55,380
2,000	Long term investments	2,000
18,559	Long term debtors	18,767
	Available for sale	
1,298	Long term investments	11,710
<u>110,708</u>		<u>87,857</u>
	<i>Financial liabilities</i>	
	Financial liabilities at amortised cost	
(1,358,227)	Long term borrowing	(1,366,990)
(155,321)	Creditors	(139,252)
(99,324)	Borrowing repayable within one year	(277,846)
(560,079)	Deferred liabilities	(659,346)
<u>(2,172,951)</u>		<u>(2,443,434)</u>

16.2 Recognised gains and losses

The following table summarises the gains and losses which have arisen in the council's accounts in relation to financial instruments. These are all reflected in the Comprehensive Income and Expenditure Account.

Recognised gains and losses

<u>31/03/2015</u>	<u>£000s</u>	<u>31/03/2016</u>
	<i>Recognised in Income and Expenditure on provision of services</i>	
	Financial assets	
(1)	Gains / (losses) on disposal of assets available for sale	39
1,083	Interest receivable on loans and receivables	765
(2,039)	Net movement in impairment of loans and receivables	(2,966)
-	Gains / (losses) on disposal of loans and receivables	(1,233)
	Financial liabilities	
(99,019)	Interest payable	(105,977)
-	Gains / (losses) on current year disposals	-
<u>(99,976)</u>		<u>(109,372)</u>
	<i>Recognised in Other comprehensive income and expenditure</i>	
	Financial assets	
(29)	Unrealised gains/(losses) on assets available for sale	96
1	Disposal of assets available for sale	(39)
<u>(28)</u>		<u>57</u>
<u>(100,004)</u>	Total recognised gain / (loss)	<u>(109,315)</u>

16.3 Fair value of items carried at amortised cost

The majority of the council's financial instruments are held at amortised cost. Under the Code, councils are required to disclose information comparing the fair values and carrying values for those financial instruments whose carrying value is not a reasonable approximation for fair value. The following table gives this information :

Fair values

31/03/2015		£000s	31/03/2016	
Carrying value	Fair value		Carrying value	Fair value
Financial Assets				
Loans and receivables				
1,510	1,510	Long term debtors - finance leases	1,484	1,484
17,049	18,974	Long term debtors - other	17,283	19,656
2,000	2,055	Long term investments	2,000	2,085
20,559	22,539		20,767	23,225
Financial Liabilities				
Financial liabilities at amortised cost				
(1,358,227)	(1,721,284)	Long term borrowing	(1,366,990)	(1,767,241)
(550,017)	(550,017)	Deferred liabilities - PFI schemes	(650,787)	(650,787)
(3,409)	(3,409)	Deferred liabilities - finance leases	(2,177)	(2,177)
(6,653)	(8,672)	Deferred liabilities - other	(6,382)	(8,841)
(1,918,306)	(2,283,382)		(2,026,336)	(2,429,046)

The council has determined that for PFI scheme liabilities and finance lease liabilities, the carrying value represents the best estimate of fair value, as the carrying value is based on the effective interest rate of the contract, which reflects the unique risks associated with that contract. For the remaining financial instruments in the above table, fair value has been estimated using observable data on market rates for similar instruments, and the fair values disclosed therefore fall within Level 2 of the fair value hierarchy. The source of the data used to estimate the fair values is as follows :

- The fair value for long term debtors has been estimated using the PWLB's interest rates for new fixed rate loans with the most appropriate maturity and repayment profile as at 31st March 2016. The figures for long term debtors include the council's portfolios of right to buy housing mortgages, employee car loans and deferred payments for adults social care. In calculating the estimated fair value of these long term debtors, an average lifetime for the portfolios as a whole has been used.
- The fair value for long term investments has been estimated on the basis of market rates for deposits matching the remaining duration of the investments.
- The fair value of borrowing from the PWLB has been estimated on the basis of PWLB new borrowing rates matching the remaining duration of the loans.
- The fair value of borrowing from other lenders has been estimated using market rates for gilts.

16.4 Management of risks arising from financial instruments

There are a number of risks associated with financial instruments which the council is necessarily exposed to. However the council monitors and seeks to manage these risks in order to minimise the potential for losses to occur.

a Credit risk

Credit risk is the risk that amounts due to the council may not be received.

Amounts due to the council from financial assets can arise either from loans and investments made, or from income receivable for goods or services provided by the council.

The majority of the council's loans and investments are made for treasury management purposes, to generate income from available balances. The parameters within which these investments are made are set out within the council's approved Treasury Management Policy. This policy limits the amounts which can be invested with any individual financial institution and with any group of companies, and specifies the levels of independent credit ratings which institutions must hold for the council to invest particular amounts with them. These policy limits do not cover the council's bankers, with whom the council has an unlimited deposit facility. The effect of the policy limits is to restrict as far as is practical the council's exposure to risk from the failure of a financial institution. The council's financial assets held for treasury management purposes have been reviewed for impairment, and the council is not aware of any factors which would suggest that the amounts will not be received in full, and has therefore concluded that no impairment provision is required. Historically, the council has not experienced any defaults on its treasury investments.

In addition to its loans and investments made for treasury management purposes, the council sometimes makes loans for service reasons. Each such transaction is subject to a rigorous financial appraisal before any loan is made, and loans are typically required to be secured on appropriate assets of the borrower. These loans and investments have been subject to an impairment review, and the council has concluded that no impairment provisions are required at 31st March 2016. Historically, the council has not experienced any defaults on its service loans and investments. However a discount was granted by the council on the early repayment of one service loan during 2015/16.

Some of the council's short term trade debtors relate to the provision of goods and services, such as rents, sports centre income and work done for other public sector bodies. The council operates an active debt recovery policy, to ensure that amounts due are collected as promptly as possible. Trade debtors are carried in the council's balance sheet net of an impairment provision, which represents the extent to which the council estimates that the debt may be uncollectable. The impairment provision is estimated on the basis of known factors affecting individual debtors and previous history of uncollectability for types of debtor. All material trade debtors which are past due are reviewed for potential impairment.

The table below shows the gross amounts due to the council from its financial assets, and the amounts which have been impaired due to likely uncollectability. The net carrying value which is shown on the balance sheet represents the maximum credit risk to which the council is exposed.

Credit risk

£000s	31/03/2016		
	Gross value	Impairment value	Net value
Deposits with financial institutions	-	-	-
Accrued interest on deposits	-	-	-
Other investments	3,084	-	3,084
Long term loans	1,939	-	1,939
Other long term debtors	15,344	-	15,344
Trade debtors	65,422	(10,042)	55,380
	85,789	(10,042)	75,747

b Liquidity risk

Liquidity risk is the risk that the council may not have sufficient cash available to meet its day-to-day obligations to make payments.

The council has access to borrowings from both the Public Works Loans Board and commercial lenders to meet its long term spending and shorter term cash flow requirements. By statute, all amounts borrowed by a local authority are secured without priority across all of its revenues. This statutory provision helps to ensure that the council is readily able to access the funds that it needs, and the council has not encountered any difficulty in borrowing to meet its needs during 2015/16. The council therefore considers that it has no significant liquidity risk, so far as it can foresee. However, there is a consequent risk that the council may be obliged to borrow at a time of unfavourable interest rates (see (c) below).

c Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Long term financial liabilities

The majority of the council's long term borrowing is at fixed interest rates, but it also borrows some monies in the form of lender option borrower option loans (LOBOs). Since all of the council's borrowing is held in the balance sheet at amortised cost rather than at fair value, any changes in the fair value of these financial liabilities as a result of fluctuations in market interest rates will not impact on the Comprehensive Income and Expenditure Account. The primary risk associated with fixed rate long term borrowing is that it will mature and require to be refinanced at a time of high interest rates. However, there is also a risk that if interest rates fall, the council may be unable to take full advantage of the lower rates due to holding long term fixed interest borrowing. In order to help manage its interest rate risk, the council operates maximum limits for the percentage of its borrowing which can be at fixed rates and the percentage which can be exposed to interest rate risk (i.e. the percentage which is at variable rates or which is short term borrowing). The maturity profile of long term borrowing is managed to ensure that exposure to interest rate changes is spread evenly over time. The council also constantly reviews the potential for refinancing its existing debt at reduced interest rates. In order to take advantage of continuing low short term interest rates available during 2015/16, the council has retained a relatively high level of short term borrowing during the year. This debt will be refinanced again into long term borrowing when it is prudent to do so.

The council currently has £445m of debt in the form of LOBOs, which equates to 27.3% of its net treasury management borrowing. LOBO agreements have periodic option dates on which lenders can opt to change the interest rate on a loan. One of the factors which might cause a lender to do this is fluctuations in market interest rates. If lenders exercise their option then the council can either repay the loan (at no extra cost) or agree to the change of interest rate for the remaining term of the loan or until the lender has the next option in the loan. If a change in the interest rate is agreed, this would impact on the amounts charged to the income and expenditure account. Due to their structure, LOBOs can be obtained at lower interest rates than fixed rate long term borrowing, but carry an element of cash flow interest rate risk. The council seeks to ensure that this risk in any one year from its LOBO portfolio is minimised, by ensuring that option dates are evenly spread over future years. Of the £445m LOBO debt at 31st March 2016, £80m was exposed to variable rates through lender options in 2016/17, and £55m in 2017/18.

Long term borrowing by date of maturity

31/03/2015	£000s	31/03/2016
23,812	Maturing in 1 – 2 years	-
67,871	Maturing in 2 – 5 years	76,683
114,307	Maturing in 5 – 10 years	105,495
43,812	Maturing in 10 – 25 years	46,387
663,425	Maturing in more than 25 years	693,425
445,000	Variable (lender option borrower option)	445,000
1,358,227	Borrowing with more than one year to mature	1,366,990
8,812	Long-term borrowing maturing within one year	23,812
1,367,039	Total long-term borrowing	1,390,802

Long term financial assets

The council's long term debtors and those long term investments which are interest-bearing are all at fixed interest rates, and thus will be unaffected by changes in market interest rates.

Sensitivity to market interest rates

As explained above, changes in market interest rates affecting the fair value of financial assets and liabilities would have no impact on their carrying values, as the council currently has no financial liabilities or loans and receivables carried at fair value. However, the council is required to disclose the impact that a hypothetical change in market interest rates during the year would have had on its recognised gains and losses. It should be noted that, had interest rates been higher, the council would in practice have taken different decisions in relation to rescheduling of debt, and to new borrowing and investments undertaken. The likely impact of such different decisions is not possible to quantify. However, the table below shows the extent to which the council's interest payable and interest receivable would have been different had market interest rates during the year been 1% higher than they actually were, calculated based on the actual new and variable rate loans and investments that the council held during the year.

Interest rate sensitivity

2014/15			£000s	2015/16		
Actual	With 1% rate increase	Difference		Actual	With 1% rate increase	Difference
<i>Recognised in Income and Expenditure Account</i>						
Financial assets						
1,083	1,816	733	Interest receivable on loans and receivables	765	940	175
Financial liabilities						
(99,019)	(99,850)	(831)	Interest payable	(105,977)	(107,071)	(1,094)
(97,936)	(98,034)	(98)		(105,212)	(106,131)	(919)

d Other market risks

There are two other forms of market rate risk which could potentially affect a local authority's financial instruments - currency risk and price risk.

Currency risk is the risk that gains or losses will be incurred because of changes in foreign currency exchange rates. The council holds no financial assets or liabilities in foreign currencies, and thus has no currency risk.

Price risk is the risk that the value of a financial instrument will change as a result of market fluctuations. At 31st March 2016 the council holds on its balance sheet £1,084k of long term investments relating to an assisted homebuy scheme under which the council takes an equity stake of up to 50% in the homes being purchased. This value of this long term investment is at risk from fluctuations in housing prices, however the investment was undertaken for policy reasons rather than as a financial investment.

17 Long term liabilities

The following section provides additional information on the long term liabilities held on the Balance Sheet.

17.1 Deferred liabilities

Deferred liabilities include amounts due in relation to assets acquired through Private Finance Initiative (PFI) schemes and under finance leases, returnable bonds and other long term liabilities. The council had the following deferred liabilities at 31st March 2016:

Deferred liabilities

31/03/2015	£000s		31/03/2016	notes
550,017	PFI scheme liabilities		677,008	i
3,409	Finance lease liabilities		2,177	
8,319	Other liabilities		7,943	
<u>561,745</u>			<u>687,128</u>	

i Further information on PFI schemes appears in Note 9

18 Capital accounting

Accounting practice in local government requires the use of a number of technical and complex capital accounts, some of which are unique to local authorities.

18.1 Revaluation reserve

The Revaluation Reserve represents the level of revaluation gains on the council's fixed assets from 1st April 2007 onwards. The balance of any revaluation gains in the reserve relating to assets disposed of is transferred to the Capital Adjustment Account at the point of disposal.

Revaluation reserve

2014/15	£000s		2015/16
505,355	1 April		644,353
170,052	Revaluation of fixed assets		140,235
(13,646)	Accumulated revaluations on disposals		(22,766)
(17,408)	Depreciation adjustment		(22,326)
<u>138,998</u>			<u>95,143</u>
<u>644,353</u>	31 March		<u>739,496</u>

18.2 Capital adjustment account

The Capital Adjustment Account is used to reflect those capital accounting reserve entries required by the local authority capital accounting regime which are outside normal IFRS. It contains the amount of capital expenditure financed from revenue, capital receipts, capital

grants and capital contributions. It also contains appropriations to the income and expenditure account where the total of depreciation and impairment exceeds the council's minimum revenue provision (MRP) for debt repayment. The account is used to write down revenue expenditure funded from capital under statute, long term debtors and investments. In addition, the carrying value of the fixed assets disposed of during the year is written off to the account, along with any accumulated revaluation gains that are transferred from the revaluation reserve.

Capital adjustment account

2014/15	£000s	2015/16
957,914	1 April	967,860
	<i>Capital financing</i>	
20,858	Usable capital receipts	23,870
18,008	Capital grants and contributions funding REFCUS	18,727
100,639	Capital grants and contributions from capital grants unapplied	112,312
54,715	Transfer from Major Repairs Reserve	87,885
212	Revenue contributions	694
-	Donated Assets	-
194,432		243,488
	<i>Other movements</i>	
(131,159)	MRP less depreciation	(220,633)
(67,663)	Disposal of fixed assets	(63,261)
13,646	Accumulated revaluations on disposals	22,766
(30,500)	Write-off of revenue expenditure funded from capital under statute	(33,592)
17,408	Depreciation above historic cost	22,326
-	Revaluation reserve of impairments	-
-	Disposal of long term investments	(28)
3,000	HRA voluntary set aside	2,116
11,347	HRA PFI and finance lease principal repayment	26,866
(565)	Write-down of long term debtors	(7,414)
(184,486)		(250,854)
967,860	31 March	960,494

18.3 Deferred capital receipts reserve

The deferred capital receipts reserve holds future capital receipts arising from the disposal of long term assets, where the terms of the disposal allow payment to be deferred. Once received, these amounts will be transferred to the Usable Capital Receipts Reserve.

18.4 Available for sale reserve

The available for sale reserve reflects the balance of unrealised gains or losses (other than impairment losses) on available for sale assets included in the Balance Sheet. Any revaluation gains on available for sale assets are recognised as Other comprehensive income and expenditure within the Comprehensive income and expenditure account. When available for sale assets are disposed of, the accumulated balance relating to the asset on the available for sale reserve is transferred to the surplus or deficit on provision of services.

18.5 Usable capital receipts reserve

Income from the disposal of fixed assets is credited to the usable capital receipts reserve, where it is split between usable and reserved elements (see accounting policy 20). The reserved element is paid over to the government's national pool for redistribution back to local authorities.

The usable element can be applied to the financing of new capital expenditure or remain in this account. Usable capital receipts

2014/15	£000s	2015/16
14,968	1 April	24,409
	Receipts in year	
30,302	Usable capital receipts	26,030
5,144	Housing Revenue Account pooled receipts	5,888
35,446		31,918
	Applied	
-	To repay HRA debt	(884)
(13,479)	To fund credit arrangements	(16,224)
(7,379)	To fund new capital expenditure	(6,762)
(5,144)	Transfer to Revenue - HRA pooled receipts	(5,888)
(3)	Transfer to Revenue - finance lease income	(3)
(26,005)		(29,761)
24,409	31 March	26,566

18.6 Capital grants unapplied

Capital grants and contributions received by the council are credited to the capital grants unapplied account when there is an expectation that any conditions related to the grants will be met. These grants and contributions are then used to fund the related capital expenditure when it is incurred. The following table shows the transactions on the reserve during 2015/16:

Capital grants unapplied

31/03/2015	£000s	31/03/2016
132,330	1 April	153,362
121,671	Grants received	86,978
(100,639)	Grants applied to fund capital expenditure	(112,312)
153,362	31 March	128,028

19 Capital financing

19.1 Capital expenditure and funding

Total capital expenditure in 2015/16 was £546.9m (£316.1m in 2014/15). All capital expenditure, including accrued spending, is funded in year.

The following tables analyse capital spending by category of asset and by source of funding:

Capital expenditure

2014/15	£000s	2015/16
285,520	Fixed assets	472,731
30,500	Revenue expenditure funded from capital under statute	33,592
62	Long-term investments and capital loans	10,596
<u>316,082</u>		<u>516,919</u>

Capital financing

2014/15	£000s	2015/16
79,707	Borrowing	91,822
118,647	Grants and contributions	131,040
7,379	Capital receipts	6,762
54,716	Major Repairs Allowance	87,885
212	Revenue contributions to capital	694
55,421	PFI deferred liabilities	198,716
<u>316,082</u>		<u>516,919</u>

The capital expenditure above includes the cost of any borrowing the council undertakes to fund expenditure on assets that take a substantial period of time to complete. The total of these borrowing costs in 2015/16 was £0.3m (£0.1m in 2014/15), using the council's average external borrowing rate of 3.91%.

Significant schemes within the council's capital programme include the Council House Growth Programme, which is delivering a comprehensive programme of new build housing and bringing empties back into use; increasing investment to the council's housing stock; a continuing programme of investment within the Learning Places programme (to increase the number of school places across the city) and to the schools estate through the Schools Capital Maintenance programme; the council continues to address backlog maintenance on district roads/streets including major transport, infrastructure and priority maintenance schemes such as Leeds Flood Alleviation Scheme, Kirkstall Forge Leeds Rail Growth, improvements to Kirkgate Market, continued investment in infrastructure in the Aire Valley Enterprise Zone, investment proposals on the East Leeds Orbital Road and significant regeneration proposals for the South Bank; the change in the workplace programme continues its new ways of working and office rationalisation; phase 2 of the Community Hub programme will be delivered and as a result of the energy from waste facility the council will deliver a major heating development network programme over the next 3 years.

In addition to the capital expenditure in the table above, the council has injected over £1bn into future financial years. The current projected phasing of these is for £417m in 2016/17, £305m in 2017/18, £230m in 2018/19 and £61m in 2019/20.

19.2 Capital Financing Requirement

A local authority's Capital Financing Requirement (CFR) represents the extent to which its cumulative capital expenditure has not yet been funded. It covers capital expenditure which has been financed by borrowing, and the outstanding balances on credit arrangements such as Private Finance Initiative (PFI) contracts and finance leases. Credit arrangements by their nature require annual repayments, and local authorities are required by statute to set aside a minimum amount each year (the Minimum Revenue Provision) from the General Fund to reduce the level of borrowing attributable to past General Fund capital expenditure. Repayments from the HRA to reduce borrowing are voluntary.

The following table shows the movement in the council's CFR for the year, broken down between borrowing, PFI contracts and finance leases.

Capital financing requirement

£000s	<i>Financed by borrowing</i>	<i>Financed by PFI credit arrangements</i>	<i>Financed by finance leases</i>	<i>Total Capital Financing Requirement</i>
01 April 15	1,804,587	550,017	3,458	2,358,062
New borrowing	91,822	172,495	-	264,317
Financing transfers	31,404	(31,404)	-	-
Repayments	(34,813)	(40,321)	(1,229)	(76,363)
31 March 16	1,893,000	650,787	2,229	2,546,016

20 Unusable statutory revenue reserves

Unusable revenue reserves are those established by statute in order to adjust the timing with which certain items affect council tax payers and housing tenants.

20.1 Financial instruments adjustment account

The financial instruments adjustment account (FIAA) reflects the cumulative difference between the amounts relating to financial instruments chargeable to the Comprehensive Income and Expenditure Account, and the amounts chargeable to revenue reserves under statutory requirements. The balance on the council's FIAA relates entirely to premiums and discounts on the rescheduling of borrowing carried out in previous years. The Code requires all new premiums and discounts to be reflected in the Comprehensive Income and Expenditure Account as they arise. However, statutory regulations allow premiums to be amortised over a longer period of time, and require this for discounts. The balance on the FIAA represents the net value of past premiums and discounts which have not yet been charged or credited to the General Fund or the Housing Revenue Account.

20.2 Accumulated absences account

Accounting standards require liabilities to be recognised for the estimated value of accrued leave and flexitime which staff carry forward to take in the following financial year. So that this does not adversely impact on council tax payers and housing tenants, the government has introduced statutory regulations to require the impact to be transferred to an Accumulated Absences Account shown within Unusable statutory revenue reserves in the balance sheet.

20.3 Collection fund adjustment account

Under statute, the council tax and business rates income which an authority is required to credit to its General Fund for the year is its budgeted precepts for these two items. However, the actual income attributable to the authority for the year is likely to vary from the precept, due to changes in the tax base (i.e. the number of households in different council tax bands and the number of commercial properties within the authority's area) which have happened since the budget was set. The council's Comprehensive Income and Expenditure Account reflects the actual income attributable to the council during the year, and the difference between this and the precepts is transferred to the Collection fund adjustment account. The balance on the Collection fund adjustment account is taken into account when setting the level of future years' council tax and business rates precepts.

21 Exceptional items and prior period adjustments

The council has not accounted for any exceptional or prior period items in 2015/16.

22 **Excepted items**

There are certain topics that councils have to report on but that do not affect Leeds City Council's accounts for 2015/16. This note lists those topics.

- a Discontinued operations: no significant operations or services were discontinued in 2015/16.
- b Agency arrangements: under a number of statutory powers, the council is permitted to undertake work on behalf of other bodies. However, the council currently has no material agency arrangements in place.
- c Transport Act 2000: under the provisions of the Transport Act 2000, details of any scheme of road user charging or work place parking levy should be notified. For 2015/16, no such activities have been entered into by Leeds City Council.

23 **The Council's Group**

Following the closure of its Housing ALMO companies during 2013/14, the council no longer has a material group and therefore does not produce group accounts.

The council has two remaining subsidiary charitable companies, Leeds Grand Theatre Ltd and Craft Centre and Design Gallery Ltd. It also has four associates (Belle Isle Tenant Management Organisation Ltd, Green Leeds Ltd, The Leeds Groundwork Trust and Leeds Apprenticeship Training Agency Ltd) and one joint venture (NPS Leeds Ltd).

From 2014/15 the Code has required local authority maintained schools to be treated as part of a local authority's group, but to be included within its single entity financial statements.

The property assets which are included in the council's balance sheet on the basis that they are deemed to be assets of school governing bodies are not available to the council for any other purpose. The value of such assets at 31st March 2016 was £411m (£305m at 31st March 2015). Reserves recognised on this basis are restricted by statutory arrangements. The value of these reserves is given in explanatory note 12.

24 **Judgements made by management**

In preparing its accounts, the council is required to make judgements in applying its accounting policies. The following judgements made have a significant effect on the amounts recognised in the financial statements:

- a Private finance initiative (PFI) schemes

The council has evaluated its thirteen current PFI schemes under the requirements of the Code and concluded that all but one of the assets provided under them should be recognised on its balance sheet as its assets. Please see note 9 above for details of this judgement.

- b Inclusion in the investment properties classification

The council has reviewed its portfolio of tangible fixed assets in order to determine which should be classified as investment properties. In the case of those properties for which it receives rental income, the council has had to judge whether its primary reason for holding the property is to generate income, or whether its main purpose is to achieve a policy objective such as economic development. The council has concluded that its portfolios of markets, industrial units, farms and shops located within housing estates are held to achieve policy objectives and has therefore excluded these from the investment properties classification.

- c Equal pay liabilities

In accounting for liabilities relating to equal pay, the council has had to judge which of the possible future liabilities it faces are sufficiently certain to be accounted for as a provision and

which should be contingent liabilities. The council has taken the view that where it has received claims from individuals covering circumstances which it has accepted may give rise to a valid claim, a provision for the estimated settlement value should be raised. Where the council is aware that there is a potential for future claims but none have yet been received, it has judged these possible liabilities to be sufficiently uncertain and unquantifiable to be classified as contingent liabilities.

25 Assumptions and major sources of estimation uncertainty

The Code requires authorities to disclose those estimates and assumptions which it has made in the preparation of its accounts for which there is the potential for a material adjustment within the next financial year.

a Net pensions liabilities

In arriving at the figures for net liabilities relating to its obligations under defined benefit pension schemes, the council has to make assumptions about future events over a long period of time. Note 8 details the assumptions made, and the impact on the net liability of changes in the key assumptions. During 2015/16, the council accounted for a decrease of £37m in its pensions liabilities as a result of estimates being corrected as a result of experience, and a decrease of £147m due to the updating of assumptions.

b Values of fixed assets

The council carries out a 5 year rolling programme to revalue its fixed assets. For those assets held at current value and not revalued in a particular year, the council uses appropriate indices to apply an estimated revaluation for the year. For 2015/16 it has applied indexation of 2% to assets valued at depreciated replacement cost, resulting in a total increase in carrying values of £20.8m.

c Insurance claims

In accounting for potential liabilities arising from insurance claims, the authority has had to estimate the level of provision which is required for the overall body of claims it has received, many of which are individually of low value. Individual claims with a potentially large settlement value are reviewed separately and the appropriate provision is determined for each. The remaining claims are valued individually and then considered in groups of similar types of claim, using historic data on the council's past settlement rates and the likely timescales for settlement. The probable overall settlement value of the claims is calculated using the historic data and a provision is raised for this amount, discounted where appropriate.

d Appeals against business rates valuations

In estimating the level of provision required in its Collection Fund for losses in business rates income due to appeals against ratings valuations, the authority has had to make assumptions on the proportion of claims which will be successful and the average percentage by which valuations will be reduced for those claims which do succeed. The assumptions used are based on data taken from the outcome of resolved claims.

26 Events after the reporting date

The Statement of Accounts was approved as presenting a true and fair view by the Deputy Chief Executive on 16th September 2016. Events happening between the balance sheet date and the date the accounts were authorised for issue have been considered under the council's accounting policy for events after the reporting date (please see accounting policy number 23).

The following events happening after the balance sheet date are sufficiently material to require disclosure, but do not affect conditions reported at the balance sheet date :

- Twelve schools have agreed transfers to academy status, representing a disposal for nil consideration of assets with an estimated value of £62.5m at 31st March 2016.

27 **New accounting standards not yet implemented**

The Code requires local authorities to disclose the likely impact of any new accounting standards which have been issued as at the balance sheet date but which will not apply to local authorities' accounts until subsequent financial years.

The 2016/17 Code will introduce changes to the format of the Comprehensive Income and Expenditure Account and to the Movement in Reserves Statement, but these will not affect the information included in the statements. There are also a number of minor accounting changes, but none is expected to have a significant impact on the authority's 2015/16 figures.

The 2016/17 Code will also introduce current value accounting for the highways network asset, but this will apply prospectively from 1st April 2016, and thus no restatement of the 2015/16 accounts will be required.

The Housing Revenue Income and Expenditure Account

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision. The Housing Revenue Income and Expenditure Account shows the major elements of Housing Revenue Account expenditure and how they are met from rents, subsidy and other income. This income and expenditure account does not reflect all of the transactions required by statute to be charged or credited to the Housing Revenue Account for the year. The Statement of Movement on the Housing Revenue Account Balance gives details of the additional transactions which are required by statute.

<u>2014/15</u>	£000s	<u>2015/16</u>	<i>notes</i>
	<i>Income</i>		
(211,950)	Dwelling rents	(217,954)	
(3,016)	Non-dwelling rent	(2,939)	
(9,374)	Charges for services and facilities	(9,505)	
(21,385)	HRA government grant support	(21,385)	
	Contributions towards expenditure	-	
<u>(245,725)</u>		<u>(251,783)</u>	
	<i>Expenditure</i>		
66,303	Supervision and management	71,250	
49,849	Repairs and maintenance	54,530	
3,974	Rents, rates, taxes and other charges	3,472	
32,187	Depreciation and impairments of non-current assets	134,361	H1.1
1,837	Provision for doubtful debts	1,630	
28	Revenue Expenditure Funded from Capital under Statute	175	H1.2
<u>154,178</u>		<u>265,418</u>	
(91,547)	Net cost of HRA services as in the Income and Expenditure Account	13,635	
1,548	HRA share of Corporate and Democratic Core	1,548	
<u>(89,999)</u>	Net cost of HRA services	<u>15,183</u>	
	<i>HRA share of operating income and expenditure included in the authority's Income and Expenditure Account</i>		
(2,525)	(Gain) or loss on disposal of non current assets	(6,440)	
36,940	Interest payable and similar charges	39,926	H2.1
1,938	Interest on the net pension liability	1,467	
(70)	Interest and investment income	(18)	
(3,072)	Capital grants and contributions	(3,311)	
<u>(56,788)</u>	(Surplus) or deficit for year on HRA services	<u>46,807</u>	

Statement of Movement on the Housing Revenue Account Reserve

This statement gives details of the additional transactions which fall outside the HRA income and expenditure account but must be taken into account in order to determine the surplus or deficit for the year on the HRA Reserve, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2014/15	£000s	2015/16	notes
	<i>Increase or decrease in the HRA reserve comprising:</i>		
(56,788)	(Surplus) or deficit on the HRA Income and Expenditure Account	46,807	
	<i>Adjustments between accounting basis and funding basis under the HRA legislative framework</i>		
(2,396)	Difference between amortisation of premiums and discounts under accounting standards and in accordance with statute	(2,379)	H2.2
5,876	Impairment of non current assets	(93,510)	H1.1
(28)	Write-off revenue expenditure funded from capital under statute	(175)	H1.2
(2,740)	HRA share of contributions to / (from) the Pension Reserve	(2,611)	
-	Capital expenditure funded by the HRA	502	H5.1
3,000	HRA voluntary provision for the repayment of principle	2,116	
17,977	Transfer to / (from) MRR	28,889	H6
3,072	Transfer to / (from) capital grants unapplied	3,311	
11,352	Difference between accounting regulation and Statute	26,870	
2,525	Net gain / (loss) on sale of non current assets	6,440	
38,638		(30,547)	
(18,150)	(Increase) / decrease in Housing Revenue Account Balance	16,260	
36,229	Housing Revenue Account Reserve balance brought forward	54,379	
18,150	Increase / (decrease) for the year	(16,260)	H3
54,379	Housing Revenue Account Reserve balance carried forward	38,119	

Explanatory notes to the Housing Revenue Account

H1 Charges for HRA use of assets

H1.1 Depreciation and impairment

The HRA Income and Expenditure Account is charged with depreciation and impairment in order to reflect the full cost of housing at the net cost of service level. For 2015/16 the breakdown of these charges was £40.4m depreciation and £94.0m impairment.

However, within the Statement of Movement on the HRA Reserve a number of adjustments are made in accordance with statute. For dwellings, the depreciation charge is reversed and replaced with the annual amount deemed to be needed in order to carry out major repair work to maintain the properties. This amount is transferred to the Major Repairs Reserve and used to fund capital expenditure (see note H6 below). Impairment charges for dwellings are also reversed within the Statement of Movement on the HRA Reserve. However, depreciation and impairment charges for non-dwellings are not reversed, but remain as a bottom line charge to the HRA reserve.

H1.2 Revenue expenditure funded from capital under statute

The amount of revenue expenditure funded from capital under statute in 2015/16 is £175k. The charges relate mainly to small grants for local community safety projects.

H2 Charges relating to the finance costs of borrowing for HRA capital expenditure

H2.1 Interest

Under the requirements of the self-financing regime for the HRA, the council's long term loans have been individually allocated between the General Fund and the HRA. The HRA is therefore charged with the actual interest cost on its long term borrowing, plus a proportion of the council's short term interest costs if the HRA has been a net borrower from the General Fund during the year. The method of apportioning the HRA's share of total short term interest costs complies with general accounting practice, and thus the amount charged to the HRA Income and Expenditure Account is the statutory charge.

H2.2 Premiums and discounts on premature repayment of borrowing

In accordance with the Code, the HRA Income and Expenditure account receives a debit or credit reflecting any premiums or discounts arising on repayment of its long term loans during the year. However, statute specifies that premiums and discounts attributable to the HRA should be amortised over a number of years to the ringfenced HRA Reserve. The Statement of Movement on the HRA Reserve therefore includes an adjustment reflecting the difference between the accounting charge and the amortisation charge. In 2015/16, the statutory amortisation charge for premiums and discounts was a net discount of £2,379k (£2,396k net discount in 2014/15).

H3 HRA revenue reserves

As there is a statutory requirement to account for the Housing Revenue Account separately from the rest of Leeds City Council, the accumulated HRA revenue reserve is also recognised separately. Given the significance of recent developments, it has been thought prudent to maintain a higher reserve than in previous years and to identify elements within it for specific purposes.

HRA reserves

£000s	01/04/2015	net movements	31/03/2016	notes
General reserve	7,033	295	7,328	
Swarcliffe PFI	12,421	526	12,947	i
Environmental works	50	(24)	26	ii
Early Leavers Initiative	-	522	522	iii
Holdsforth Place - land purchase	64	-	64	iv
Insurance Claims to be Incurred	386	-	386	v
Welfare Reform	3,303	(1,303)	2,000	vi
Little London, Beeston Hill & Holbeck PFI	23,441	(15,810)	7,631	vii
Environmental Works	3,006	(433)	2,573	viii
Housing Advisory Panels (HAPs)	587	(33)	554	ix
Sheltered Works	4,088	-	4,088	x
	54,379	(16,260)	38,119	

- i Swarcliffe Private Finance Initiative contract.
- ii Environmental works in the Swarcliffe PFI area.
- iii Funds to support the Early Leavers' Initiative.
- iv To fund the purchase of land at Holdsforth Place.
- v To fund any future large insurance claims not within the scope of existing cover.
- vi To fund future pressures associated with the Government's Welfare Reform Bill.
- vii To support affordability over the 20 year term of the Little London, Beeston and Holbeck PFI contract.
- viii To fund environmental improvements on housing estates.
- ix To fund projects identified by Housing Advisory Panels (HAPs)
- x To support improvements and enhancements to the sheltered housing stock

H4 HRA assets

H4.1 Fixed assets

This note identifies the total balance sheet value of land, houses and other property within the HRA and analyses the movement in the balance sheet value during the year.

HRA fixed asset movements

<i>Fixed assets</i> £000s	<i>Council dwellings</i>	<i>Other land & buildings</i>	<i>Vehicles, plant, eqpt</i>	<i>Investment Property</i>	<i>Assets held for Sale</i>	<i>Assets under construction</i>	<i>Total fixed assets</i>
Cost or valuation	1,423,509	43,898	50,074	2,881	16,520	85,191	1,622,073
Accumulated depreciation and impairment	(60,335)	(7,096)	(32,947)	-	-	-	(100,378)
Balance sheet value as at 1 April 2015	1,363,174	36,802	17,127	2,881	16,520	85,191	1,521,695
Depreciation	(30,611)	(4,515)	(5,270)				(40,396)
Additions	174,721	333	-			(15,998)	159,056
Donations							-
Impairments (CI&ES)	(797)						(797)
Impairments (revaluation reserve)	(13)						(13)
Revaluations (CI&ES)	(92,713)	(188)		(306)	-		(93,207)
Revaluations (revaluation reserve)	(6,984)	3,763					(3,221)
Disposals	(4,156)	-		(12)	(8,486)		(12,654)
Changes in classification	(14,602)	(2,200)		(160)	19,481		2,519
Cost or valuation	1,478,965	45,606	50,074	2,403	27,515	69,193	1,673,756
Accumulated depreciation and impairment	(90,946)	(11,611)	(38,217)	-	-	-	(140,774)
Balance sheet value as at 31 March 2016	1,388,019	33,995	11,857	2,403	27,515	69,193	1,532,982

H4.2 Vacant possession values

In accordance with government guidance, council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. This adjustment factor is 31% in 2015/16 (31% in 2014/15). As a consequence the council recognises council dwellings at a value of £1,388m on the balance sheet. At vacant possession the same dwellings would have a value of £4,551m therefore recognising an economic cost to the government of providing council housing at less than open market rents of £3,163m.

H5 HRA capital accounting

H5.1 Capital expenditure and funding

The following tables identify the total capital expenditure on land, houses and other assets within the HRA during the financial year, and break it down according to the various funding sources:

HRA capital expenditure

2014/15	£000s	2015/16
120,559	Fixed Assets	158,955
-	Long term debtors	-
28	Revenue expenditure funded from capital under statute	175
<u>120,587</u>		<u>159,130</u>

HRA capital funding

2014/15	£000s	2015/16
54,716	Major Repairs Reserve	87,885
-	Revenue contributions	502
55,421	PFI Deferred Liabilities	60,670
3,071	Grants and contributions	3,311
7,379	Capital receipts	6,762
<u>120,587</u>		<u>159,130</u>

H5.2 Capital receipts

The Local Government Act 2003 stipulates that income from the disposal of HRA assets must be split into usable and reserved elements. The reserved element is paid over to the national pool (£5.9m in 2015/16) and the usable element can be used to fund capital expenditure.

The table below identifies HRA capital receipts from the disposal of assets:

Capital receipts

2014/15	£000s	2015/16
16,282	Council houses	17,593
131	Land	361
538	Other property	1,140
<u>16,951</u>		<u>19,094</u>

H6 Major Repairs Reserve

The Accounts and Audit Regulations 2003 require local authorities to maintain a Major Repairs Reserve. The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets. Statute allows any difference between the depreciation credit on the reserve and a specified amount deemed necessary for carrying out major repairs for the year to be transferred back to the HRA. Authorities are able to charge capital expenditure directly to the reserve, and can also use it for making a voluntary set aside to repay debt. The following table shows the movement on the Major Repairs Reserve for the financial year:

Major Repairs Reserve

2014/15	£000s	2015/16
48,891	1 April	50,365
38,213	Statutory transfer to the reserve	40,395
(54,716)	Capital expenditure charged to the reserve	(87,885)
-	Voluntary set-aside charged to the reserve	-
17,977	Transfer to/(from) the reserve	28,889
(36,739)		(58,996)
50,365	31 March	31,764

H7 Excepted items

There are certain topics that councils have to report on but that do not affect Leeds City Council's Housing Revenue Account for 2015/16. This note schedules those topics.

- a Housing repairs account: local authorities have the option to operate a separate housing repairs account for recording income and expenditure on HRA repairs and maintenance. The council has decided not to operate such an account, with actual repairs and maintenance being charged directly to the HRA.
- b Directions by the Secretary of State: the Secretary of State has not directed any sums to be debited or credited to the council's HRA.
- c Exceptional items: there are no exceptional items of income or expenditure which need to be disclosed to give a fair presentation of the accounts.

The Collection Fund

This account reflects the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates.

2014/15	Summary income and expenditure account £000s	2015/16	notes
	<i>Income</i>		
(288,826)	Council tax	(300,718)	C2
181	Council tax benefits	299	
1	Transitional relief	1	
(288,644)		(300,418)	
(359,855)	Business rates	(345,745)	
3,920	Transitional protection payments	4,890	
(355,935)		(340,855)	
(644,579)		(641,273)	
	<i>Expenditure</i>		
	Council Tax - payments to precepting authorities:		
246,580	Leeds City Council	253,471	
29,557	West Yorkshire Police Authority	30,380	
12,278	West Yorkshire Fire and Civil Defence Authority	12,618	
288,415		296,469	
2,889	Council tax - provision for uncollectable amounts and write-offs	3,004	
	Business rates - payments to precepting bodies:		
186,373	Central Government share	183,890	
183,231	Leeds City Council	180,682	
3,732	West Yorkshire Fire and Civil Defence Authority	3,682	
1,235	Costs of collection	1,242	
374,571		369,496	
	Business rates - movements on provisions:		
40,967	Provisions raised for appeals against valuations	11,444	
(22,589)	Amounts charged to the provision for valuation appeals	(29,686)	
4,366	Movement on provision for uncollectable amounts and write-offs	3,861	
22,744		(14,381)	
44,040	(Surplus) / deficit	13,315	C5
2014/15	Collection Fund balances £000s	2015/16	
(13,587)	1 April	(57,627)	C5
(44,040)	Surplus / (deficit) for the year	(13,315)	
(57,627)	31 March	(70,942)	

Explanatory notes to the Collection Fund accounts

These notes are intended to explain figures in the Collection Fund Summary Income and Expenditure Account and the Collection Fund Balances statement.

C1 Council tax base

For 2015/16 there were an estimated 343,130 residential properties in Leeds which were placed in one of eight valuation bands depending upon their capital value by the Listing Officer of the government's Valuation Office Agency. The totals for each band are converted by use of appropriate multipliers and expressed in terms of a number of Band D properties to give a tax base. In 2015/16 the tax base for Leeds was 213,815 properties and this was used to calculate the Band D council tax of £1,368.29, sufficient to generate the income required to cover the net expenditure of the three authorities that precept on the Collection Fund. The table below shows the number of properties in each band and the number of Band D equivalent properties (the tax base).

Council tax base						
<i>Band</i>	<i>number of properties in the band</i>	<i>less exempt properties</i>	<i>chargeable dwellings</i>	<i>adjusted chargeable dwellings (i)</i>	<i>proportion of Band D council tax</i>	<i>Band D equivalent dwellings</i>
A (ii)	134,853	(5,755)	129,098	75,713	6 / 9	50,448
B	73,136	(4,857)	68,280	53,419	7 / 9	41,547
C	65,815	(2,153)	63,661	54,754	8 / 9	48,671
D	32,697	(1,063)	31,634	28,587	1	28,587
E	19,906	(362)	19,544	18,234	11 / 9	22,286
F	9,515	(90)	9,425	8,910	13 / 9	12,870
G	6,584	(58)	6,526	6,236	15 / 9	10,393
H	624	(11)	613	585	18 / 9	1,171
	343,130	(14,349)	328,781	246,438		215,973
Allowance for non-collection						(2,159)
Defence-exempt properties						1
Base for calculating Leeds City Council 2015/16 council tax						213,815

- i Adjustments for disabled relief, single person discounts, empty homes premium, and council tax support scheme etc.
- ii Includes dwellings that pay 5/9 of Band D by virtue of adjustments for disabled relief.

C2 Council tax benefits

From 2013/14 Council Tax benefit has been localised, with each authority required to introduce its own scheme of discounts for taxpayers who were previously entitled to council tax benefit. This change is reflected as a reduction in the level of council tax income. Each precepting authority receives a fixed level of grant to its General Fund to compensate it for the resulting reduction in its council tax precept.

The figures shown in the Collection Fund for Council tax benefits for 2014/15 and 2015/16 relate to retrospective adjustments to previous years' benefit entitlement, where changes in circumstances have subsequently been identified.

C3 Council tax used to support expenditure on services

The following table analyses council tax payments distributed from the collection fund.

2014/15	£000s	2015/16	
	Leeds City Council		
244,151	Annual precept	251,443	
2,429	Payment of council tax surplus	2,028	
246,580			253,471
	West Yorkshire Police Authority		
29,266	Annual precept	30,137	
291	Payment of council tax surplus	243	
29,557			30,380
	West Yorkshire Fire and Civil Defence Authority		
12,155	Annual precept	12,517	
123	Payment of council tax surplus	101	
12,278			12,618
288,415			296,469

Surpluses or deficits on the council tax account are transferred to the above three authorities in proportion to their demands on the fund. The surpluses or deficits are used in future years to adjust the level of council tax.

C4 Business rates tax base

The total rateable value for non-domestic properties within the authority at 31st March 2016 was £915,385k (£922,191k at 31st March 2015), and the national business rate multiplier for the year was set by the government at 49.3p in the pound for 2015/16 (48.2p in the pound for 2014/15).

C5 Analysis of Collection Fund balances

The following table analyses the Collection Fund balances between amounts attributable to council tax and amounts attributable to business rates.

2014/15 Total	£000s	Council Tax	2015/16 Business Rates	Total
(13,587)	1 April	1,642	(59,269)	(57,627)
(44,040)	Surplus / (deficit) for the year	945	(14,260)	(13,315)
(57,627)	31 March	2,587	(73,529)	(70,942)

As part of the scheme for local business rates retention from 2013/14, the government introduced regulations to allow local authorities to spread the impact of appeals against rateable values which related to periods before 1st April 2013 over a 5 year period. The effect of these regulations is that the relevant appeal costs are retained within the Collection Fund balance until the year in which they are required to be taken into account in the annual precepts. The deficit attributable to business rates shown above included £15.5m of costs which have been deferred under these regulations.