Statement of Accounts 2021/22

Unaudited draft figures approved 27th July 2022

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Preface

Narrative Foreword

by the Chief Finance Officer

The information contained within the Council's Statement of Accounts is presented as 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 2021/22 and its financial outlook. 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 Looking forward

The 2021/22 statement of accounts reflect how the council has successfully come through the worst of the financial impacts of the coronavirus pandemic in a financially stable state. The past two years have seen the council, along with the wider local government sector and the country as a whole facing an unprecedented challenge from the impact of the coronavirus pandemic, both in terms of the direct health impact of the virus itself, and the impact on the economy of the actions which have been needed to combat it. The council has emerged from this period in a more robust financial position, with a higher level of unearmarked reserves to boost its financial resilience.

However, as we move into 2022/23 the current economic environment of high inflation, particularly in energy and fuel prices, and the cost of living crisis with the resulting upward pressure on pay settlements means that we are now facing a financial challenge even more significant than that which faced us two years ago at the onset of the pandemic. Costs are rising for every service which the council provides, and alongside this we can expect that there will be increasing demand for some services as the cost of living crisis impacts on the people of Leeds. There is also the potential for an impact on the levels of council tax and business rates collected, as some individuals and businesses experience financial difficulties. The extent to which our income from government grants and local taxation will rise for 2023/24 will not be known until the financial settlement for local government for 2023/24 is announced, expected to be in December 2022. How the government responds to the financial pressures facing local government in this settlement will be crucial in determining the level of savings which will need to be made.

The council's budget for 2022/23 has identified £16.5m of planned savings needed to achieve a balanced budget position, and at this stage we anticipate needing to make further savings in the current year and over the next three years. Work is underway to ensure that the council can identify and deliver the required level of savings in a planned and managed way, informed by the priorities set out in our Best City Ambition. The council will continue to make every effort possible to protect the delivery of frontline services whilst making decisions which are financially sustainable for the future.

To summarise, the council faces a situation of even more significant financial challenge than we have seen over the past two years, and one where costs are rising but there is considerable uncertainty over the extent to which grant and local taxation income will rise in response to these rising costs. In addition the likelihood of increased levels of need amongst the local population is expected to increase the demand for some of the council's services but to reduce the demand for other services which generate income.

As regards this statement of accounts, it should be noted that the financial challenge which the council is facing does not impact on the going concern basis for the production of the accounts.

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The Code of Practice on Local Authority Accounting in the United Kingdom requires that all councils should produce their accounts on a going concern basis. This is a reflection of the statutory position, that local councils do not have the power to cease their operations (as would be the case for a private sector body) and that local councils will continue to exist and to deliver local services for the foreseeable future.

2 The Council's vision and ambitions for Leeds

In February 2022, the council adopted its Best City Ambition, replacing the previous Best Council Plan. The Best City Ambition sets out the outcomes we want to see for the city, and recognises that these cannot be achieved by the council alone and that everyone has a part to play – the council, city partners across sectors, citizens, communities, and the government too.

The Ambition is centred on the city's mission to tackle poverty and inequality and improve quality of life for everyone. It is driven by a focus on our three pillars, which identify the things that will make the biggest difference to improving people's lives in Leeds - health and wellbeing, inclusive growth and zero carbon. For each of the three pillars, the Ambition sets out our aspirations :

- Health and wellbeing – In 2030 Leeds will be a healthy and caring city for everyone: where those who are most likely to experience poverty improve their mental and physical health the fastest, people are living healthy lives for longer, and are supported to thrive from early years to later life
- Inclusive growth - In 2030 Leeds will have an economy that works for everyone, where we work to tackle poverty and ensure that the benefits of economic growth are distributed fairly across the city, creating opportunities for all
- Zero carbon - In 2030 Leeds will have made rapid progress towards carbon neutrality, reducing our impact on the planet and doing so in a fair way which improves standards of living in all the city's communities

The Ambition also seeks to better reflect the importance of partnership working and a renewed relationship with the citizens of Leeds in order to achieve the city's shared goals, and to learn from Leeds' experiences through the Covid-19 pandemic. The full Best City Ambition which sets out the areas of focus as we work towards these goals can be viewed on the council's website (http://www.leeds.gov.uk [I]).

The overall aims set out in the Best City Ambition feed into the council's planning and budget setting processes, ensuring that the available resources are aligned to best meet the council's strategic objectives.

2.1 Where to find more information about the council

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 [I]).

3 The council's organisation and governance

3.1 Organisation

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The main decision making body of the council is the Executive Board. This is chaired by the Leader of the Council, and includes seven other Executive Members with portfolio responsibilities, plus the leaders of the two main opposition parties.

Operationally, the council is divided into five directorates, covering particular areas of service provision. For 2021/22 these were Adults and Health, Children and Families, Resources, City Development, and Communities, Housing and Environment. The council's senior management team, known as Corporate Leadership Team, is made up of the Chief Executive and the five departmental directors. Working closely with the Corporate Leadership Team are three further senior officers who hold statutory responsibilities – the Director of Public Health, the City Solicitor and the Chief Finance Officer.

3.2 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 on the council's website alongside this statement of accounts.

4 The audit and public inspection of councils' accounts

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 2021/22 are Grant Thornton UK 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 2021/22 this must start on or before 1st August. To make the accounts as widely available as possible we publish both the draft and final versions on the internet at https://www.leeds.gov.uk/your-council/performance-and-spending/our-financial-performance (Leeds residents have free internet access at their local libraries). From the same 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 the council's finance team with any comments or questions you have about the accounts, or click through to the other documents mentioned above.

5 The council's financial performance and position

5.1 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

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- the Cash Flow Statement.

The Comprehensive Income and Expenditure Statement summarises the council's financial performance for the year, and shows the annual income and expenditure on the basis of proper accounting standards and practice. 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. These include a note called the expenditure and funding analysis, which aims to show the differences at a directorate level between the net expenditure chargeable to general reserves and the net expenditure on a proper accounting basis as it appears in the income and expenditure account.

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 public services;

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

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 the statutory ring fenced accounts for the Housing Revenue Account and the Collection Fund;

5.2 The council's financial performance for the year

As noted in section 4.1 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 2022 (a copy of the report is available on the council's website). The overall outturn position is an underspend of £1.5m on the £435.3m budget for service expenditure. As the 2021/22 budget incorporated an agreed £4.0m contribution to general reserves, this underspend resulted in a net contribution to the general fund reserve of £5.5m.

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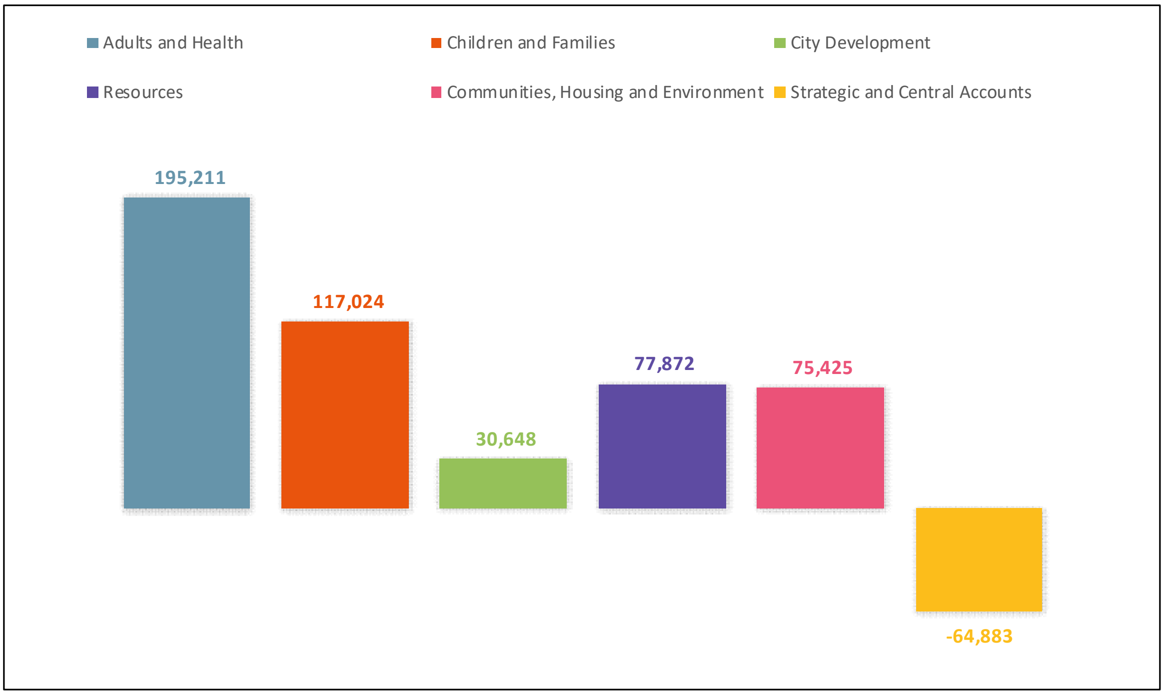
The 2021/22 Comprehensive Income and Expenditure Statement takes a wider and more long term view of the financial performance of the council, and shows a surplus for the year of £970.5m (in comparison to a £171.4m deficit in 2020/21). This surplus represents the amount that the council's net worth has increased over the year. This is shown on the Balance Sheet as an increase in assets net of liabilities between 31st March 2021 and 31st March 2022.

a The 2021/22 budget

The 2021/22 budget was set in the context of the impact of the coronavirus pandemic on local government and on the wider economy. Reductions in the council's income and the additional costs arising from providing services during the pandemic, resulted in the council needing to identify significant savings. The Council's settlement funding assessment for 2021/22 was £0.2m higher than for 2020/21, and after taking into account changes in other income including increased council tax and the need to fund council tax and business rates deficits from 2020/21, the net budget was set at £435.2m, a decrease of £90.4m. However £75.5m of government grants to address the impact of the pandemic on council tax and business rates in 2020/21 were carried forward to 2021/22. The 2021/22 budget also incorporated £56.1m of planned savings.

The ongoing need to make additional savings over successive years meant that, even before the onset of the pandemic the council had had to make some difficult decisions around the level and quality of services. The impact of coronavirus followed by the current inflation and cost of living crisis on the council and on the wider economy means that this is expected to continue into the future.

The chart below shows the breakdown of the council's budgeted net managed expenditure between directorates for 2021/22. Net managed expenditure represents the budgets under the control of individual directorates and excludes items such as capital charges and pensions adjustments. In 2021/22 the council budgeted to spend 72% of its resources on Children's Services and Adult Social Care, which reflects our priority of supporting the most vulnerable across the city.



b **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 £1.5m underspend and the resulting £5.5m contribution to the general fund reserve which has the immediate impact on local taxpayers and dictates the level of available General Fund reserves.

Pressures on income and additional expenditure arising from the coronavirus pandemic continued during 2021/22, resulting in an overspend of £27.8m. To offset these overspends, the council was able to apply £26.0m of government grant support. The remaining £1.8m covid related overspend was more than offset by a net £3.4m underspending unrelated to covid, resulting in an overall underspend of £1.5m.

c **Other factors affecting comprehensive income and expenditure**

In addition to the in-year contribution of £5.5m to the General Fund reserve, the other main factors which have contributed to the decrease in the net worth of the council are:

i) The Comprehensive Income and Expenditure Statement receives impairment charges, which reflect where the value of assets has fallen either because of falls in prices or because of deterioration in the assets. Any reversals of impairments recognised in previous years are credited to the account. For 2021/22, net credits reversing previous impairments amounted to £51m (in comparison to net credits reversing impairment of £4m in 2020/21).

ii) The Comprehensive Income and Expenditure Statement also 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 or its repairs and maintenance budgets, in order to maintain the standard of our buildings and other assets. For 2021/22 this amounted to a cost of £134m (£126m in 2020/21).

iii) For 2021/22 the council's net pensions liability has decreased, resulting in a £577m net credit to the reported bottom line of the Comprehensive Income and Expenditure Statement. Although there has been a better than expected performance from the pension fund's assets during the year, the more significant factor in the decrease in the net liability is a reduction in the council's pension liabilities as a result of revisions to the actuarial assumptions for inflation and future increases to salaries and pensions, and to the discount rate which is used for determining the current value of the future liabilities. These actuarial gains partially reverse actuarial losses recognised in 2020/21. For consideration of how the net pensions liability compares with the latest actuarial review of the pension fund see section 5.2 (Financial Position as at 31st March 2022) below.

iv) The Comprehensive Income and Expenditure Statement also records changes in the valuations of fixed assets. In 2021/22 these amounted to gains of £72.1m (gains of £64.2m in 2020/21. During 2021/22 property markets have returned to more normal levels of activity following the pandemic.

v) 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 2021/22, £276.3m of income from capital grants was recognised, in comparison to £226.2m in 2020/21.

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vi) The Comprehensive Income and Expenditure Statement also recognises any gains or losses on the disposal of fixed assets. For 2021/22 this amounted to a gain of £19.3m (in comparison to a loss of £2.7m in 2020/21, including a £6.8m loss arising from the transfer of a number of schools to become academies). The gain on disposals for 2021/22 reflects the fact that no further schools became academies during the year. The council has no choice in whether to transfer these assets and does not receive any consideration for their transfer, and thus in previous years, losses on the transfer to academies have more than outweighed gains on the disposal of other assets.

vii) 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 2021/22, the income recognised from business rates was £29.3m lower than the precept set for the year, and council tax income recognised was £0.3m higher than the level of the precept. Further information on the performance of the Collection Fund for the year is given in section 5.5 (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 the gains and losses will be realised over a number of years, if at all, and the Government feels that it would not be reasonable for the costs 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.

5.3 Financial position as at 31st March 2022

As identified in the CI&E a/c, the council's assets net of liabilities have increased in value by £970.5m and now stand at £2,341.7m. Whilst section (c) 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 2022:

- The council's overall net pensions liability has reduced by £577m to £1,508m. 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 2022 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 2019. Whilst the actuarial review is done on a forward looking basis, in contrast to the net liability in the annual accounts which does not take into account expected future earnings from assets, it does provide a better indication of the future standing of the pension fund based on the fund's position at 31st March 2019. That actuarial review concluded that the pension fund was 106% funded, with a predicted surplus for the whole of the West Yorkshire Pension Fund of £866m. Based on the actuarial review, the council has established appropriate employer contribution rates in order to move the fund towards a 100% funded position over a 22 year period. The latest actuarial review of the pension fund is currently being carried out as at 31st March 2022, with the results expected to be available in December 2022.

- Overall the value of the council's tangible and intangible fixed assets have risen by £376m. There are a number of factors affecting the value of our assets but as outlined in section a (ii), (iv) and (vi) above the largest impacts are due to the depreciation, revaluations and the disposal of assets. The other major factor impacting on the carrying value of our assets is additional capital expenditure in year of £450m.

  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 £5.8bn (current social value £2.4bn) and our infrastructure assets are currently only recognised at depreciated historic cost (£1.19bn) when their current value would run into billions of pounds.

- Creditors have reduced by £5.7m. Within this figure there has been a reduction of £47.8m in the value of Collection Fund support grants to be repaid to the government. However the value of grant funding which the council has received in advance to distribute to third parties has increased by a net £26m, including £48m to distribute under the Council tax fuel rebate scheme. There was a £14m increase in sundry creditors and non government receipts in advance.

- Debtors net of provisions have reduced by £108.0m. This includes a £68.8m reduction in amounts due from DLUHC in relation to the Collection Fund deficit, and a reduction of £34.5m in agreed funding contributions from the West Yorkshire Combined Authority to fund capital spending on public transport initiatives. Amounts due from local taxpayers have increased by £3.5m whilst the provisions set aside for these debts have risen by £9.2m.

- Overall the council's usable reserves have risen from £467m in 2020/21 to £496m in 2021/22, an increase of £29m. The majority of these £496m of useable reserves are ring fenced (£364m) and are not available to support general expenditure. The main ring fenced reserves as at 31st March 2022 are:

  - School based reserves £43m;
  - Revenue and capital grants received in advance of planned expenditure £199m;
  - Housing Revenue Account reserves £18m, statutorily ring fenced to the provision of local authority housing;
  - Major repairs reserve £11m, ring fenced to major repairs to council houses;
  - Useable Capital Receipts reserve £73m, to finance capital expenditure, partly ring fenced to council houses.

  The remaining £132m of reserves is made up of the £33m General Fund reserve and £99m of earmarked reserves.

- Overall debt net of treasury management investments stands at £2,717m (£2,833m in 2020/21) made up of long term borrowing £2,256m (£2,203m in 2020/21), borrowing repayable on demand or within one year of £39m (£92m in 2020/21), credit arrangements under Private Finance Initiative (PFI) schemes of £509m (£538m in 2020/21) and finance lease liabilities of £41m (£42m in 2020/21). The council held treasury management investments maturing between 3 months and 1 year of £65m at the end of the financial year (none in 2020/21), and cash equivalents (consisting of deposits in instant access bank accounts and investments with less than three months to maturity) of £63.4m (£42.2m in 2020/21).

  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.

The level of overall net debt has reduced by £117m from 2020/21. The main movements in respect of this debt position are:

- An decrease of £86m in borrowing net of investments. Although the borrowing element of the council's capital financing requirement increased by £112m, increases in its reserves and balances meant that its net external borrowing position reduced;
- A decrease of £29m in PFI liabilities, reflecting repayments during the year.

5.4 Cash flows during the year

The cash flow statement shows how the above financial position has been reflected in cash movements during the year. Overall, there has been an increase in the level of cash and cash equivalents held by the authority during the year. In terms of treasury management and financing activities, the cashflows for short term treasury investments during the year showed a significant increase in turnover, reflecting the fact that the council's revenue balances increased during the year and these were invested to maximise returns. The increase in revenue balances is also reflected in the relatively low level of new short term loans raised during the year, as the council had little need to borrow for short term cashflow purposes.

Within operational cashflows, there was a reduction in cash inflows from government grants, reflecting the fact that significant one-off grants were received during 2020/21 in response to the impact of the pandemic. There was also a significant increase in the cash inflows from business rates income, as the level of additional covid specific reliefs granted to businesses was significantly reduced in comparison to 2020/21.

5.5 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 surplus for the year of £118.6m. This surplus 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 2021/22 the statutory overrides amounted to a debit to the HRA of £123.3m, resulting in a net reduction in revenue reserves for the HRA of £4.7m (compared to an increase of £3.9m in 2020/21). This position represents an overspend of £2.6m in comparison to the 21/22 budget. This was primarily due to an overspend on the repairs and disrepair budgets due to a combination of the catch-up costs of repairs following the coronavirus pandemic, along with price pressures. These pressures on repairs were expected and can be funded from the repair / disrepair reserve which was created at the end of 2020/21. Further details can be found in the outturn report presented to Executive Board on 22nd June 2022.

Included within the difference between the accounting surplus of £118.6m shown on the HRA for 2021/22 and the reduction in revenue reserves of £4.7m is a transfer of £31.3m to the Major Repairs Reserve, setting aside money to fund future capital expenditure on council house

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repairs and to repay debt. The HRA Income and Expenditure account also includes a £74.9m credit for the reversal of previous impairment which reflects increases in the value of dwellings. This credit is transferred to statutory capital reserves and does not impact on HRA reserves, as impairment on dwellings is not required to be funded by tenants.

Overall the HRA reserves stand at £18.2m as at 31st March 2021 (£22.9m as at 31st March 2021). £7.4m 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 £10.8m HRA reserve represents amounts identified as necessary to fund specific future costs, £8.5m 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 2021/22 shows a total surplus for the year of £130.4m (in comparison to a deficit of £187.7m in 2020/21). This leaves the Collection Fund with negative reserves of £74.8m as at 31st March 2022 (as at the 31st March 2021 the fund had negative reserves of £205.2m). The deficit at 31st March 2021 is made up of an £8.7m deficit on council tax (in comparison to a deficit of £13.9m at 31st March 2021) and a £66.0m deficit on business rates (a £209.8m deficit at 31st March 2021). In the light of the significant Collection Fund deficits which arose in 2020/21 from the coronavirus pandemic, the government has introduced regulations so that the unfunded deficits for both council tax and business rates will be recovered from the general fund over a three year period from 2021/22. The unfunded deficits had to be declared as part of the budget setting process for 2021/22.

In respect of council tax the share of the deficit attributable to the council is £7.3m including the element of unfunded deficit to be recovered in 2022/23 and 2023/24. The council has budgeted to repay £2.2m of the deficit during 2022/23. The remaining £5.1m deficit will feed into the estimate of the Collection Fund position that is made in January 2023, and the estimated balance at that point in time will be taken into account when determining the council tax for the 2023/24.

Although the net position for business rates for the year was a surplus of £125.2m, this included £184.9m recoupment of deficits from prior years. The further in-year deficit has arisen largely due to additional reliefs for businesses which the government introduced in response to the continuing impact of the coronavirus pandemic, for which the Council received compensation by way of grants into its General Fund. The council has transferred £33.2m of grants received during 2021/22 to reserves to be released in line with the impact of the reliefs on business rates precepts. The council's share of the business rates deficit is £32.4m, of which its remaining declared unfunded covid deficit (to spread over three years) was £24.3m. The 2022/23 precept was set to recover a projected deficit at the end of 2021/22 of £28.2m. The remaining £4.2m of the council's share of the deficit will be taken into account when setting the 2023/24 budget.

The percentage of local taxation collected in year was 94.3% for council tax (95.2% in 2020/21) and 91.6% for business rates (87.7% in 2020/21).

5.6 Leeds City Council's group

Although the council has a number of subsidiaries and associates, these are small organisations and so do not give rise to a requirement to produce group accounts. The most significant group entity is the Leeds District Heating PipeCo Ltd, a wholly owned company which was established in February 2020. The council also has one subsidiary charitable company, the Craft Centre and Design Gallery Limited, and four associates - Leeds Grand Theatre and Opera House Ltd, Belle Isle Tenant Management Organisation Ltd, Green Leeds Ltd, and The Leeds Groundwork

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Trust. There have been no financial issues affecting any of these organisations which materially impact on the council's financial position in 2021/22.

The council also has two joint ventures, NPS Leeds Ltd and Merrion House LLP. NPS Leeds Ltd is not material to the council's financial position, and Merrion House LLP is fully included in its single entity financial statements at fair value and does not give rise to a requirement for group accounts as, due to the nature of the entity, there would be no significant differences from its treatment in the single entity accounts.

Since 2015/16 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 2022. 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.

6 The council's strategic objectives and performance

6.1 The Best City Ambition for Leeds

The Council's current strategic objectives are set out in the Best City Ambition, which replaced the Best Council Plan in February 2022, and which can be accessed via the council's website at http://www.leeds.gov.uk/ The budget was developed in conjunction with the Best Council Plan, 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. Further updates to our strategic plan will also be published on the council's website.

6.2 Key performance indicators

Progress on implementing the Best Council Plan during 2021/22 was reported on via a set of key performance indicators known as our 'Best Council Plan Scorecard'. The key performance indicator results along with supporting commentary and comparisons against other organisations (where available) are reported each quarter to the council's corporate leadership team. A summary of the performance indicator results is also published each quarter on our website.

Our annual retrospective report on the council's performance against its Best Council Plan objectives for 2021/22 was published in July 2022 and is available on the council's website. As could be expected, the coronavirus pandemic continued to have an impact on the KPI results, with some showing an immediate and marked deterioration and others simply being unavailable for the last two years. There are also those which appeared to improve during the pandemic, as well as a few that are reported so far in arrears that they have yet to reach the pandemic period

6.3 Risk Management

The most significant risks to achieving the council's strategic objectives are housed on our corporate risk register and are reported to the council's leadership team each quarter. Amongst the risks on the corporate risk register are permanent risks that will always face the council, covering the areas of:

- Safeguarding of children
- Safeguarding of adults

I *Any website links included in these accounts are not subject to audit.*

- Climate change
- Health & safety
- City resilience to major incidents
- Council resilience (business continuity during major incidents)
- Financial management (risks for both the in-year budget and in the medium term)
- Information management and governance

Risk registers are also maintained at directorate, service, and programme and project levels, with significant risks escalated to appropriate boards and management teams as required.

A copy of the corporate risk map showing how each corporate risk has been rated (based on its probability and impact) is published on the council's website www.leeds.gov.uk .

7 Current accounting practice and new developments

There have been no significant changes to accounting standards applicable to local authorities for 2021/22. However, a recent consultation has been undertaken on proposed retrospective changes to the Code in relation to accounting for infrastructure assets. At the date that these draft accounts have been approved, the outcome of the consultation is not yet available. The council expects that it may need to make some changes, in particular to disclosure notes, once a revised Code is issued, but does not anticipate any significant changes to the carrying value of assets recognised.

No significant changes are expected for 2022/23. Looking further ahead, it is now expected that IFRS 16 Lease accounting will not apply as a requirement for local authority accounts until 1st April 2024, although early adoption of the standard may be a permitted option from 2022/23 onwards. Under IFRS 16 the distinction between finance leases and operating leases for assets leased in will disappear. All leases in will become capital transactions with 'right of use' assets and corresponding liabilities being recognised on the council's balance sheet for all leases of more than a year's duration. This will bring all such leases within the scope of the statutory capital accounting framework for local authorities and will increase the Capital Financing Requirement. However, regulations will ensure that the totals amounts chargeable to the General Fund and to the HRA for former operating leases will match the actual payments due under the leases.

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I *Any website links included in these accounts are not subject to audit.*

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

2 The Chief Finance Officer's responsibilities

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

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting in the United Kingdom;

The Chief Finance Officer has also:

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

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 2022 and its income and expenditure for the year ended 31st March 2022.

4 Status of the draft accounts

The status of these draft accounts is unaudited, and they are therefore subject to change. As the council's 2020/21 audit has not yet been completed, this also applies to the prior year comparators which are included within these 2021/22 draft accounts. The council's final audited Statement of Accounts will be published following completion of the audit process. If this is later than 1st December 2022 then a notice will be published on the council's website to explain the delay.

This draft Statement of Accounts will be made available for public inspection for thirty working days as required under the Accounts and Audit Regulations 2015.

V. f. Bradshaw

Victoria Bradshaw FCCA
Chief Finance Officer
27th July 2022

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 2021/22 (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 transactions 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, verifiability, timeliness and 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. Any estimates required are based on the best information available at the balance sheet date. The accounts are produced in compliance with the Code and in line with statutory timescales, enabling comparison with the financial position of other local authorities.

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. In other words, materiality is specific to both the magnitude and the nature of the item to which the information relates, when considered in the context of the individual organisation’s financial statements. 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, financial performance and cash flows 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. Similarly, assets and liabilities are recognised when they meet the relevant recognition criteria set out in the Code.

b Going concern

The accounts have been prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This is a requirement of the Code, which reflects the fact that since the management of a statutory local authority does not have the power to cease operations and wind up the entity, a statutory local authority will always be a going concern as defined by IAS1 (Presentation of Financial Statements).

c Fair value

The concept of fair value is used throughout the Code. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. IFRS 13 Fair Value Measurement specifies three levels of inputs to valuation techniques used for determining the fair value of assets and liabilities. These are :

- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

Where assets and liabilities are measured at fair value, in accordance with the requirements of the Code the authority has disclosed the level of the inputs used to carry out the valuations.

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.

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 Accruals of income and expenditure

a 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.

b 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.

c Expenditure on supplies and services is 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.

d Revenue from contracts is recognised when the authority satisfies a performance obligation under a contract, at the transaction price relating to that performance obligation. This means that revenue from the sale of goods is recognised when the purchaser obtains control of the goods from the authority. Similarly, revenue from the provision of one-off services is recognised when the service has been provided. Revenue from on-going services provided over time is recognised over time by measuring the progress towards complete satisfaction of a performance obligation, to the extent that 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.

e Income from non-exchange transactions is recognised when the obligating event that triggers the payment to the authority has taken place and it is probable that the authority will receive the flow of economic benefits from the transaction, provided that the amount of revenue due can be measured reliably. Accruals are raised where such income should be recognised but has not yet been received.

f For non-exchange transaction debtors, which are not financial instruments, the carrying amount has been adjusted by an impairment provision for doubtful debts, which should be provided for, and known uncollectable debts have been written off in full. For financial instrument debtors, the carrying amount is adjusted by an allowance for expected credit losses.

3 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 are included in either long term or short term liabilities on the Balance Sheet as appropriate. 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 is disclosed in section 13 of the explanatory notes.

d The authority accounts for the estimated cost of settling self-insured risk by way of an insurance provision.

4 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 financial assets held at fair value in other comprehensive income. This is not currently sufficiently material to require a separate grouping.

5 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 statement. 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.

6 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.

Where the council has received grants to distribute to third parties, and the ultimate beneficiaries of the grant are determined by the grant giving body (either directly or by the specification of eligibility conditions), the council is acting as an agent in distributing the grant and thus such transactions are not included as income and expenditure within the council's financial statements.

7 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 3 above).

8 Financial instruments – financial assets

Financial assets are classified as held at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

Financial assets in the classification 'amortised cost' are valued on recognition at fair value (usually the cost of acquisition), and are subsequently valued at amortised cost less an allowance for expected credit losses. No allowance for expected credit losses is recognised where the counterparty is the government or another local authority. Assets held at amortised cost 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 leant 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.

The authority has elected to present a number of equity instruments which would otherwise be classed as fair value through profit or loss as assets held at fair value through other comprehensive income. These assets are described as being designated to fair value through other comprehensive income.

Financial assets classified or designated as held at fair value through other comprehensive income are valued in the Balance Sheet at fair value, and are included in the long term investments category. Where such 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. Unrealised gains and losses arising as a result of changes to the fair value of assets held at fair value through other comprehensive income are recognised in the Comprehensive Income and Expenditure Account but are transferred to the Financial Instruments Revaluation reserve and so do not impact on usable reserves. Impairments to the value of assets held at fair value through other comprehensive income recognised in the Comprehensive Income and Expenditure Account are also transferred to the Financial Instruments Restatement reserve where a balance is available, or are otherwise charged to usable reserves.

The authority currently has no assets classed as fair value through profit or loss.

9 Leases

9.1 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 the appropriate category of long term assets to recognise the asset acquired under the lease. Assets recognised under finance leases are subsequently accounted for in accordance with the accounting policies of the relevant class of assets to which they belong – please see paragraphs 18 – 21 below.

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. Assets which are subject to finance leases out are treated as disposals and derecognised from the balance sheet.

9.2 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. Any initial direct costs incurred in arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

10 Overheads

Under the Code, reporting in the income and expenditure account is required to be by directorate on the basis on which financial performance is reported to management during the year. In its internal reporting, the council reports the costs of central and support services within those directorates where the costs arise. Only apportionments or recharges between the general fund and the housing revenue account, and recharges of any applicable amounts to capital schemes, are reported to management. Therefore the income and expenditure account does not take into account any apportionment of overheads between general fund directorates.

11 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 Statement 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 in which the capital receipts are used to finance capital expenditure, to fund credit arrangements or to repay debt, 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.

12 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.

12.1 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 Statement, 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 are included within the Central Accounts line in net cost of services. The net interest cost on the net pension liability has been included in financing and investment income and expenditure, and the remeasurement of the net pension liability is included within other comprehensive income and 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 Statement 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.

12.2 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.

13 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.

14 Inventories

Inventories are valued at cost less an allowance for loss in value. The allowance for loss in value 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.

15 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.

16 Associated and subsidiary companies and joint ventures; 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. At the balance sheet date, the entities within the council's group are either not sufficiently material to require it to produce separate group accounts, or would show no material differences if shown on a group accounts basis.

Where the authority's interests in these entities represent a financial instrument, these are included within its financial statements in the same way as any other financial instrument.

17 Intangible assets

17.1 Recognition and 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).

18 Property, plant and equipment

18.1 Recognition

All expenditure on the acquisition, construction or enhancement of property, plant and equipment, 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. This includes both economic benefit and benefits derived from service potential.

18.2 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 41% of current value. Some council house valuations are a combination of current value in existing use (adjusted by the regional adjustment factor) and historic cost. These are new build or newly acquired properties, which are deemed to be operational but have yet to be given an existing use value. Given the volume of properties in this class of asset the council has determined it more efficient to value all such properties together on an annual basis as at 1st January. These properties will be valued the following 1st January when they will be given an existing use 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 less subsequent depreciation. 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.

Vehicles, plant and equipment are held at historic cost less depreciation.

Capital spend on land and property 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 Statement.

18.3 Estimation

In accordance with the Code, all valuations are subject to regular review, over a period of at most five years. The authority revalues all of its council houses and all of its assets held at depreciated replacement cost on an annual basis. The remaining assets are revalued under a five year rolling programme.

Valuations of assets held at depreciated replacement cost are done annually on a desktop basis, with physical inspections being carried out on a five year rolling programme, or when major works are completed.

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.

For practical reasons, valuations are carried out as at 1st January and are reviewed at the balance sheet date to confirm that they are still appropriate.

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

18.4 Basis of charge for use of property, plant and equipment 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 property, plant and equipment other than non-depreciable land.

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 10 years
- listed buildings 100 years
- schools 60 years
- libraries, administration offices and council houses 60 years
- car parks 60 years
- farms, golf clubs, cemeteries and markets 60 years
- all other significant properties 60 years
- infrastructure assets 30 years
- Garages/Garage Plots 25 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 made under 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 2015, 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.

18.5 Componentisation of property 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.

18.6 Derecognition of property, plant and equipment assets

Property, plant and equipment assets are derecognised on disposal or when no further economic or service benefits are expected from them. This includes disposals made via finance leases – please see paragraph 9.1 above.

The gain or loss on disposal of an asset is recognised in the Surplus or Deficit on Provision of Services within the Income and Expenditure Statement. Entries within the Statement of Movement in Reserves then transfer the disposal proceeds to the usable capital receipts reserve and transfer the carrying value of the asset disposed of to unusable capital reserves, as required by the statutory capital framework.

19 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, and are then transferred to statutory capital reserves within the Movement in Reserves Statement. Rentals received in relation to investment properties are also credited to the gain or loss on investment properties line.

20 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 the appropriate class of long-term assets and valued at the lower of the carrying value before it was classified as held for sale (adjusted for any depreciation, amortisation or revaluations that would have been recognised had it not been classified as held for sale) and its recoverable amount.

21 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 17 or 18 as appropriate.

22 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 buildings 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.

23 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.

Financial liabilities are only recognised once the authority becomes party to the contractual provisions of the instrument, i.e. once one of the parties has performed its obligations.

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.

24 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.

25 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 have been included in the accounts. In the rare circumstance of events which could indicate that application of the going concern concept may not be appropriate, such events would also be 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 31st July for 2020/21), the date on which the final accounts are authorised for publication (on or before 30th September for 2020/21), and the date on which an audit certificate is issued (if later).

26 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. The asset provided and the corresponding liability are measured initially at the estimated cost which will be payable for the asset over the life of the PFI contract. 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 liability, 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, calculated on an annuity basis over the expected useful life of the assets acquired, allowing for 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.

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 property, plant and equipment assets. Please see paragraphs 18.2 – 18.6 above.

27 Local Taxation

i The authority is a Council Tax billing authority, collecting Council Tax on behalf of the West Yorkshire Police and the West Yorkshire Fire and Rescue Service 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 7.2.

2020/21				2021/22			notes
gross expenditure	*gross income*	*net expenditure*	£000s	*gross expenditure*	*gross income*	*net expenditure*	
106,439	41,672	64,767	City Development	183,159	71,300	111,859	
754,261	565,751	188,510	Children and Families	820,255	585,030	235,225	
404,457	191,120	213,337	Adults and Health	399,384	200,379	199,005	
163,279	17,915	145,364	Resources and Housing	150,386	19,479	130,907	7.6
201,096	243,680	(42,584)	Housing Revenue Account	105,523	244,013	(138,490)	
364,530	249,755	114,775	Communities and Environment	374,839	266,667	108,172	
63,064	7,531	55,533	Central Accounts	35,537	9,479	26,058	
2,057,126	1,317,424	739,702	Net cost of services	2,069,083	1,396,347	672,736	
		2,704	(Gain) / loss on disposal of fixed assets			(19,274)	7.7
		(46)	(Gain) / loss on disposal of financial assets			(126)	
		2,080	Parish Council precepts			2,069	
		5,751	Amounts payable to the Housing Capital Receipts Pool			5,752	
		10,489	Other Operating Expenditure			(11,579)	
		750,191	Net Operating Expenditure			661,157	
		118,695	Interest payable and similar charges			115,931	
		38,963	Net accrued interest on the net pension liability			44,417	3
		1,788	(Gain) or loss on investment properties			(4,315)	
		(1,767)	Interest and investment income			(1,910)	
		157,679	Financing and Investment Income and Expenditure			154,123	
		907,870	Net Expenditure after financing and investment			815,280	
		(325,232)	Council Tax Income			(351,457)	
		(81,491)	Non-Domestic Rates Income and Expenditure			(123,268)	
		(541,570)	Non-Ringfenced Government Grants			(489,907)	8
		(948,293)	Taxation and general government grant income and expenditure			(964,632)	
		(40,423)	(Surplus) / deficit on provision of services			(149,352)	
		(64,194)	(Surplus) / deficit on revaluation of fixed assets			(72,060)	
		(822)	(Surplus) / deficit on revaluation of financial assets			(2,089)	
		276,798	Remeasurements of the net pension liability			(747,033)	
		211,782	Other Comprehensive Income and Expenditure			(821,182)	
		171,359	Total Comprehensive Income and Expenditure			(970,534)	

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.

2021/22

	Usable reserves							Unusable reserves			
£000s	*General Fund Reserve*	*Earmarked GF revenue reserves*	*HRA Reserve*	*Usable Capital Receipts Reserve*	*Capital Grant Unapplied*	*Major Repairs Reserve*	*Total usable reserves*	*Statutory revenue reserves*	*Capital accounting balances*	*Total reserves*	*notes*
Balance as at 31st March 2021	27,760	195,814	22,865	73,038	134,023	13,730	467,230	(2,337,780)	3,241,734	1,371,184	
Surplus / (deficit) on provision of services	30,722		118,630				149,352			149,352	
Other comprehensive income and expenditure							-	747,033	74,149	821,182	13.1
Total comprehensive income and expenditure	30,722	-	118,630	-	-	-	149,352	747,033	74,149	970,534	
Statutory adjustments between accounting basis and funding basis	(34,287)	-	(123,295)	78,075	276,297	31,262	228,052	(100,642)	(127,410)	-	13.2
Statutory capital adjustments	-	-		810	-	33,075	33,885	-	(33,885)	-	13.3
Statutory Transfers to fund capital expenditure	-	-	-	(64,922)	(250,924)	(66,811)	(382,657)	-	382,657	-	13.4
Increase / (decrease) before transfers	(3,565)	-	(4,665)	13,963	25,373	(2,474)	28,632	646,391	295,511	970,534	
Transfers to/(from) earmarked reserves	9,053	(9,053)	-	-	-	-	-	-	-	-	
Increase / (decrease) during year	5,488	(9,053)	(4,665)	13,963	25,373	(2,474)	28,632	646,391	295,511	970,534	
Balance carried forward 31st March 2022	33,248	186,761	18,200	87,001	159,396	11,256	495,862	(1,691,389)	3,537,245	2,341,718	

2020/21

	Usable reserves							Unusable reserves			
£000s	*General Fund Reserve*	*Earmarked GF revenue reserves*	*HRA Reserve*	*Usable Capital Receipts Reserve*	*Capital Grant Unapplied*	*Major Repairs Reserve*	*Total usable reserves*	*Statutory revenue reserves*	*Capital accounting balances*	*Total reserves*	*notes*
Balance as at 31st March 2020	31,520	76,185	18,924	71,417	147,292	9,384	354,722	(1,826,089)	3,013,910	1,542,543	
Surplus / (deficit) on provision of services	28,079		12,344				40,423			40,423	
Other comprehensive income and expenditure							-	(276,798)	65,016	(211,782)	13.1
Total comprehensive income and expenditure	28,079	-	12,344	-	-	-	40,423	(276,798)	65,016	(171,359)	
Statutory adjustments between accounting basis and funding basis	87,790	-	(8,403)	41,526	226,221	19,451	366,585	(234,893)	(131,692)	-	13.2
Statutory capital adjustments	-	-	-	807	-	32,476	33,283	-	(33,283)	-	13.3
Statutory Transfers to fund capital expenditure	-	-	-	(40,712)	(239,490)	(47,581)	(327,783)	-	327,783	-	13.4
Increase / (decrease) before transfers	115,869	-	3,941	1,621	(13,269)	4,346	112,508	(511,691)	227,824	(171,359)	
Transfers to/(from) earmarked reserves	(119,629)	119,629	-	-	-	-	-	-	-	-	
Increase / (decrease) during year	(3,760)	119,629	3,941	1,621	(13,269)	4,346	112,508	(511,691)	227,824	(171,359)	
Balance carried forward 31st March 2021	27,760	195,814	22,865	73,038	134,023	13,730	467,230	(2,337,780)	3,241,734	1,371,184	

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 2021	£000s	*31 March 2022*		*notes*
	Long-term assets			
6,041,325	Property, plant and equipment	6,439,060		1, 15.1
101,348	Investment property	83,336		1, 15.2
129,276	Heritage assets	131,282		1, 15.3
112,290	Long-term debtors	106,114		15.4
9,218	Long-term investments in Joint Ventures	11,137		15.5
6,833	Long-term investments - other	6,929		15.5
737	Intangible assets	930		
6,401,027			6,778,788	
	Current assets			
351,353	Debtors	243,359		16.1
2	Investments	65,038		2
4,479	Inventories	4,631		
72,132	Assets held for sale	65,749		16.2
44,176	Cash and cash equivalents	65,522		16.3
472,142			444,299	
	Current liabilities			
(355,709)	Creditors	(349,967)		17.1
(110,764)	Borrowing repayable on demand or within one year	(57,935)		2, 18
(22,224)	Provisions for current liabilities	(24,793)		4
(28,869)	Grants received in advance	(26,932)		
(517,566)			(459,627)	
6,355,603	Total assets less current liabilities		6,763,460	
	Long-term liabilities			
(2,203,434)	Long-term borrowing	(2,256,072)		2, 18
(2,155,175)	Net pensions liability	(1,578,019)		3, 10
(612,596)	Deferred liabilities	(582,076)		19.1
(6,740)	Provisions for long term liabilities	(5,433)		4
(6,474)	Capital grants receipts in advance	(142)		
(4,984,419)			(4,421,742)	
1,371,184	Total assets less liabilities		2,341,718	
	Financed by			
	Unusable statutory revenue reserves			
(2,155,175)	Pensions Reserve	(1,578,019)		3
(64,566)	Financial Instruments Adjustment Account	(62,491)		22.1
(11,297)	Accumulated Absences Account	(11,170)		22.2
(106,742)	Collection Fund Adjustment Account	(39,709)		22.3
(2,337,780)			(1,691,389)	
	Unusable capital accounting balances			
1,512,731	Revaluation Reserve	1,565,916		20.1
1,675,073	Capital Adjustment Account	1,916,085		20.2
45,123	Deferred Capital Receipts	44,348		20.3
8,807	Financial Instruments Revaluation Reserve	10,896		20.4
3,241,734			3,537,245	
903,954	Total unusable reserves		1,845,856	
	Usable capital funding reserves			
73,038	Usable Capital Receipts Reserve	87,001		20.5
134,023	Capital grants unapplied	159,396		20.6
13,730	Major Repairs Reserve	11,256		H7
220,791			257,653	
	Usable revenue reserves			
27,760	General Fund Reserve	33,248		
22,865	Housing Revenue Account Reserve	18,200		H4
195,814	Other earmarked reserves	186,761		14
246,439			238,209	
467,230	Total usable reserves		495,862	
1,371,184	Total reserves and balances		2,341,718	

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.

2020/21	£000s	*2021/22*		*notes*
	Operating activities :			
	Cash outflows			
(857,449)	Cash paid to and on behalf of employees	(843,779)		
(967,398)	Other operating cash payments	(802,327)		
(105,122)	Housing Benefit paid out	(98,519)		
(5,751)	Payments to the Capital Receipts Pool	(1,438)		
(29,866)	Revenue expenditure funded by capital under statute	(46,252)		
(2,080)	Precepts paid	(2,080)		
(75,148)	Interest paid	(74,626)		
(44,559)	Finance lease and PFI scheme interest paid	(42,256)		
(2,087,373)			(1,911,277)	
	Cash inflows			
1,268,393	Government revenue grants	1,038,080		
332,309	Income from council tax	347,068		
83,427	Income from Business Rates collected	147,951		
169,437	Cash received for goods and services	213,366		
226,385	Rents (after rebates)	228,982		
65,469	Other operating cash receipts	69,226		
1,411	Interest and dividends received	1,811		
2,146,831			2,046,484	
59,458	Net cash flow from operating activities		135,207	
	Capital and financial investment activities:			
	Cash outflows			
(356,947)	Purchase of fixed assets	(441,382)		
(159,000)	Purchase of treasury investments	(500,000)		
(5,433)	Purchase of service loans and investments	(1,389)		
	Cash inflows			
174,314	Capital grants received	309,405		
47,814	Disposal of fixed assets	84,161		
252	Disposal of service loans and investments	626		
159,000	Disposal of treasury investments	435,000		
1,464	Other capital cash receipts	3,451		
(138,536)	Net cash flow from investing activities		(110,128)	
(79,078)	Net cash inflow / (outflow) before financing		25,079	
	Financing:			
	Cash outflows			
(387,000)	Short term loans repaid	(162,000)		
(9,024)	Loans repaid	(26,977)		
(26,605)	Finance lease and PFI scheme principal repayments	(30,167)		
	Cash inflows			
362,000	New short term loans raised	97,000		
5,278	New loans raised	91,581		
19,662	Agency activities	26,830		
(35,689)			(3,733)	
(114,767)	Increase / (decrease) in cash and cash equivalents		21,346	
158,943	Balance of cash and cash equivalents brought forward		44,176	
(114,767)	Increase / (decrease) for the year		21,346	
44,176	Balance of cash and cash equivalents carried forward		65,522	16.3

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
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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) which are subdivided into several categories on the balance sheet, 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 :

31/03/2021	£000s	*31/03/2022*	
6,041,325	Property, plant and equipment	6,439,060	
129,276	Heritage assets	131,282	
101,348	Investment property	83,336	
72,132	Assets held for sale	65,749	
6,344,081	Total land, buildings and equipment		6,719,427
736	Intangible fixed assets		930
6,344,817			6,720,357

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 fall 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 18.2.

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.

31/03/2021	£000s	*31/03/2022*	
6,080,733	1 April		6,344,817
371,936	Capital expenditure on acquisitions		450,100
	Gains / (losses) recognised in Surplus/(Deficit) on the provision of services		
(126,230)	Depreciation and amortisation	(133,797)	
(1,726)	Impairment	(3,605)	
5,907	Revaluations	54,895	
-	Donations	-	
(49,998)	Disposals	(64,113)	
(172,047)			(146,620)
	Gains / (losses) recognised in Other Comprehensive Income and Expenditure		
64,802	Revaluations	72,329	
(607)	Impairments charged to revaluation reserve	(269)	
64,195			72,060
6,344,817	31 March		6,720,357

More detailed information on Property, plant and equipment and on Heritage assets and Investment property is given in Notes 15.1 to 15.3, and information on Assets held for sale is given in Note 16.2. A breakdown of gains and losses on disposals of these assets is given in Note 7.7.

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 21.2). 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, taking into account borrowing which has been repaid by the use of capital receipts.

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 11, and information on finance lease liabilities can be found in Note 19.

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

31/03/2021	£000s	*31/03/2022*	
	Borrowing		
(2,203,434)	Long term borrowing	(2,256,072)	
(91,751)	Borrowing repayable on demand or within one year	(38,920)	
	Investments made for treasury purposes		
-	Long term investments	-	
-	Investments maturing on demand or within one year	65,000	
42,218	Cash equivalents	63,388	
(2,252,967)	Net borrowing		(2,166,604)
	Other debt financing of fixed assets		
(538,375)	Deferred liabilities - PFI schemes		(508,892)
(42,103)	Deferred liabilities - finance leases		(41,317)
(2,833,445)	Net debt		(2,716,813)

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 18.

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.

31/03/2021	£000s	31/03/2022	
(2,022,712)	WYPF mainstream pensions	(1,456,566)	
(55,836)	WYPF discretionary pensions	(51,314)	
(2,078,548)			(1,507,880)
(76,627)	Teachers discretionary pensions		(70,139)
(2,155,175)	Net asset / (liability)		(1,578,019)

The £1,508m net liability relating to the WYPF represents the difference between the value of the council's pension fund assets at 31st March 2022 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 2022 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 2019. This concluded that the WYPF was 106% funded, and set contribution rates for the next three years which are designed to move the fund towards a 100% funded position. The most significant factor in the reduction in the net pensions liability shown on the balance sheet is the changes to the financial assumptions for future inflation and for the discount rate which is used for estimating the current value of the future liabilities. There has also been better than expected returns on the pension fund's assets during the year.

The pensions liabilities from 31st March 2019 onwards include the estimated cost of three specific areas of uncertainty in future pension costs. The first arises from a legal case in relation to the national judges and firefighters pension schemes, which found that the protection given to individuals who were within ten years of retirement when the scheme rules were changed in 2014 represented unlawful age discrimination. Since similar arrangements have applied to the LGPS, the government will be required to amend LGPS rules to address this. The exact remedy which will be applied will not be known for some time and therefore the impact on the authority's pension liabilities is uncertain. The council's actuaries estimated the impact at 31st March 2019 as £38.0m, and this has been updated and the assumptions refined as at 31st March 2022 in line with the government's consultations on possible remedies. A further estimated liability of £9.4m was included at 31st March 2019 in relation to Guaranteed Minimum Pensions accrued by individuals who were contracted out of the State Second Pension before 1997. The government has put interim arrangements in to ensure that the LGPS does not discriminate between males and females, and the potential additional liability has been estimated on the basis that these arrangements would continue. The third issue relates to a judgement in relation to the national Teachers Pension Scheme, which found that male survivors of female spouses were being treated less generously than female survivors of female spouses. The government has indicated that a remedy will be put in place to address a similar situation for the Local Government Pension Scheme, and an estimated liability of £9.7m was been included at 31st March 2020 in respect of this, and this was updated to £11.6m at 31st March 2022 taking into account the changes in financial assumptions for the estimation of pension liabilities.

Under statute, local authorities are required to charge to their revenue accounts their actual pension contributions payable for the year, rather than their pensions expenditure on an IAS19 basis. As a result a statutory Pensions Reserve is maintained to reflect the difference between the accounting requirements and the statutory requirements for pensions accounting. 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 movements in the balance on the Pensions Reserve, indicating where these items appear within the Movement in Reserves Statement:

2020/21			£000s	2021/22		
WYPF	*Teachers*	*Total*		*WYPF*	*Teachers*	*Total*
(1,657,933)	(77,046)	(1,734,979)	1 April	(2,078,548)	(76,627)	(2,155,175)
			Statutory adjustments between accounting & funding basis (from Surplus/(Deficit) on provision of services)			
(110,725)	6,290	(104,435)	Adjustment for IAS19 based service expenditure	(131,017)	5,557	(125,460)
(37,263)	(1,700)	(38,963)	Net accrued interest on the pension liability	(42,866)	(1,551)	(44,417)
			Other Comprehensive Income and Expenditure			
(272,627)	(4,171)	(276,798)	Remeasurement of the net pension liability	744,551	2,482	747,033
(2,078,548)	(76,627)	(2,155,175)	31 March	(1,507,880)	(70,139)	(1,578,019)

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 10.

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	31/03/2021	Provisions raised	Provisions used	Other Movements	31/03/2022	notes
Insurance liabilities	13,578	7,755	(7,942)	-	13,391	i
Business rates appeals	11,013	2,992	(2,129)	-	11,876	ii
Other	4,373	1,013	(427)	-	4,959	
	28,964	11,760	(10,498)	-	30,226	
Short term provisions	22,224				24,793	
Long term provisions	6,740				5,433	
	28,964				30,226	

i 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 £0.5m (£0.15m for motor third party liability claims). The council is also limited to a maximum total liability across all employee and public liability claims of £15.6m per year for claims relating to incidents between 1st April 2016 and 31st March 2019, £15m for incidents between 1st April 2019 and 31st March 2020, and £15.5m for incidents between 1st April 2020 and 31st March 2022. For earlier years the council's maximum total liability for each individual year varies between £10m and £15.3m. Included within the provision is £2.6m (£2.7m at 31st March 2021) 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 £5,433k (£6,740k at 31st March 2021) 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, and information on how the council has estimated the value of its insurance provision for claims which it will probably have to settle can be found in note 5c.

ii Under the arrangements for local retention of business rates, councils receive a fixed proportion of the business rates they collect, 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. For 2020/21 and 2021/22 the council was part of a regional pool for business rates which retained 50% of business rates collected, with 49% being attributable to the council. The council's share of the provision for the estimated cost of appeals is £11,876k (£11,013k at 31st March 2021).

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 2022:

a General

The council has a number of general litigious matters ongoing which could result in payments totalling £0.50m (£0.5m at 31st March 2021).

b Specific

i Insurance claims. The council has been advised by its actuaries that the value of outstanding legal liability claims against it is £18.9m. This is a significant reduction in comparison to the position at 31st March 2021 (£32.5m), as a number of significant claims covered by external insurance policies were settled during the year. It is estimated that if successful £0.5m of the outstanding claims will be met by the Council's external insurers (£13.0m at 31st March 2020) leaving a balance of £18.4m where any liabilities would be met by the council. A provision has been set aside on the Balance Sheet to the value of £13.4m (see note 4.1 above) for the estimated future settlement cost of these £18.4m of claims. The contingent liability value for insurance claims representing the total value of claims over and above the expected settlement cost therefore stood at £5.0m at 31st March 2022 (£5.8m at 31st March 2021).

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. The council's maximum remaining exposure is £4.9m.

iii 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.

5 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 10 details the assumptions made, and the impact on the net liability of changes in the key assumptions. During 2021/22, the council accounted for an increase of £13.3m in its pensions liabilities as a result of estimates being corrected as a result of experience, and a reduction of £456m due to the updating of assumptions.

From 2018/19 onwards the council has also included an estimated cost for the impact of future changes to the LGPS in respect of changes that the government intends to make to address legal findings relating to age discrimination and sex discrimination (please see note 3 for further details). As the exact nature of the scheme changes is not yet known, there is considerable uncertainty about this estimate.

b Values of property assets

The council carries out annual valuations for assets valued at depreciated replacement cost and material commercial investment properties. All other investment properties are reviewed for a change in value. The council carries out a 5 year rolling programme to revalue its remaining fixed assets.

The carrying value of property assets held at current value or fair value is £5,061m.

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. A provision of £13.4m for insurance claims has been recognised in the accounts, and a contingent liability of £5.0m has been disclosed.

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. The authority's 49% share of the appeals provisions recognised in the Collection Fund is £11.9m.

6 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 11 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, light 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 Inclusion of school property assets

The Code requires that any property which is deemed to be an asset of maintained school governing bodies is included as an asset in the council's balance sheet. In determining which assets are required to be recognised, the council has established details of the property titles for each maintained school asset and applied its accounting policy for the recognition of property, plant and equipment. It has judged that where title has transferred but the council has retained residual rights which restrict the future use of the property to the provision of education or provide for ownership of the asset to revert to the council in the event of it no longer being required to provide education, such properties should be consolidated within the balance sheet.

d Recognition of grants for distribution to third parties

During 2020/21 and 2021/22 the Council received a significant value of government grant funding for distribution to organisations and individuals within Leeds. The Council has determined that where the eligibility criteria for the recipients were fully determined by the government, the Council was acting in an agency capacity. It has therefore not recognised £57.0m of income and expenditure for such grants in 2021/22 (£236m in 2020/21) within its accounts.

Further explanatory notes to the main financial statements

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

7 Additional information on reported income and expenditure

7.1 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. However, this accounting basis for reporting overall results does not reflect 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.

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

2020/21		*2021/22*			
net outturn	£000s	*gross expenditure*	*gross income*	*transfer to reserves*	*net outturn*
58,215	City Development	173,160	(134,852)	(2,669)	35,639
130,187	Children and Families	319,254	(193,332)	874	126,796
-	Schools	537,718	(544,587)	6,869	-
207,743	Adults and Health	396,032	(215,772)	14,493	194,753
93,887	Resources and Housing	256,999	(178,627)	(2,549)	75,823
98,507	Communities and Environment	393,112	(311,780)	1,532	82,864
(59,718)	Central Accounts	93,034	(152,802)	(27,603)	(87,371)
528,821		2,169,309	(1,731,752)	(9,053)	428,504
(525,061)	RSG, Business Rates & Local Taxation	-	(433,992)	-	(433,992)
3,760	Total General Fund	2,169,309	(2,165,744)	(9,053)	(5,488)
(3,941)	Housing Revenue Account	225,246	(251,843)	31,262	4,665

7.2 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.

2020/21	*£000s*	*2021/22*	
3,760	General fund outturn (surplus) / deficit		(5,488)
(3,941)	HRA outturn (surplus) /deficit		4,665
(181)	Overall outturn position		(823)
	Amounts not included in the Comprehensive Income and Expenditure Account - Transfers to other usable revenue reserves		
(119,629)	Transfers (to) / from earmarked reserves		9,053
	Amounts not included in the Comprehensive Income and Expenditure Account - Statutory items relating to capital accounting and financing		
151,914	Transfer impact of capital charges to capital reserves	128,759	
(226,221)	Transfer capital grants received to usable capital reserves	(276,297)	
(31,215)	General Fund Minimum Revenue Provison for debt redemption	(24,782)	
(6,246)	HRA transfers to capital reserves for repayment of debt	(7,001)	
(219)	Transfers to capital reserves to fund capital expenditure	(1,067)	
(94)	Transfers to capital reserves for donated or exchanged assets	-	
2,751	Transfer net (gain) / loss on disposal of assets to capital reserves	(19,251)	
5,751	Transfer from capital reserves to fund pooling of HRA capital receipts	5,752	
(51,927)	Transfer HRA major repairs allowance to major repairs reserve	(64,337)	
(155,506)			(258,224)
	Amounts not included in the Comprehensive Income and Expenditure Account - Other statutory items		
143,398	Transfer to / (from) Pensions reserve	169,877	
(2,380)	Transfer to / (from) Financial instruments adjustment account	(2,075)	
92,206	Transfer to / (from) Collection Fund adjustment account	(67,033)	
1,669	Transfer to / (from) Accumulated absences account	(127)	
234,893			100,642
	Unrealised items of income and expenditure not affecting usable reserves and not reported within Outturn		
(64,194)	(Surplus) / deficit on revaluation of fixed assets	(72,060)	
(822)	(Surplus) / deficit on revaluation of financial assets	(2,089)	
276,798	Remeasurements of the net defined benefit liability / (asset)	(747,033)	
211,782			(821,182)
171,359	Total comprehensive income and expenditure		(970,534)

7.3 Expenditure and Funding Analysis

The following tables show how the items identified in the reconciliation above impact on the reported position for each directorate, breaking down the differences between the council's outturn on a directorate basis and the net expenditure shown for each directorate in the comprehensive income and expenditure statement. The adjustments required have been grouped as follows :

- Capital accounting adjustments are those transactions required to reflect capital activities on an accounting basis, but which are not proper charges to the revenue account. They include depreciation, impairment, and the recognition of capital grants received.

- Capital financing transactions are entries which are charged or credited to the revenue account to reflect the financing of capital expenditure, but which do not represent income or expenditure to the authority and are therefore not included in the comprehensive income and expenditure statement.

- Pensions accounting adjustments are the entries required to reflect the differences between pensions expenditure for the year on an accounting basis and the actual pension contributions payable by the council for the year. Further details are given in explanatory notes 3 and 10.

- Other statutory adjustments include transfers to or from the collection fund adjustment account, the financial instruments adjustment account and the accumulated absences account, all of which are used to affect the timing of amounts being debited or credited to the revenue account in line with statutory requirements. Transfers to or from earmarked reserves are also included here as, although these are included in the reported outturn position, they do not represent income or expenditure for the council. Internal recharges between directorates are also included within these figures.

The table also identifies amounts relating to items which the Code requires to be shown outside of directorate net cost of services within the comprehensive income and expenditure statement.

	2021/22						
£000s	*net charged to General Fund & HRA reserves*	*capital accounting adjustments*	*capital financing transactions*	*pensions accounting adjustments*	*other statutory adjustments*	*amounts outside net cost of services*	*net reportable expenditure*
City Development	38,308	63,791	(884)	13,622	26	(3,004)	111,859
Children and Families	119,053	57,137	-	46,172	24	12,839	235,225
Adults and Health	180,260	5,053	-	12,265	15	1,412	199,005
Resources	78,372	30,064	-	29,783	(430)	(6,882)	130,907
Housing Revenue Account	4,665	(40,486)	(71,467)	7,552	(210)	(38,544)	(138,490)
Communities, Housing and Environment	81,332	8,848	(54)	20,273	229	(2,456)	108,172
Central Accounts	(59,768)	4,502	(24,782)	40,210	(1,856)	67,752	26,058
Transfers to earmarked reserves	(9,053)	-	-	-	9,053		-
Net cost of services	433,169	128,909	(97,187)	169,877	6,851	31,117	672,736
Other operating expenditure	-	(19,400)	5,752	-	-	2,069	(11,579)
Financing and investment net expenditure	-	-	-	-	-	154,123	154,123
Taxation and general grant income	(433,992)	(276,298)	-	-	(67,033)	(187,309)	(964,632)
(Surplus) / deficit on provision of services	(823)	(166,789)	(91,435)	169,877	(60,182)	-	(149,352)

	General Fund	*Earmarked*	*General Fund SubTotal*	*HRA*	*Total*
Reserve Balance brought forward	27,760	195,814	223,574	22,865	246,439
(Increase) / decrease for the year	5,488	(9,053)	(3,565)	(4,665)	(8,230)
Reserve Balance carried forward	33,248	186,761	220,009	18,200	238,209

The following table shows the same analysis for the 2020/21 financial year :

£000s	2020/21 net charged to General Fund & HRA reserves	capital accounting adjustments	capital financing transactions	pensions accounting adjustments	other statutory adjustments	amounts outside net cost of services	net reportable expenditure
City Development	57,706	(961)	-	8,382	-	(357)	64,770
Children and Families	110,955	35,923	(3)	24,872	1,532	15,228	188,507
Adults and Health	202,101	1,480	-	6,935	10	2,811	213,337
Resources and Housing	89,240	31,847	-	19,012	146	5,119	145,364
Housing Revenue Account	(3,941)	54,014	(58,388)	5,253	(229)	(39,293)	(42,584)
Communities and Environment	86,493	21,160	-	12,347	(9)	(5,216)	114,775
Central Accounts	(137,303)	8,451	(31,215)	66,596	(2,161)	151,165	55,533
Transfers to earmarked reserves	119,629	-	-	-	(119,629)	-	-
Net cost of services	524,880	151,914	(89,606)	143,397	(120,340)	129,457	739,702
Other operating expenditure	-	2,658	5,751	-	-	2,080	10,489
Financing and investment net expenditure	-		-	-	-	157,679	157,679
Taxation and general grant income	(525,061)	(226,222)	-	-	92,206	(289,216)	(948,293)
(Surplus) / deficit on provision of services	(181)	(71,650)	(83,855)	143,397	(28,134)	-	(40,423)

	General Fund	Earmarked	General Fund SubTotal	HRA	Total
Reserve Balance brought forward	31,520	76,185	107,705	18,924	126,629
(Increase) / decrease for the year	(3,760)	119,629	115,869	3,941	119,810
Reserve Balance carried forward	27,760	195,814	223,574	22,865	246,439

7.4 Non-grant income

The following table provides a breakdown of the non-grant income included for each directorate in the reported outturn position shown in the first column of the expenditure and funding analysis (note 7.3) shown above. Further information on government grant income is shown in explanatory note 8 below.

2020/21 other external income	2020/21 internal income	£000s	2021/22 other external income	2021/22 internal income
(29,879)	(40,279)	City Development	(51,094)	(43,709)
(22,849)	(33,352)	Children & Families	(26,135)	(36,005)
(15,197)	(83,543)	Schools	(24,101)	(71,368)
(76,620)	(10,000)	Adults & Health	(96,086)	(8,912)
(15,885)	(159,974)	Resources & Housing	(18,518)	(156,256)
(33,335)	(38,300)	Communities & Environment	(48,515)	(43,994)
(9,224)	(41,338)	Central Accounts	(11,319)	(42,160)
(202,989)	(406,786)		(275,768)	(402,404)
(221,679)	(8,098)	Housing Revenue Account	(221,971)	(8,336)
(424,668)	(414,884)	Total	(497,739)	(410,740)

The majority of the authority's external income is non-contractual in nature, i.e. government grants and local taxation. The figures for Other external income given above exclude these amounts, but do include smaller areas of non-contractual income such as contributions from local health and other public bodies to joint initiatives, developer contributions under planning agreements, court costs and parking fines.

Although contractual income is not the council's primary source of funds, it does play an important part in helping to fund the delivery of services. The most significant element of contractual income that the council receives is its council house rental income, which amounted to £208.3m in 2021/22 (£207.2m in 2020/21). Other significant sources of funding include rentals from other properties and markets, income from services provided to academies and trust schools, income from social care service users, income from sports facilities, venue hire, and the sale of food and drink at council venues. As the table above shows, there have been significant reductions in income for some areas of the council as a result of the temporary closure of facilities during the pandemic. All such income is recognised once the council becomes contractually entitled to receive it (i.e. when the service has been provided or the goods have been transferred to the purchaser).

From 2018/19 onwards, the Code has incorporated IFRS 15 Revenue Recognition, which introduced new rules for the timing of income recognition, primarily affecting more complicated contractual arrangements. The council did not identify any change to the timing of recognition for any of its income streams as a result of this accounting change.

7.5 Subjective analysis of comprehensive income and expenditure

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

2020/21	£000s	*2021/22*	
	Income		
(433,043)	Fees, charges and other service income	(545,823)	
(1,781)	Interest and investment income	(1,919)	
(74,807)	Expected return on pension assets	(83,456)	
(325,231)	Income from council tax	(352,030)	
(96,742)	Non domestic rates income	(139,141)	
(4,802)	Income from investment properties	(4,765)	
(1,425,496)	Government Grants	(1,339,470)	
(2,361,902)	Total Income		(2,466,604)
	Expenditure		
963,570	Employee expenses	969,096	
992,810	Other service expenses	1,033,131	
115,556	Depreciation, amortisation and impairment	82,349	
118,695	Interest payments	115,932	
2,080	Precepts and levies	2,069	
5,751	Payments to Housing Capital Receipts Pool	5,752	
2,658	(Gain) / loss on disposal of non-current assets	(19,400)	
6,589	(Gain) / loss and expenditure on investment proper	450	
113,770	Pension interest costs	127,873	
2,321,479	Total Expenditure		2,317,252
(40,423)	(Surplus)/ deficit		(149,352)

7.6 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 £4.7m (a net increase of £4.0m in 2020/21) 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 90).

7.7 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 the 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 £7m in 2020/21, however no further schools transferred to academies during 2021/22. The table below gives a breakdown of the figures.

2020/21	£000s	*2021/22*	
	Proceeds of disposals		
(47,005)	Receipts from sale of fixed assets	(83,385)	
(288)	Finance lease debtors recognised	-	
-	Less : disposal costs funded from receipts	-	
(47,293)			(83,385)
	Value of fixed assets disposed of		
6,819	Schools transferred to an Academy	-	
43,179	Other fixed assets	64,113	
49,998			64,113
2,705	Total (gain) or loss on disposal of fixed assets		(19,272)

8 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.

2020/21	£000s	2021/22
	General Government Grants	
(28,212)	Revenue Support Grant (RSG)	(28,369)
(53,703)	Private Finance Initiative (PFI) grant	(53,651)
(226,222)	Capital Grants	(276,296)
(233,433)	Non-Ringfenced Government Grants	(131,591)
(541,570)		(489,907)
	Government Grants included in Net cost of services	
(16,546)	City Development	(24,909)
(450,666)	Children & Families - DSG	(469,496)
(9,111)	Children & Families - Other	(12,092)
(67,943)	Schools	(53,364)
(112,819)	Adults & Health	(102,601)
(2,029)	Resources & Housing	(962)
(21,589)	Housing Revenue Account	(21,535)
(183,717)	Communities & Environment - Benefits subsidy	(168,586)
(19,438)	Communities & Environment - Other	(36,411)
(68)	Central Accounts	(65)
(883,926)		(890,021)

9 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 2021/22, the council generated £1,823k of income under such contracts, and incurred costs of £1,350k. The comparative figures for 2020/21 were £1,549k of income and £1,012k of costs.

10 Pensions

An overview of the impact of pensions within the council's accounts is given in Note 3 on pages 24 to 26. 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.

10.1 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 West Yorkshire Pension Fund is part of the Local Government Pension Scheme (LGPS) and is subject to statutory Local Government Pension Scheme Regulations, which specify the benefits earned, the contribution rates for employees, and the framework for calculating employers' contribution rates, which are determined by triennial actuarial valuations. Benefits earned by employees before 31st March 2014 are on a final salary basis, and benefits earned since that date are based on career average earnings.

The fund's assets are allocated across employers on a notional basis, rather than individual assets being allocated to specific employers. The fund holds a significant proportion of its assets in liquid investments and thus does not anticipate any difficulty in being able to realise sufficient assets in the event of a large payment being required in relation to an individual employer’s liabilities. Employers which leave the fund (or their guarantor) would be expected to make an exit payment in circumstances where there is a shortfall in assets against their pension liabilities. In the event that an exiting employer or their guarantor were unable to meet this exit payment, the liability may in some circumstances fall on other employers in the fund.

a WYPF – Actuarial assumptions

The last full actuarial valuation to be completed for the WYPF was carried out as at 31st March 2019. 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 average duration of funded pension liabilities has been calculated as 20.4 years. The following actuarial assumptions were made:

WYPF – actuarial assumptions and other uncertainties

31/03/2021		*31/03/2022*	
	Financial assumptions		
2.7%	Rate of inflation (CPI)	3.0%	(i)
3.95%	Rate of increase in salaries	3.00%	(ii)
2.7%	Rate of increase in pensions	3.0%	(ii)
2.1%	Discount rate	2.7%	(iii)
	Mortality assumptions (years)		
21.9	Longevity at 65 for current male pensioners	21.8	
24.7	Longevity at 65 for current female pensioners	24.6	
22.6	Longevity at 65 for future male pensioners	22.5	
25.8	Longevity at 65 for future female pensioners	25.7	

i Assumptions on inflation feed into the assumptions on future increases in salaries and pensions. Since 2010, the inflation index used to derive salary and statutory pension increases has changed from RPI (Retail Prices Index) to CPI (Consumer Prices Index.

ii Rates of salary and pension increases are linked to inflation assumptions. Higher inflation assumptions would lead to an increase in the value of liabilities on the balance sheet.

iii The discount rate is based on corporate bond yields. A decrease in corporate bond yields will increase the value of liabilities at the balance sheet date, although this would be marginally offset by an increase in the value of assets, which form an element of the fund’s assets.

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. (Changes in the assumption on CPI are not included separately in the table below, as this is a subsidiary assumption which has an impact only via its impact on the assumed increases in salaries and pensions.)

WYPF – sensitivity analysis of actuarial assumptions

31/03/2021 Impact on defined benefit obligation (funded) %	£000s	Change in assumption	31/03/2022 Impact on defined benefit obligation (funded) %	£000s
0.3	17,991	Rate of increase in salaries (increase or decrease by 0.1%)	0.3	17,389
1.8	104,946	Rate of increase in pensions (increase or decrease by 0.1%)	1.8	101,435
2.0	122,936	Discount rate assumption (increase or decrease by 0.1%)	2.0	118,823
3.7	437,771	Mortality assumption (increase or decrease by 1 year)	3.5	405,738

Since 2018/19 the liabilities figure for WYPF has included estimated past service costs for two issues where it is known that the LGPS rules will need to be changed, but where the exact nature of the change is not yet known. The council's actuaries have updated their estimates of the potential costs for 2021/22 for the latest data and the best information available, but there is a potential for the actual scheme rule changes, and therefore the resulting liabilities, to vary from these estimates. In addition since 2019/20, a further estimated liability updated to £11.6m in 2021/22 (£12.0m in 2020/21) has been included in relation to a legal case involving the national Teachers Pension Scheme, which found that male survivors of female spouses were being treated less generously than female survivors of female spouses. A description of these issues is given in explanatory note 3.

b WYPF – assets and liabilities

At 31st March 2022, 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

31/03/2021	£000s	31/03/2022	
(6,025,918)	Estimated present value of liabilities (funded)	(5,796,257)	
(55,836)	Estimated present value of liabilities (unfunded)	(51,314)	
(6,081,754)			(5,847,571)
4,003,206	Fair value of assets		4,339,691
(2,078,548)	Net asset / (liability)		(1,507,880)

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

2020/21 present value of defined benefit obligation	2020/21 plan assets	2020/21 net	£000s	2021/22 present value of defined benefit obligation	2021/22 plan assets	2021/22 net
(4,930,832)	3,272,899	(1,657,933)	1 April	(6,081,754)	4,003,206	(2,078,548)
			Actuarial gains and losses			
(1,031,172)			- change in financial assumptions	452,976		
59,923			- experience gains and losses	(13,058)		
			- change in demographic assumptions			
	698,622		Gain / (loss) on plan assets		304,633	
(971,249)	698,622	(272,627)		439,918	304,633	744,551
			Service expenditure			
(157,706)			Current service cost	(211,086)		
(35,192)			Past Service Cost	(3,503)		
	82,173		Employer contributions		83,572	
(192,898)	82,173	(110,725)		(214,589)	83,572	(131,017)
			Finance gains and losses			
	74,807		Interest income		83,456	
(112,070)			Interest on pension liabilities	(126,322)		
(112,070)	74,807	(37,263)		(126,322)	83,456	(42,866)
			Other movements			
151,813	(151,813)		Benefits paid	161,172	(161,172)	
(28,580)	28,580		Employee contributions	(27,679)	27,679	
2,062	(2,062)		Administration expenses	1,683	(1,683)	
-	-		Net transfers in/out	-	-	
125,295	(125,295)	-		135,176	(135,176)	-
(6,081,754)	4,003,206	(2,078,548)	31 March	(5,847,571)	4,339,691	(1,507,880)

The council's net pensions liability has decreased by £571m since 31st March 2021. Within this net figure, the current value of the pension liabilities reduced by £234m, largely as a result of revisions to the actuarial assumptions for inflation and future increases to salaries and pensions, and a reduction in the discount rate which is used for determining the current value of the future liabilities. The value of pension fund assets increased, partly due to a better than expected performance from the pension fund's assets during the year.

c 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.

31/03/2021		*31/03/2022 quoted*	*31/03/2022 unquoted*	*31/03/2022 total*
79.7%	Equities	67.8%	12.0%	79.8%
8.3%	Government bonds	7.4%	0.0%	7.4%
4.6%	Other bonds	4.8%	0.0%	4.8%
3.8%	Property	1.6%	2.4%	4.0%
2.0%	Cash/liquidity	0.0%	2.9%	2.9%
1.6%	Other	0.0%	1.1%	1.1%

Whilst the majority of the pension fund's assets are quoted in financial markets and therefore have observable prices, it should be noted that this is not the case for property and unquoted equities.

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, which is available from Bradford MDC's website, and the West Yorkshire Pension Fund Report and Accounts, which is available from the West Yorkshire Pension Fund website.

d Expected contributions to the scheme for 2022/23

The council (including maintained schools) expects to make normal employer contributions of approximately £74.5m and strain payments of £8.9m to WYPF in 2022/23. Budgeted unfunded pension payments for 2022/23 are £4.5m.

10.2 Teachers' pensions

Teachers employed by the council are members of the national Teachers' Pension Scheme (England and Wales). 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 10,100 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 2021/22 equate to approximately 0.4% of the total contributions for the year.

The employer's contribution rate for the teachers' pension scheme during 2021/22 was 23.68%. The actual amount payable to the teachers' pension scheme by the council for 2021/22 was £35,630k. The council's contributions for 2022/23 are expected to be £35m.

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

31/03/2021		*31/03/2022*
	Financial assumptions	
2.7%	Rate of inflation (CPI)	3.0%
2.7%	Rate of increase in pensions	3.0%
2.1%	Discount rate	2.7%
	Mortality assumptions (years)	
21.9	Longevity at 65 for current male pensioners	21.8
24.7	Longevity at 65 for current female pensioners	24.6

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

Teachers' discretionary pensions – assets and liabilities

31/03/2021	£000s	31/03/2022
(76,627)	Estimated present value of liabilities	(70,139)

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.

2020/21 defined benefit obligation		£000s	2021/22 defined benefit obligation	
	(77,046)	1 April		(76,627)
		Service expenditure		
6,290		Employer contributions	5,557	
		Past service cost / curtailment cost / settlements	-	
	6,290			5,557
		Finance gains and losses		
(1,700)		Interest on pension liabilities	(1,551)	
	(1,700)			(1,551)
		Actuarial gains and losses		
(5,237)		Change in financial assumptions	2,765	
		Change in demographic assumptions	-	
1,066		Experience gain / (loss)	(283)	
	(4,171)			2,482
	(76,627)	31 March		(70,139)

The council expects to make payments of approximately £6,081k in relation to teachers discretionary pensions in 2022/23.

10.3 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 2021/22 the council made contributions of £188k into the scheme (£198k in 2020/21) at a contribution rate of 14.38%. Contributions for 2022/23 are expected to be £271k.

Details on the pension fund's assets and its investment policies can be found in the NHS Pension Fund Report and Accounts, which are available on the website of the NHS Business Services Authority.

11 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 8).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, two of the schools have transferred to academy status and are 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. Since the contract started three of the schools have transferred to academy status and are therefore no longer included in the council's balance sheet.

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. During 2016/17, the council was approached by investors in the main subcontractor with a request for its permission under the contract for them to sell their shareholdings. Following negotiations the council received £2.78m in return for giving its permission. The terms of the contract itself for the provision of services are unchanged as a result of the change in ownership of the subcontractor.

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 on 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 contract contains an option, exercisable up to year 23 of the contract, for the council to buy out the final 15 year period of commercial operation on payment of compensation for the expected loss of income to the contractor. A further option allows the council to extend the core contract term by 2 years and reduce the commercial operation period by 2 years.

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

£000s	*01/04/2021*	*Acquisitions, lifecycle costs*	*Disposals*	*Reval'ns, depreciation, impairment*	*31/03/2022*
Seven Schools	71,318	665	-	2,900	74,883
Primary Schools	29,597	639	-	(1)	30,235
Combined Secondary Schools	34,021	2,818	-	(783)	36,056
Swarcliffe Housing	-	1,025	-	-	1,025
Street Lighting	56,576	2,150	-	(2,978)	55,748
Building Schools for the Future (1)	67,514	1,407	-	3,263	72,184
Independent Living	21,443	1,147	-	(1,384)	21,206
Building Schools for the Future (2)	-	372	-	(372)	-
New Leaf Leisure Centres	21,921	364	-	575	22,860
Harehills JSC	1,512	34	-	(62)	1,484
Holt Park Wellbeing Centre	7,048	162	-	(190)	7,020
Little London, Beeston & Holbeck Housing	15,745	113	-	947	16,805
Residual Waste Treatment Facility	106,380	-	-	5,160	111,540
	433,075	10,896	-	7,075	451,046

Movement in PFI liabilities

£000s	*01/04/2021*	*New liabilities*	*Amounts repaid*	*31/03/2022*
Seven Schools	20,163	-	(1,822)	18,341
Primary Schools	21,797	-	(1,474)	20,323
Combined Secondary Schools	67,807	-	(2,985)	64,822
Swarcliffe Housing	29,724	-	(859)	28,865
Street Lighting	57,171	-	(3,192)	53,979
Building Schools for the Future (1)	76,816	-	(3,733)	73,083
Independent Living	44,672	-	(2,353)	42,319
Building Schools for the Future (2)	24,535	-	(1,206)	23,329
New Leaf Leisure Centres	20,770	-	(803)	19,967
Harehills JSC	4,004	-	(201)	3,803
Holt Park Wellbeing Centre	13,674	-	(413)	13,261
Little London, Beeston & Holbeck Housing	92,609	-	(6,142)	86,467
Residual Waste - Council's Liability	64,633	-	(4,300)	60,333
Residual Waste - 3rd Party Deferred Income	26,221	-	-	26,221
	564,596	-	(29,483)	535,113

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	Total
Seven Schools	1,390	8,337	8,614			18,341
Primary Schools	1,255	6,857	12,211			20,323
Combined Secondary Schools	3,146	15,189	34,384	12,103		64,822
Swarcliffe	1,166	5,850	11,463	10,386		28,865
Street Lighting	3,482	18,549	31,948			53,979
Building Schools for the Future (1)	4,171	18,689	31,386	18,837		73,083
Independent Living	2,464	7,283	12,620	19,952		42,319
Building Schools for the Future (2)	1,287	6,101	9,843	6,098		23,329
New Leaf Leisure Centres	1,060	4,515	7,497	6,895		19,967
Harehills JSC	212	870	1,507	1,214		3,803
Holt Park Wellbeing Centre	362	1,929	3,570	5,414	1,986	13,261
Little London, Beeston & Holbeck Housing	6,544	27,091	37,459	15,373		86,467
Residual Waste - Council's Liability	3,816	22,357	23,098	8,593	2,469	60,333
Total Liabilities	30,355	143,617	225,600	104,865	4,455	508,892

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*	*Total*
Seven Schools	1,285	3,670	824			5,779
Primary Schools	1,481	4,681	1,788			7,950
Combined Secondary Schools	4,546	15,541	10,028	199		30,314
Swarcliffe	2,300	8,003	6,458	965		17,726
Street Lighting	4,148	13,082	4,621			21,851
Building Schools for the Future (1)	4,533	15,104	10,639	900		31,176
Independent Living	2,982	10,688	9,447	2,627		25,744
Building Schools for the Future (2)	1,369	4,542	3,205	296		9,412
New Leaf Leisure Centres	1,497	5,119	3,985	665		11,266
Harehills JSC	202	689	525	86		1,502
Holt Park Wellbeing Centre	1,008	3,673	3,495	1,714	49	9,939
Little London, Beeston & Holbeck Housing	6,518	20,435	12,928	438		40,319
Residual Waste Treatment Facility	1,888	4,201	5,932	4,496	4,415	20,932
Total	33,757	109,428	73,875	12,386	4,464	233,910

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 period. 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*	*Total*
Seven Schools	2,755	12,633	11,746			27,134
Primary Schools	2,064	8,990	11,577			22,631
Combined Secondary Schools	4,635	19,599	27,537	8,904		60,675
Swarcliffe	4,362	18,883	27,731	27,485		78,461
Street Lighting	6,156	28,179	37,253			71,588
Building Schools for the Future (1)	4,321	18,354	25,586	13,071		61,332
Independent Living	1,497	5,671	8,300	8,082		23,550
Building Schools for the Future (2)	1,090	4,631	6,451	3,418		15,590
New Leaf Leisure Centres	1,096	4,655	6,486	4,556		16,793
Harehills JSC	120	560	1,096	1,161		2,937
Holt Park Wellbeing Centre	770	3,268	4,551	5,133	1,606	15,328
Little London, Beeston & Holbeck Housing	3,740	15,916	22,938	8,007		50,601
Residual Waste Treatment Facility	2,017	4,531	24,542	49,819	43,378	124,287
Total	34,623	145,870	215,794	129,636	44,984	570,907

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

12 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.

12.1 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 2015 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 2021/22 the total available DSG funding including the balance brought forward from 2020/21 was £469.3m. However it was agreed that £1.7m would be carried forward to be recouped in 2022/23, leaving £471.0m available to be allocated in 2021/22.

Calculation of available DSG

2020/21	£000s	*2021/22*
702,740	Final DSG before Academy recoupment	762,877
(251,139)	Academy figure recouped in year	(293,555)
451,601	Total DSG after Academy recoupment	469,322
(3,233)	Brought Forward	-
3,233	Carry forward agreed in advance	1,681
451,601	Total for distribution	471,003

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

Allocation of Schools Budget and Dedicated Schools Grant

2020/21				*2021/22*		
Central schools budget	*Individual schools' budget*	*Total*		*Central schools budget*	*Individual schools' budget*	*Total*
78,875	372,726	451,601	Agreed budgeted distribution	90,648	380,355	471,003
-	(936)	(936)	In year adjustments	-	174	174
78,875	371,790	450,665	Final budgeted distribution	90,648	380,529	471,177
81,108	-	81,108	Actual Central Expenditure	89,551	-	89,551
-	368,326	368,326	Actual ISB deployed to schools	-	377,824	377,824
-		-	Local Authority contribution	-	-	-
(2,233)	3,464	1,231	In year carry forward	1,097	2,705	3,802
(12,481)	9,248	(3,233)	Carry forward agreed in advance			(1,681)
		-	Carry-forward to 2022/23			2,121
		-	DSG unusable reserve at the end of 2020/21			(2,002)
(14,714)	12,712	(2,002)	Net DSG position at the end of 2021/22			119

The £2.1m underspend to be carried forward from 2021/22 will be added to the 2020/21 carry forward, giving a total reserve of £0.1m DSG funding brought forward into 2022/23. Any underspends on the element of DSG funding allocated to schools will be carried forward within schools reserves (see explanatory note 14).

12.2 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 Leeds South & East CCG, Leeds West CCG and Leeds North CCG, which has been in place since 1st April 2006. The pooled budget fund is summarised below:

Joint Commissioning Board for People with Learning Disabilities

2020/21	£000s	*2021/22*
	Funding	
101,194	Leeds City Council	97,666
33,920	Clinical Commissioning Groups	37,078
135,114		134,744
	Expenditure on services provided by	
128,096	Independent sector	127,208
7,018	Leeds City Council	7,536
135,114		134,744

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

2020/21	£000s	*2021/22*	
	Funding		
2,857	Leeds City Council	3,144	
2,945	Clinical Commissioning Group	3,194	
5,802		6,338	
	Expenditure on services provided by		
4,509	Leeds City Council	5,016	
1,210	NHS Leeds	1,247	
5,719		6,263	
83	Balance to carry forward		75

c 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

2020/21	£000s	*2021/22*
	Funding	
41,633	Leeds City Council	10,923
	Leeds South & East Clinical Commissioning Group	
	Leeds West Clinical Commissioning Group	
	Leeds North Clinical Commissioning Group	
58,055	Leeds Clinical Commissioning Group	60,997
99,688		71,920
	Expenditure	
24,065	Social Care and Community Health	26,038
55,099	Social Care	25,368
8,083	Third Sector	8,765
12,441	Acute	11,749
99,688		71,920

12.3 **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

£s		Employement period	Salary, Fees and Allowances	Employers Pension Contribution	Total Remuneration
2020/21					
Chief Executive (Tom Riordan)	i	1 April 2020 to 31 March 2021	185,896	-	185,896
Director of Communities & Environment (James Rogers)	ii	1 April 2020 to 31 March 2021	156,230	24,841	181,071
Director of Resources & Housing (Neil Evans)		1 April 2020 to 31 March 2021	158,249	-	158,249
Director of Adults & Health (Cath Roff)		1 April 2020 to 31 March 2021	159,472	-	159,472
Director of City Development (Martin Farrington)		1 April 2020 to 31 March 2021	159,472	-	159,472
Director of Children and Families (Saleem Tariq)		1 April 2020 to 31 March 2021	148,667	23,638	172,305
Executive Director of Public Health (Victoria Eaton)		1 April 2020 to 31 March 2021	106,592	15,328	121,920
Chief Finance Officer (Victoria Bradshaw)		1 April 2020 to 31 March 2021	113,300	18,015	131,315
City Solicitor (Catherine Witham)		1 April 2020 to 31 March 2021	109,145	17,354	126,499
2021/22					
Chief Executive (Tom Riordan)	i	1 April 2021 to 31 March 2022	185,896	-	185,896
Director of Communities & Environment (James Rogers)	ii	1 April 2021 to 31 March 2022	161,864	25,736	187,600
Director of Resources & Housing (Neil Evans)		1 April 2021 to 31 March 2022	158,806	-	158,806
Director of Adults & Health (Cath Roff)		1 April 2021 to 31 March 2022	161,864	-	161,864
Director of City Development (Martin Farrington)		1 April 2021 to 31 March 2022	161,864	-	161,864
Director of Children and Families (Saleem Tariq)		1 April 2021 to 31 March 2022	155,284	24,690	179,974
Director of Public Health (Victoria Eaton)		1 April 2021 to 31 March 2022	114,041	16,399	130,440
Chief Finance Officer (Victoria Bradshaw)		1 April 2021 to 31 March 2022	112,826	18,290	131,116
City Solicitor (Catherine Witham)		1 April 2021 to 31 March 2022	110,782	17,614	128,396

i In addition to his remuneration disclosed above, during 2021/22 the Chief Executive received £19.3k in relation to his role as Returning Officer during local elections. No elections were held during 2020/21. The remuneration disclosed above for the Chief Executive reflects a 5% salary reduction that he has foregone in comparison to the full salary entitlement for the post.

ii In addition to his remuneration disclosed above, the Director of Communities & Environment received £5.5k in 2021/22 in relation to his role as Deputy Returning Officer during local elections. No elections were held during 2020/21.

General notes

- No bonuses were paid during 2020/21 and 2021/22.
- No expense allowances were paid during 2020/21 and 2021/22.
- No additional benefits, either in cash or otherwise, were paid during 2020/21 and 2021/22.
- 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

2020/21 Teachers	2020/21 Other Staff	2020/21 Total	Number of employees	2021/22 Teachers	2021/22 Other Staff	2021/22 Total
97	174	271	£50,000 to £54,999	101	118	219
61	171	232	£55,000 to £59,999	67	130	197
37	59	96	£60,000 to £64,999	37	39	76
38	66	104	£65,000 to £69,999	31	38	69
30	30	60	£70,000 to £74,999	36	21	57
12	34	46	£75,000 to £79,999	22	29	51
10	17	27	£80,000 to £84,999	8	10	18
3	11	14	£85,000 to £89,999	3	3	6
2	11	13	£90,000 to £94,999	4	7	11
6	6	12	£95,000 to £99,999	3	6	9
1	7	8	£100,000 to £104,999	2	2	4
2	7	9	£105,000 to £109,999	-	2	2
1	2	3	£110,000 to £114,999	2	5	7
-	-	-	£115,000 to £119,999	1	1	2
1	1	2	£120,000 to £124,999	1	1	2
2	-	2	£125,000 to £159,999	2	1	3
-	-	-	£160,000 to £164,999			
-	-	-	£165,000 to £214,999			
-	-	-	£215,000 to £219,999			
303	596	899		320	413	733

During 2021/22 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 2021/22, 1 teacher and 8 other staff have been added to this disclosure due to these one off payments. The equivalent figures for 2020/21 were 3 teachers and 178 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 2021/22 the council incurred £2.1m of pension strain costs, which are estimated to have resulted in an £7.8m salary saving over 5 years. The comparable figures for 2020/21 were £26.9m of pension strain costs, resulting in a £105.4m salary saving over 5 years. For 2021/22, the council has been able to fund part of the pension strain costs with capital receipts under flexibility allowed by the government for funding revenue costs of transformational change.

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

2020/21 Number of packages	2020/21 Total cost £		2021/22 Number of packages	2021/22 Total cost £
		Compulsory redundancies		
15	211,050	Up to £149,999	18	97,484
15	211,050		18	97,484
		Other leavers		
647	6,904,597	Up to £19,999	93	777,781
188	4,855,529	£20,000 to £39,999	13	371,690
19	897,591	£40,000 to £99,999	3	173,348
-	-	£100,000 to £149,999	-	-
854	12,657,717		109	1,322,819

12.4 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, they 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.

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.

In respect of the 2021/22 financial year a number of council members had a controlling interest in a company, partnership, trust or other entity. The controlling interest was by way of ownership, or as a director, trustee, governor or partner of an organisation. These entities included some voluntary organisations which would be considered as related parties of the council even without the involvement of specific members, and details of transactions with such organisations are included in section c below. For the remaining organisations which are considered to be related parties of the council due to the involvement of council members, transactions amounted to £8,428k of expenditure during the year.

b Senior officers

Officers falling within the definition of related parties for Leeds City Council are its Corporate Leadership Team and other statutory officers, comprising the Chief Executive, departmental directors, the Director of Public Health, the City Solicitor and the Chief Finance Officer. 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.

In respect of the 2021/22 financial year a number of senior officers declared interests which give rise to related parties, with associated expenditure amounting to £18k.

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 the West Yorkshire Combined Authority (WYCA), who are responsible for public transport and economic development in the region.

Related party transactions with National Health Service bodies amounted to income to the council of £43.5m in 2021/22 (£35.6m in 2020/21), including £12.9m accrued at 31st March 2022. This is mainly made up of the increased CCGs contribution for social care expenditure. An additional £2.9m is held as receipts in advance at 31st March 2022. 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 £8.4m in 2020/21 (£7.5m in 2019/20), including £8.4m accrued at 31st March 2022. 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 (the West Yorkshire Combined Authority) amounted to expenditure by the council of £34.8m in 2021/22 (£33.1m in 2020/21). £33.1m 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 £1.1m accrued at 31st

March 2022. The council borrowed a total of £5.7m from WYCA during the year through a mixture of bonds and temporary fixed loans.

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 9)
- West Yorkshire Pension Fund (see explanatory note 3)
- Pooled services (see explanatory note 12.2)
- Government grants (see explanatory note 8)

Agency payments by way of grants made to voluntary organisations for undertaking certain statutory duties on behalf of the council amounted to £31.3m in 2021/22 (£31.2m in 2020/21).

12.5 Audit fees

The Code requires a summary of the fees payable to the council's appointed auditors in relation to the financial year. The appointed auditor is no longer required to certify any grant claims as part of their role, and has not been contracted for any work of this nature during the year. The following table breaks down fees payable to the appointed auditors by the nature of the work done.

Audit fees

2020/21	£000s	*2021/22*		*notes*
276	General audit	282		
-	Certification of grant claims and returns	-		
276			282	
	Other services		-	
276			282	

12.6 Operating leases in

The authority leases in a small number of buildings under operating leases. One of these leases relating to the Merrion House office block is material, and is leased from the Merrion House LLP in which the council has a 50% share (please see note 15.4). The future lease rentals to which the council is committed are shown in the table below. Rent for the remainder of the Merrion House lease has been paid in advance, and thus figures for Merrion House shown in the table relate to amounts to be amortised rather than amounts payable. In year rent paid from operating leases in amounted to £336k, and a further £2,243k was amortised to revenue in respect of rentals paid in advance for Merrion House.

£000s	*Payable in 1 Year*	*Payable in 2-5 Years*	*Payable in > 5 Years*	*Total*
Merrion House	2,243	8,974	35,599	46,816
Other	336	1,073	4,316	5,725
	2,579	10,047	39,915	52,541

12.7 Operating leases out

The authority leases out a wide variety of its assets under operating leases. These leases cover a wide variety of arrangements and service provision. Future lease rentals due to the council are shown in the table below. In year rent received from operating leases out amounted to £11,013k.

£000s	*Receivable in 1 Year*	*Receivable in 2-5 Years*	*Receivable in > 5 Years*	*Total*
Commercial	4,525	18,051	20,523	43,099
Car park	1,657	6,630	33,462	41,749
Entertainment venue	1,669	6,677	18,361	26,707
Other	2,757	9,815	23,820	36,392
	10,608	41,173	96,166	147,947

12.8 Finance leases in

The council leases in several properties for a number of different service reasons. The most material of these relate to the north/south stand at Headingley Stadium and a TV and film studio on Whitehall Road, both of which have commenced in 2019/20. Both of these relate to sub-lease arrangements whereby the council leases the properties in from one party and then leases the properties out again to another party for a similar duration (see note 12.9 for further information). Financing costs of £766k have been included in the Comprehensive Income and Expenditure Statement and the principal element of £786k used to write down the deferred liability on the balance sheet. These assets are classified as other operation land and buildings on the balance sheet.

All assets acquired under a finance lease are carried in the balance sheet as property, plant and equipment. Details of the carrying values of these assets are given in note 15.1b.

At 31st March 2022 the council was committed to making minimum payments under these agreements of £54.9m made up of the following amounts:

Breakdown of minimum lease payments

31/03/2021	£000s	*31/03/2022*
	Finance Lease Liability	
685	Current	834
41,867	Non Current	41,033
13,827	Finance costs payable in future years	13,061
56,379	Minimum lease payments	54,928

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

31/03/2021	£000s	*31/03/2022*
1,451	Payable not later than one year	1,590
6,419	Payable later than one year and not later than 5 years	6,464
48,509	Payable later than 5 years	46,874
56,379		54,928

The present value of these minimum lease payments is as follows:

31/03/2021	£000s	31/03/2022
1,389	Not later than one year	1,475
5,737	Later than one year and not later than 5 years	5,636
33,817	Later than 5 years	32,443
40,943		39,554

12.9 Finance leases out

The council has disposed of a number of commercial properties by way of finance leases. The most material of these are the north/south stand at Headingley Stadium and a TV and film studio on Whitehall Road, both of which it leases in over similar lease terms to its leases out (please see note 12.8 above and note 15.4 on long term debtors for further information). The council has a gross investment in the lease, made up of the minimum lease payments that will be received over the remaining term of the lease and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise the settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the council in future years whilst the debtor remains outstanding. The gross investment is made up as follows:

31/03/2021	£000s	31/03/2022
	Finance Lease Debtor	
452	Current	477
43,571	Non Current	43,093
20,740	Unearned finance income	19,852
110	Unguaranteed residual value	110
64,873	Gross investment in the lease	63,532

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

31/03/2021	£000s	31/03/2022
1,340	Receivable not later than one year	1,377
6,488	Receivable later than one year and not later than 5 ye	6,933
56,934	Receivable later than 5 years	55,112
64,762	Minimum lease payments	63,422

The PV of the minimum lease payment due is as follows:

31/03/2021	£000s	31/03/2022
1,247	Receivable not later than one year	1,257
5,590	Receivable between one year and 5 years	5,787
34,514	Receivable later than 5 years	33,061
41,351	Minimum lease payments	40,105

The gross investment in the lease will be received over the following periods:

31/03/2021	£000s	31/03/2022
1,340	Receivable not later than one year	1,377
6,488	Receivable later than one year and not later than 5 ye	6,933
57,045	Receivable later than 5 years	55,222
64,873	Minimum lease payments	63,532

12.10 Members' Allowances

The following table shows the value of allowances paid to elected Members under the Local Authorities (Members' Allowances) (England) Regulations 2003 :

2020/21	£000s	2021/22
1,571	Basic Allowance	1,601
714	Special Responsibility Allowance	740
2,285		2,341

13 Movements in reserves

The council's reserves are shown on its balance sheet as 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.

13.1 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.

2020/21	£000s	2021/22	
	Gains / (losses) on Capital accounting balances		
64,194	Surplus / (deficit) on revaluation of long term assets	72,060	
822	Surplus / (deficit) on revaluation of financial assets	2,089	
65,016			74,149
	Gains / (losses) on Statutory revenue reserves		
(276,798)	Actuarial gains / (losses) on pension fund		747,033
(211,782)	Total of other recognised gains and losses		821,182

13.2 Statutory adjustments between the accounting basis and the funding basis

The Comprehensive Income and Expenditure Statement 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.

2020/21 Total	£000s	2021/22 Total		notes
	Transfers to/(from) the Usable Capital Receipts Reserve			
47,277	Net gain / (loss) on sale of fixed assets - capital receipts	83,827		
(5,751)	Transfer to I&E to fund payment of HRA pooled receipts	(5,752)		
41,526		78,075		
	Transfers to/(from) the Housing Major Repairs Reserve			
19,451	Excess of depreciation charged to HRA over Major Repairs Allowance	31,262		
	Transfers to/(from) the Capital Grants Unapplied account			
226,221	Capital grants received	276,297		
287,198	Total transfers to / (from) usable capital reserves		385,634	
	Transfers to/(from) General Fund and HRA reserves to Statutory revenue			i
(143,398)	Transfer to / (from) the pensions reserve		(169,877)	
2,380	Transfer to / (from) the financial instruments adjustment account		2,075	
(92,206)	Transfer to / (from) the collection fund adjustment account		67,033	
(1,669)	Transfer to / (from) the accumulated absences account		127	
(234,893)	Total transfers to / (from) statutory revenue reserves		(100,642)	
	Transfers to/(from) General Fund and HRA reserves to Capital accounting			
(89,572)	Depreciation and impairment of fixed assets (excl depr'n on HRA assets)		(49,432)	
(29,866)	Capital expenditure defined under statute		(46,252)	
-	Grants and contributions for capital expenditure defined under statute		-	
(50,147)	Net gain / (loss) on sale of fixed assets - assets written out		(64,611)	
-	Discount granted on repayment of capital long term debtor		-	
119	Deferral of capital receipts due		35	
31,215	Statutory provision for repayment of debt		24,782	
219	Capital expenditure funded from revenue		1,067	
94	Donated or exchanged assets received		-	
-	HRA set aside to redeem debt		-	
6,246	Other statutory items within the HRA		7,001	
(131,692)	Total transfers to / (from) capital accounting balances		(127,410)	
(79,387)	Net additional amounts to be debited/(credited) to General Fund and HRA		157,582	

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 22.1 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 22.3).
- Liabilities relating to untaken leave entitlements carried forward by staff are transferred to the Accumulated Absences Account (please see explanatory note 22.2).

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

H7 Housing Major Repairs Reserve

20.6 Capital grants unapplied account

20.5 Usable capital receipts reserve

20.2 Capital adjustment account

13.3 Statutory capital adjustments

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

2020/21	£000s	*2021/22*	*notes*
32,476	Transfer to Housing Major Repairs Reserve - HRA depreciation	33,075	i
807	Transfers to Usable capital receipts reserve - long term capital debtors received and capital investments sold	810	ii
33,283		33,885	

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.

13.4 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 20.2) 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.

2020/21	£000s	*2021/22*	*notes*
40,712	Transfer from Usable Capital Receipts Reserve	64,922	20.5
47,581	Transfer from the Major Repairs Reserve	66,811	H6
239,490	Transfer from Capital Grants Unapplied account	250,924	20.6
327,783		382,657	

14 Earmarked Revenue Reserves

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

Earmarked revenue reserves

£000s	*31/03/2021*	*net movements*	*31/03/2022*	*notes*
Schools reserves	31,217	3,609	34,826	a
Other education reserves	3,196	3,111	6,307	b
Total schools reserves	34,413	6,720	41,133	
Health and Social Care reserves	21,630	14,483	36,113	c
Covid pressures reserve	-	3,455	3,455	d
Other government grants in advance	9,497	(3,133)	6,364	e
S31 Grants Business Rates reserve	76,642	(42,303)	34,339	f
Strategic Contingency reserve	23,584	13,891	37,475	g
Tax Income Guarantee (TIG) reserve	11,845	(8,608)	3,237	h
Capital reserve	1,971	483	2,454	i
Insurance reserve	5,988	852	6,840	j
Energy Contingency Reserve	-	1,071	1,071	k
Other reserves	10,244	4,036	14,280	l
Total earmarked revenue reserves	195,814	(9,053)	186,761	

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 £3.6m in 2021/22. The balance of £34.8m shown above partly reflects borrowing from school reserves to fund initiatives on safeguarding and learning, the development costs of PFI and BSF schemes, and schools VER costs. At the close of 2021/22, net borrowing from schools reserves amounted to £2.4m. Thus the actual reserves available to schools are £37.0m, an increase of £3.6m in comparison to 31st March 2021. 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 Other Education reserves

Other Education reserves include reserves for extended schools activity, and the Dedicated Schools grant 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. This balance also includes the reserves held by Area Inclusion Partnerships, Clusters of schools and Children's centres.

The Dedicated Schools Grant (DSG) is made up of four blocks – the Schools Block, High Needs Block, Early Years Block and the Central Schools Services Block. Any in year net surplus or deficit is carried forward to the schools budget in the following year The reserve returned to a small surplus position of £0.1m at the end of 2021/22, reversing deficits from previous years. Leeds is still subject to a cap on gains for High Needs Block funding, and in 2021/22 this equated to £3.9m.

c Health and Social Care reserves

Funds received from health partners and government grants have been set aside in earmarked reserves. The purpose of these reserves is to help work towards an integrated health and social care system, to improve workflows and client-flow through the health and social care system and support the safeguarding of vulnerable adults. Any unspent balances of the ringfenced Public Health grant are also included within these figures.

d Covid pressures reserve

The council has established a reserve to fund potential ongoing pressures arising from the covid pandemic.

e Other 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 reserves to hold such grant income separately until the expenditure which it is to fund occurs.

f S31 Business Rates reserve

S31 NNDR relief grants relating to new reliefs which were awarded to ratepayers for 2021/22 have been carried forward in a reserve, to be utilised in 2022/23 when the business rates precept will be reduced as a result of the reliefs.

g Strategic Contingency Reserve

The council has increased the level of its strategic contingency reserve by £13.9m during the year. This reserve is earmarked to fund future unforeseen budget pressures and to help ensure that the Council is more financially resilient.

h Tax Income Guarantee (TIG) reserve

In 2020/21 the council received grant funding by way of an income guarantee to compensate for lost council tax and business rates as a result of the Covid-19 pandemic. This funding is to be carried forward and utilised to offset deficits over the next three financial years.

i 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.

j Insurance reserve

The council maintains an insurance reserve, currently £6.8m, to meet the costs of future insurance claims. Details of the council's insurance provision to cover the cost of claims already received can be found in Explanatory note 4.

k Energy contingency reserve

The council has established an energy contingency reserve to help to fund future rises in energy costs.

l Other reserves

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

- £1.5m of funding allocated by the regional Business Rates Pool to fund specific projects.
- A £1.7m homelessness prevention fund
- A £0.7m reserve to support the delivery of a refuse collection route review and the developing waste strategy.

- A £2.8m invest to save reserve, to enable the development of projects which will generate future revenue savings
- A ring-fenced reserve for the taxi and private hire licensing service.

15 Long Term Assets

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

15.1 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 tables show 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 2021/22

Property plant and equipment £000s	*Council dwellings*	*Other land & buildings*	*Infrastructure*	*Vehicles, plant, eqpt*	*Community assets*	*Assets under construction*	*Total fixed assets*
Cost or valuation	2,212,445	2,719,996	1,502,560	368,511	72,078	54,144	6,929,734
Accumulated depreciation and impairment	(1,542)	(119,815)	(458,879)	(294,097)	(14,076)	-	(888,409)
Balance sheet value as at 1 April 2021	2,210,903	2,600,181	1,043,681	74,414	58,002	54,144	6,041,325
Depreciation	(30,421)	(29,503)	(48,668)	(24,002)	(1,051)	-	(133,645)
Additions	93,682	96,524	195,131	17,473	2,471	44,223	449,504
Donations							-
Impairments (charged to cost of services)	(93)	(3,512)	-	-	-	-	(3,605)
Impairments (charged to revaluation reserve)	(31)	(238)	-	-	-	-	(269)
Revaluations (charged to cost of services)	74,869	(19,816)	-	-	-	-	55,053
Revaluations (credited to revaluation reserve)	61,248	9,337	-	-	-	-	70,585
Disposals	(1,619)	(11,500)	-	-	-	-	(13,119)
Changes in classification	(26,920)	38,234	-	-	-	(38,083)	(26,769)
Balance sheet value as at 31 March 2022	2,381,618	2,679,707	1,190,144	67,885	59,422	60,284	6,439,060
Comprising:							
Cost or valuation	2,394,618	2,802,103	1,697,691	385,984	74,549	60,284	7,415,229
Accumulated depreciation and impairment	(13,000)	(122,396)	(507,547)	(318,099)	(15,127)	-	(976,169)

Balance sheet movements 2020/21

Property plant and equipment £000s	*Council dwellings*	*Other land & buildings*	*Infrastructure*	*Vehicles, plant, eqpt*	*Community assets*	*Assets under construction*	*Total fixed assets*
Cost or valuation	2,203,326	2,614,969	1,323,893	350,420	70,658	35,966	6,599,232
Accumulated depreciation and impairment	(2,312)	(117,932)	(416,192)	(269,854)	(13,050)	-	(819,340)
Balance sheet value as at 1 April 2020	2,201,014	2,497,037	907,701	80,566	57,608	35,966	5,779,892
Depreciation	(29,718)	(28,529)	(42,687)	(24,243)	(1,026)	-	(126,203)
Additions	69,118	57,643	178,604	18,137	1,423	45,793	370,718
Donations	-	-	-	-	-	-	-
Impairments (charged to cost of services)	(507)	(1,219)	-	-	-	-	(1,726)
Impairments (charged to revaluation reserve)	(169)	(438)	-	-	-	-	(607)
Revaluations (charged to cost of services)	(20,604)	32,419	-	-	-	-	11,815
Revaluations (credited to revaluation reserve)	11,196	48,655	-	-	-	-	59,851
Disposals	(1,033)	(21,613)	(2,401)	(46)	-	-	(25,093)
Changes in classification	(18,394)	16,226	2,464	-	(3)	(27,615)	(27,322)
Balance sheet value as at 31 March 2021	2,210,903	2,600,181	1,043,681	74,414	58,002	54,144	6,041,325
Comprising:							
Cost or valuation	2,212,445	2,719,996	1,502,560	368,511	72,078	54,144	6,929,734
Accumulated depreciation and impairment	(1,542)	(119,815)	(458,879)	(294,097)	(14,076)	-	(888,409)

b Nature of asset holding

This table shows whether assets recognised on the balance sheet at 31st March 2021 are owned by the council, leased, or part of a PFI arrangement. Further details of PFI contracts can be found in explanatory note 11.

Nature of asset holding

Property plant and equipment £000s	*Council dwellings*	*Other land & buildings*	*Infrastructure*	*Vehicles, plant, eqpt*	*Community assets*	*Assets under construction*	*Total fixed assets*
Owned	2,365,796	2,293,807	1,134,396	67,885	55,850	60,284	5,978,018
Finance Lease		3,263			3,572		6,835
PFI	15,822	382,637	55,748				454,207
31 March 2022	2,381,618	2,679,707	1,190,144	67,885	59,422	60,284	6,439,060

The following table provides the same breakdown for the previous financial year :

Property plant and equipment £000s	*Council dwellings*	*Other land & buildings*	*Infrastructure*	*Vehicles, plant, eqpt*	*Community assets*	*Assets under construction*	*Total fixed assets*
Owned	2,195,158	2,236,199	987,105	74,414	54,429	54,144	5,601,449
Finance Lease		3,230			3,573		6,803
PFI	15,745	360,752	56,576				433,073
31 March 2021	2,210,903	2,600,181	1,043,681	74,414	58,002	54,144	6,041,325

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 18.

Valuation periods

Property plant and equipment £000s	*Council dwellings*	*Other land and buildings*	*Infrastructure*	*Vehicles, plant, eqpt*	*Community assets*	*Assets under construction*	*Total operational*
Valued at historical cost			1,190,144	67,885	59,422	60,284	1,377,735
Valued at current value in –							
2016/17		1,581					1,581
2017/18		7,836					7,836
2018/19	134	19,759					19,893
2019/20	3,141	138,624					141,765
2020/21	91	93,775					93,866
2021/22	2,378,252	2,418,132					4,796,384
	2,381,618	2,679,707	1,190,144	67,885	59,422	60,284	6,439,060

The following table gives the equivalent breakdown for the previous financial year :

Property plant and equipment £000s	*Council dwellings*	*Other land and buildings*	*Infrastructure*	*Vehicles, plant, eqpt*	*Community assets*	*Assets under construction*	*Total operational*
Valued at historical cost			1,043,681	74,414	58,002	54,144	1,230,241
Valued at current value in –							
2016/17	354	51,498	-	-	-	-	51,852
2017/18	-	8,951	-	-	-	-	8,951
2018/19	136	26,663	-	-	-	-	26,799
2019/20	3,331	206,483	-	-	-	-	209,814
2020/21	2,207,082	2,306,586	-	-	-	-	4,513,668
	2,210,903	2,600,181	1,043,681	74,414	58,002	54,144	6,041,325

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.

The majority of asset valuations were supervised by the council's Head of Property Services, who is a Member of the Royal Institution of Chartered Surveyors. However some operational properties and investment properties were valued by DVS (District Valuer Services, part of the government's Valuation Office Agency), and the council's PFI Recycling and Energy Recovery Facility (RERF) was valued by two independent specialist external valuation companies on the basis of its complex and specialised nature.

15.2 Investment Property

Investment properties are those that are held solely to earn rentals and/or for capital appreciation. The classification does not include rental generating properties where there is a service delivery reason for holding the property, or those properties which are expected to be disposed of in less than a year, which are included within the Assets held for sale line in the balance sheet.

Investment properties are not depreciated but are reviewed annually for any changes in value. All gains and losses on revaluation are shown in the Gain or loss on investment properties line in the Comprehensive Income and Expenditure Statement. Rental income earned from investment properties amounted to £4,765k in the year. Direct operating expenses amounted to £286k.

The following table shows a breakdown of the carrying value of investment properties on the balance sheet, and the movements in the carrying value during the year.

Investment Properties

31/03/2021	*£000*	*31/03/2022*
108,868	Opening balance sheet value	101,348
12	Additions	13
(5,838)	Revaluations (charged to gain or loss on investment properties)	(164)
(1,675)	Disposals	(17,842)
(19)	Amortisation	(19)
-	Changes in classification	-
101,348	Closing balance sheet value	83,336

15.3 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, of which Kirkstall Abbey is held by the council under a deed of trust. 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 most 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. The Venetian Towers and Engine House were recently transferred to the council at no cost, and so their carrying value reflects the cost of restoration works.

The majority 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. The policy of the council's museums and galleries service is to individually value any item in excess of £1m. These include paintings and historic items of furniture, silverware and pottery. 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 31st March 2022.

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

£000s	*Historic buildings held at cost*	*Artworks and museum exhibits held at cost*	*Total assets held at cost*	*Artworks and museum exhibits held at valuation*	*Total heritage assets*
As at 1 April 2021	7,167	6,258	13,426	115,850	129,276
Acquisitions and enhancements	256	-	256	-	256
Donations	-	-	-	-	-
Revaluations	-	-	-	1,750	1,750
As at 31 March 2022	7,423	6,258	13,682	117,600	131,282

The equivalent movements in value for 2020/21 are shown below :

£000s	*Historic buildings held at cost*	*Artworks and museum exhibits held at cost*	*Total assets held at cost*	*Artworks and museum exhibits held at valuation*	*Total heritage assets*
As at 1 April 2020	6,664	6,236	12,901	110,900	123,801
Acquisitions and enhancements	503	22	525		525
Donations					-
Revaluations				4,950	4,950
As at 31 March 2021	7,167	6,258	13,426	115,850	129,276

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 most recent assessment for insurance purposes was for 2019/20, when the collection was insured for a total value of £172.1m, meaning that the lesser valued items would have been insured for a collective value in the region of £50m. Whilst this figure does not represent a valuation of the collection, it does provide an indication of its scale. 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 most recent 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 60,000 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 and Kirkgate Market (both 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.

15.4 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

31/03/2021	£000s	*31/03/2022*	*notes*
46,874	Operating lease prepayment	44,630	i
7,888	Deferred developer contributions	7,518	
8,663	Loans made	8,056	
44,014	Amounts due under finance leases	43,567	ii
4,851	Other debtors	2,343	iii
112,290		106,114	

i During 2018/19 the council paid an initial lease premium which relates to the rental for a 25 year operating lease. This will be amortised over the remaining life of the lease, and the figure included in long term debtors above relates to the years from 2023/24 and onwards.

ii During 2019/20, the council entered into two leasing agreements in order to facilitate developments within the city. In relation to the new North/South stand at Headingley stadium, the council has leased in the new stand from the developer and leased it out to companies owned by the two resident sports clubs. Further, in order to encourage the development of creative industries, the council has leased in a building which it has subleased out for conversion to a TV and film studio. Total finance lease debtors totalling £43.5m were recognised under these arrangements, and the long term element outstanding at 31st March 2022 is £42,292k (£42,737k at 31st March 2021). Details of the finance lease liabilities for the acquisition of these properties can be found in Explanatory note 19.1.

iii Other debtors include mortgages issued on Right to Buy council house disposals, deferred income due from social care clients, and amounts owing from other local authorities arising from the past winding up of various West Yorkshire joint committees.

15.5 Long term investments

The council has the following long term investments :

31/03/2021	£000s	*31/03/2022*		*notes*
9,218	Merrion House LLP		11,137	i
5,699	Leeds City Region Revolving Investment Fund	5,777		
1,134	Assisted Homebuy Scheme	1,152		
6,833			6,929	
16,051			18,066	

i The council has a 50% shareholding in Merrion House LLP, a partnership established with the Town Centre Securities group of companies to enable the redevelopment of Merrion House, an office building which the council now leases from the LLP. The sole business of Merrion House LLP is to own and operate the Merrion House building. The fair value of the council’s investment in the partnership for 2021/22 has been determined on the basis of its most recent audited accounts and subsequent management information, and therefore falls within Level 2 of the fair value hierarchy.

15.6 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.

The council has no contingent assets to disclose for 2021/22.

16 Current assets

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

16.1 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 analysis below shows the amounts owed to the council which had not been received at 31st March 2022.

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 balance sheet. An analysis of this impairment provision for bad and doubtful debts is included below.

Figures for debtors include both financial assets and non-financial assets. Non-financial assets include amounts due from the government, which have not been impaired. The council's other principal non-financial asset debtor balances are unpaid council tax and business rates, court fees in relation to recovery action for such unpaid debtors, overpaid housing benefits, and car parking fines. All such groups of debtors have been impaired on a collective basis.

31/03/2021	£000s	31/03/2022	
	Government		
27,534	HM Revenue and Customs	27,580	
112,540	Department of Levelling up, Housing and Communities	25,899	
10,344	Other departments	20,081	
150,418			73,560
	Taxpayers		
44,772	Council Tax	51,815	
14,406	Business rates	10,872	
59,178			62,687
	Group entities		
34	Associates and subsidiaries		95
	Public sector organisations		
78,725	Local authorities and other public bodies		46,922
	Other		
13,549	Housing rents	15,887	
89,650	Other - Sundry Debtors	94,156	
20,860	Other - Payments in Advance	20,328	
124,059			130,371
412,414			313,635
	Impairment provisions for bad and doubtful debts		
(33,883)	Taxpayers	(42,411)	
(7,295)	Housing rents	(6,951)	
(19,883)	Other	(20,914)	
(61,061)			(70,276)
351,353			243,359

The £94.2m of sundry debtors at the year-end represents income due to be received from routine fees and charges and from overpaid housing benefits.

16.2 Asset 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 the carrying value before it was classified as held for sale (adjusted for any depreciation, amortisation or revaluations that would have been recognised had it not been classified as held for sale) and its recoverable amount.

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

31/03/2021	*£000s*	*31/03/2022*
68,040	1 April	72,132
70	Additions	-
(70)	Revaluations	-
(23,229)	Disposals	(33,152)
27,321	Changes in classification	26,769
72,132	31 March	65,749

16.3 **Cash and cash equivalents**

The council held the following balances for cash and cash equivalents at the year-end :

31/03/2021	£000s	*31/03/2022*
1,958	Cash at bank and in hand	2,134
-	Cash overdrawn	-
42,218	Cash equivalents	63,388
44,176		65,522

17 Current liabilities

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

17.1 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 2022.

31/03/2021	£000s	31/03/2022	
	Government		
16,300	HM Revenue and Customs	20,816	
82,369	Department of Levelling up, Housing and Communities	85,937	
12,005	Other departments	12,872	
110,674			119,625
	Public sector organisations		
34,847	Local authorities and other public bodies		23,765
	Taxpayers		
6,806	Council Tax	5,403	
4,145	Business Rates	4,338	
10,951			9,741
	Other		
4,803	Housing rents	4,894	
127,028	Sundry creditors	135,091	
131,831			139,985
288,303			293,116
67,406	Receipts in advance	56,851	
67,406			56,851
355,709			349,967

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.

18 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).

18.1 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 2022 is included within the carrying value of the relevant financial instrument, rather than within debtors and creditors. All of the assets classed as held at fair value through other comprehensive income are equity assets which the council has designated into this classification, which would otherwise have been assets held at fair value through profit and loss.

Carrying values

31/03/2021	£000s	31/03/2022	
	Financial assets		
	Held at Amortised cost		
44,176	Cash and cash equivalents	65,522	
2	Investments	65,038	
131,874	Debtors	141,491	
-	Long term investments	-	
65,416	Long term debtors	61,484	
	Held at Fair Value through Other Comprehensive Income		
16,051	Long term investments	18,066	
257,519			351,601
	Financial liabilities		
	Held at Amortised cost		
(2,203,434)	Long term borrowing	(2,256,072)	
(182,147)	Creditors	(205,648)	
(110,764)	Borrowing repayable within one year	(57,935)	
(585,242)	Deferred liabilities	(554,863)	
(3,081,587)			(3,074,518)

18.2 **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 Statement.

Recognised gains and losses

31/03/2021	£000s	31/03/2022	
	Recognised as income and expenditure on provision of services		
	Financial assets		
15	Gains/(losses) on disposal of assets held at fair value	27	
1,708	Interest and dividends receivable	1,919	
(4,890)	Net movement in impairment of assets held at amortisd cost	(1,596)	
32	Gains/(losses) on disposal of assets held at amortised cost		
	Financial liabilities		
(118,973)	Interest payable	(116,250)	
(122,108)			(115,900)
	Recognised in Other comprehensive income and expenditure		
	Financial assets		
835	Unrealised gains/(losses) on assets held at fair value	2,126	
-	Unrealised gains/(losses) on assets held at amortised cost	-	
(13)	Disposal of assets held at fair value	(37)	
822			2,089
(121,286)	Total recognised gain / (loss)		(113,811)

18.3 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

31/03/2021		£000s	*31/03/2022*	
Carrying value	*Fair value*		*Carrying value*	*Fair value*
		Financial Assets		
		Loans and receivables		
44,014	44,014	Long term debtors - finance leases	43,567	43,567
21,402	24,835	Long term debtors - other	17,917	
-	-	Long term investments	-	-
65,416	68,849		61,484	43,567
		Financial Liabilities		
		Financial liabilities at amortised cost		
(2,203,434)	(2,953,249)	Long term borrowing	(2,256,072)	(2,707,733)
(538,375)	(832,994)	Deferred liabilities - PFI schemes	(508,892)	(725,760)
(41,765)	(41,765)	Deferred liabilities - finance leases	(41,073)	(41,073)
(5,102)	(8,124)	Deferred liabilities - other	(4,898)	(7,416)
(2,788,676)	(3,836,132)		(2,810,935)	(3,481,982)

The council has determined that for 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 2022. The figures for long term debtors include the council's portfolios of right to buy housing mortgages 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 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 and of PFI liabilities has been estimated using PWLB certainty rates for new borrowing.

18.4 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 Code requires that no impairment allowance is recognised for deposits with the government or with other local authorities. The council's remaining financial assets held for treasury management purposes have been reviewed for impairment, using available market data on default rates for similar instruments. As a result, the council has concluded that the level of impairment allowance required would be immaterial and so no impairment allowance has been recognised. 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. The loans and investments have been subject to an impairment review to determine the expected credit losses, which are recognised in the carrying value of the assets where material. Historically, the council has not experienced any defaults on its service loans and investments. However the council continues to closely monitor these loans and investments in terms of both recovery of the debts and the ongoing delivery of the relevant service objectives. An impairment provision of £0.6m has been recognised in relation to the amounts due in respect of loans made to local taxi drivers to enable the purchase of low emission vehicles, however the council is entitled to government grant to cover any losses on these loans.

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 (this is known as the expected credit loss). The impairment provision is estimated on the basis of known factors affecting individual debtors and previous history of uncollectability for types of debtor. Groups of similar debtors, for example housing rent debtors, have been assessed collectively for impairment. Non-trivial debtors are only written off where all avenues of recovery action have failed.

The table below shows the gross amounts due to the council from its financial assets, and the amounts which have been impaired due to expected level of 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

31/03/2021 Gross value	31/03/2021 Impairment value	31/03/2021 Net value	£000s	31/03/2022 Gross value	31/03/2022 Impairment value	31/03/2022 Net value
-	-	-	Deposits with financial institutions	65,036	-	65,036
2	-	2	Accrued interest on deposits	2	-	2
44,014	-	44,014	Long term debtors - finance leases	43,567	-	43,567
8,663	-	8,663	Long term loans	8,056	-	8,056
15,827	(3,088)	12,739	Other long term debtors	12,949	(3,088)	9,861
144,351	(12,477)	131,874	Short term debtors	154,537	(13,046)	141,491
212,857	(15,565)	197,292		284,147	(16,134)	268,013

The following table analyses the movement in the impairment provision for trade debtors :

2020/21	£000s	2021/22
9,904	1 April	12,477
4,890	Impairment allowance raised	1,596
(1,629)	Impairment allowance applied	(858)
(688)	Other movements	(169)
12,477	31 March	13,046

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 (PWLB) 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 2021/22. Given the ongoing availability of PWLB funding as a lender of last resort, the council considers that it has limited liquidity risk, so far as it can foresee. However there is a consequent risk that the council may be forced 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.

The council currently has £230m of debt in the form of LOBOs, which equates to 10.6% 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 were 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 £230m LOBO debt at 31st March 2022, £45m was exposed to variable rates through lender options in 2022/23, and £95m in 2023/24.

Long term borrowing by date of maturity

31/03/2020	£000s	*31/03/2021*	
26,436	Maturing in 1 – 2 years	38,253	
104,059	Maturing in 2 – 5 years	68,326	
109,487	Maturing in 5 – 10 years	136,930	
161,500	Maturing in 10 – 25 years	136,500	
1,593,425	Maturing in more than 25 years	1,593,425	
230,000	Variable (lender option borrower option)	230,000	
2,224,907	Borrowing with more than one year to mature		2,203,434
8,812	Long-term borrowing maturing within one year		26,751
2,233,719	Total long-term borrowing		2,230,185

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.

2020/21			£000s	2021/22		
Actual	*With 1% rate increase*	*Difference*		*Actual*	*With 1% rate increase*	*Difference*
			Recognised in Income and Expenditure Account			
			Financial assets			
1,708	2,706	998	Interest receivable	1,919	3,538	1,619
			Financial liabilities			
(118,973)	(119,477)	(504)	Interest payable	(116,250)	(116,411)	(161)
(117,265)	(116,771)	494		(114,331)	(112,873)	1,458

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 2022 the council holds on its balance sheet £1.2m 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.

19 Long term liabilities

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

19.1 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 2022:

Deferred liabilities

31/03/2021	£000s	*31/03/2022*	*notes*
564,596	PFI scheme liabilities	535,113	i
41,765	Finance lease liabilities	41,073	ii
6,235	Other liabilities	5,890	
612,596		582,076	

i Further information on PFI schemes appears in Note 11.

ii In 2019/20, the council entered into two leasing agreements in order to facilitate developments within the city. In relation to the new North/South stand at Headingley stadium, the council has leased in the new stand from the developer and leased it out to companies owned by the two resident sports clubs. Further, in order to encourage the development of creative industries, the council has leased in a building which it has subleased out for conversion to a TV and film studio. Long term finance lease liabilities totalling £41.1m are recognised under these arrangements at 31st March 2022. Long term debtors reflecting the future rentals due to the council from these properties are included within the balance sheet.

20 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.

20.1 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

2020/21	£000s	*2021/22*	
1,471,653	1 April		1,512,730
64,194	Revaluation of fixed assets	72,061	
(13,281)	Accumulated revaluations on disposals	(9,587)	
(9,836)	Depreciation adjustment	(9,288)	
41,077			53,186
1,512,730	31 March		1,565,916

20.2 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

2020/21	£000s	2021/22	
1,488,461	1 April		1,675,073
	Capital financing		
40,712	Usable capital receipts	64,922	
-	Capital grants and contributions funding REFCUS	-	
239,490	Capital grants and contributions from capital grants unapplied	250,924	
47,581	Transfer from Major Repairs Reserve	66,811	
220	Revenue contributions	1,067	
-	Donated Assets	-	
328,003			383,724
	Other movements		
(90,834)	MRP less depreciation	(57,725)	
(49,998)	Disposal of fixed assets	(64,113)	
13,281	Accumulated revaluations on disposals	9,587	
(29,866)	Write-off of revenue expenditure funded from capital under statute	(46,252)	
9,835	Depreciation above historic cost	9,288	
(22)	Disposal of long term investments	(75)	
94	Assets Acquired in Exchange	-	
-	HRA voluntary set aside	-	
6,246	HRA PFI and finance lease principal repayment	7,001	
(127)	Write-down of long term debtors	(424)	
(141,391)			(142,713)
1,675,073	31 March		1,916,084

20.3 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, including finance leases out where an annual rental is payable. Once received, these amounts will be transferred to the Usable Capital Receipts Reserve. The following table analyses the movement in the balance during the year.

2020/21	£000s	2021/22	
45,811	1 April		45,124
(807)	Written down in year	(811)	
1	Indexation	-	
(168)	Repayments	-	
-	Negative revaluations	-	
287	New credits in year	35	
(687)			(776)
45,124	31 March		44,348

20.4 Financial Instruments Revaluation Reserve

The council maintains a Financial instruments revaluation reserve which reflects the balance of unrealised gains or losses (other than impairment losses) on assets held at fair value through other comprehensive income included in the Balance Sheet. Any revaluation gains on assets held at fair value through other comprehensive income are recognised as Other comprehensive income and expenditure within the Comprehensive income and expenditure statement. When these assets are disposed of, the accumulated balance relating to the asset on the Financial Instruments Revaluation Reserve is transferred to the surplus or deficit on provision of services.

20.5 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 22). 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. The following table shows the transactions on the reserve during 2021/22:

2020/21	£000s	*2021/22*	
71,417	1 April		73,038
	Receipts in year		
42,333	Usable capital receipts	79,035	
5,751	Housing Revenue Account pooled receipts	5,752	
48,084			84,787
	Applied		
(21,948)	To repay debt	(31,863)	
(4,916)	To fund credit arrangements	(5,101)	
(13,848)	To fund new capital expenditure	(27,958)	
(5,751)	Transfer to Revenue - HRA pooled receipts	(5,752)	
-	Transfer to Revenue - finance lease income	-	
-	Statutory use of reserve to fund fees	(150)	
(46,463)			(70,824)
73,038	31 March		87,001

20.6 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 2021/22:

Capital grants unapplied

31/03/2021	£000s	*31/03/2022*
147,292	1 April	134,023
226,221	Grants received	276,298
(239,490)	Grants applied to fund capital expenditure	(250,925)
134,023	31 March	159,396

21 Capital financing

21.1 Capital expenditure and funding

Total capital expenditure in 2021/22 was £497.7m (£407.3m in 2020/21). 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

2020/21	£000s	*2021/22*
371,304	Fixed assets	449,754
29,866	Revenue expenditure funded from capital under statute	46,252
5,452	Long-term investments and capital loans	1,389
632	Intangible assets	346
407,254		497,741

Capital financing

2020/21	£000s	*2021/22*
106,040	Borrowing	150,998
239,490	Grants and contributions	250,925
13,848	Capital receipts	27,959
47,581	Transfer from Major Repairs Reserve	66,811
220	Revenue contributions to capital	1,067
-	Finance Leases	-
75	Other	(19)
407,254		497,741

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 2021/22 was £0.6m (£0.5m in 2020/21), using the council's average external borrowing rate of 3.28%.

The council approved its latest capital budget in February 2022. However, in view of the financial impact of the coronavirus pandemic, the council has been carrying out a full review of its capital programme since then with a view to making reductions. The latest review sees the council committed to spend over £730m in its capital programme for the next four financial years. The current projected phasing of these is, £337m in 2022/23, £143m in 2023/24, £121m in 2024/25 and £129m in 2025/26. Significant schemes within the current capital programme include :

- comprehensive investment and maintenance of the council's housing stock ; the Council House Growth Programme, which continues to deliver a programme of new build housing, continuing Extra Care provision and bringing empty properties back into use;
- the continued delivery and development of major Highways infrastructure – including the completion of the East Leeds Orbital Road, the Leeds Flood Alleviation Scheme, the Connecting West Leeds scheme as part of the levelling up programme, developing major schemes for Leeds Station sustainable transport gateway, City Square and Armley Gyratory in partnership with West Yorkshire Combined Authority, and continued investment to maintain and improve our road and streets network.
- a significant programme of investment within the schools estate – to maintain the existing estate and to increase the number of school places across the city, particularly within the secondary and special educational needs estates;
- Other Major programmes include developing: economic regeneration as part of the Morley Town Fund; regeneration of the Southbank and Kirkgate Market; leisure and cultural activities including Leeds Town Hall, the Parklife programme and woodland creation; new technologies, energy efficient buildings and stimulating transformational change in council services.

21.2 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	*Financed by borrowing*	*Financed by PFI credit arrangements*	*Financed by finance leases*	*Total Capital Financing Reqiuirement*
01 April 21	2,565,447	538,375	42,103	3,145,925
New borrowing	150,999	-	-	150,999
Financing transfers	18,152	(18,152)	-	-
Repayments	(56,628)	(11,331)	(786)	(68,745)
31 March 22	2,677,970	508,892	41,317	3,228,179

22 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.

22.1 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 statement, 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 statement 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. For 2020/21 £2,075k of premiums and £1k of discounts were amortised (for 2020/21, £2,393k of premiums and £13k of discounts were amortised).

22.2 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.

22.3 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 and value 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. The closing position on this account for 2021/22 is a deficit of £39.7m, in comparison to a closing deficit of £106.7m in 2020/21. The reduced deficit reflects deficit reduction contributions made during 2021/22. In the light of the significant Collection Fund deficits which arose in 2020/21 from the coronavirus pandemic, the government has introduced regulations so that the deficits unfunded by grants for both council tax and business rates will be recovered from the general fund over a three year period from 2021/22. The closing deficit position for 2021/22 therefore includes these elements of deficit which are to be recovered in 2022/23 and 2023/24.

23 Exceptional items and prior period adjustments

The council has not identified any transactions which should be accounted for as exceptional items or prior period adjustments in 2021/22.

24 The Council's Group

The council has a small number of group entities, but as at 31st March 2022 none of these were material to the council's financial position, and therefore the council does not produce group accounts.

During March 2020 the council established a new subsidiary company called Leeds District Heating PipeCo Ltd, which will operate the district heating network which is currently under development in the city. During 2020/21, this company acquired £5.2m of infrastructure assets, funded by £2.4m of government grant and a £2.8m loan from the council. Further capital expenditure of £0.1m was incurred during 2021/22. The Leeds PipeCo has not yet commenced trading, as construction of the infrastructure is not yet completed. The council also has one subsidiary charitable company which is not material, the Craft Centre and Design Gallery Ltd.

The council has four associates (Leeds Grand Theatre Ltd, Belle Isle Tenant Management Organisation Ltd, Green Leeds Ltd, and The Leeds Groundwork Trust) and a joint venture (NPS Leeds Ltd). The council also has a 50% share in Merrion House LLP which is fully included within its single entity financial statements at fair value. The presentation of this partnership on a group accounts basis would not be materially different from the single entity basis.

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.

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 2022 was £411m (£405m at 31st March 2021). Reserves recognised on this basis are restricted by statutory arrangements. The value of these reserves is given in explanatory note 14.

25 Events after the reporting date

The Statement of Accounts was approved as presenting a true and fair view by the Chief Finance Officer on 27th July 2022. 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 25).

26 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.

It is now anticipated that changes to lease accounting standards under IFRS 16 will not come into effect for local authorities until at least 1st April 2022 at the earliest, and will be optional for 2022/23. The changes will apply prospectively and a restatement of the balance sheet for prior years will not be required. The changes will affect accounting for assets leased in, and will remove the current distinction between finance leases and operating leases. All leases in will require the recognition of a 'right of use' asset and a liability to pay future rentals. This will bring short term leases in of assets within the scope of the local authority statutory capital framework. However it is not anticipated that there will be any material impact on the council's spendable reserves as a result of the changes. The council does not yet have sufficient information available to quantify the likely impact on its balance sheet of the new assets and liabilities to be recognised.

The 2022/23 Code will incorporate a small number of minor changes to accounting policies but it is not anticipated that these will have any impact on figures recognised within the authority's accounts.

The Housing Revenue Income and Expenditure Statement

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision. The Housing Revenue Income and Expenditure Statement shows the major elements of Housing Revenue Account expenditure and how they are met from rents, subsidy and other income. This income and expenditure statement 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.

2020/21	£000s	*2021/22*		*notes*
	Income			
(207,191)	Dwelling rents	(208,339)		
(3,304)	Non-dwelling rent	(3,228)		
(11,629)	Charges for services and facilities	(10,917)		
(21,589)	HRA government grants	(21,535)		H1
(243,713)			(244,019)	
	Expenditure			
83,068	Supervision and management	81,136		
57,546	Repairs and maintenance	59,397		
3,356	Rents, rates, taxes and other charges	3,299		
53,308	Depreciation and impairments of non-current assets	(41,843)		H2.1
1,330	Provision for doubtful debts	395		
707	Revenue Expenditure Funded from Capital under Statute	1,357		H2.2
199,315			103,741	
(44,398)	Net cost of HRA services as in the Income and Expenditure Account		(140,278)	
1,782	HRA share of Corporate and Democratic Core		1,782	
(42,616)	Net cost of HRA services		(138,496)	
	HRA share of operating income and expenditure included in the authority's Income and Expenditure Account			
(4,266)	(Gain) or loss on disposal of non current assets		(7,946)	
37,584	Interest payable and similar charges		36,592	H3.1
1,747	Interest on the net pension liability		1,964	
(6)	Interest and investment income		(5)	
(4,787)	Capital grants and contributions		(10,739)	
(12,344)	(Surplus) or deficit for year on HRA services		(118,630)	

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 statement 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.

2020/21	£000s	*2021/22*		*notes*
	Increase or decrease in the HRA reserve comprising:			
(12,344)	(Surplus) or deficit on the HRA Income and Expenditure Statement		(118,630)	
	Adjustments between accounting basis and funding basis under the HRA legislative framework			
219	Difference between amortisation of premiums and discounts under accounting standards and in accordance with statute	219		H3.2
(20,832)	Impairment of non current assets	74,917		H2.1
(707)	Write-off revenue expenditure funded from capital under statute	(1,357)		H2.2
(5,253)	HRA share of contributions to / (from) the Pension Reserve	(7,552)		
216	Capital expenditure funded by the HRA	129		H6.1
0	HRA voluntary provision for the repayment of principle	0		
19,451	Transfer to / (from) MRR	31,262		H7
4,787	Transfer to / (from) capital grants unapplied	10,739		
6,256	Difference between accounting regulation and Statute	6,992		
4,266	Net gain / (loss) on sale of non current assets	7,946		
8,403			123,295	
(3,941)	(Increase) / decrease in Housing Revenue Account Balance		4,665	
18,924	Housing Revenue Account Reserve balance brought forward		22,865	
3,941	Increase / (decrease) for the year		(4,665)	H4
22,865	Housing Revenue Account Reserve balance carried forward		18,200	

Explanatory notes to the Housing Revenue Account

H1 Government grant income

The HRA receives annual government grant income in support of its two PFI (Private Finance Initiative) schemes, amounting to £21.4m in 2021/22 (£21.4m in 2020/21). Further information on these schemes can be found in Explanatory Note 11 to the main accounting statements. In 2021/22 the HRA income and expenditure statement also reflects the use of apprentice levy grant income, which has been used for training for HRA staff during the year.

H2 Charges for HRA use of assets

H2.1 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 2021/22 the breakdown of these charges was £33.1m depreciation and a credit of £74.9m for reversals of impairment charges recognised in previous years.

However, within the Statement of Movement on the HRA Reserve a number of adjustments are made in accordance with statute. For HRA properties, 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 properties are also reversed within the Statement of Movement on the HRA Reserve.

H2.2 Revenue expenditure funded from capital under statute

The amount of revenue expenditure funded from capital under statute in 2020/21 is £1.4m. The charges relate mainly to grants to social housing providers.

H3 Charges relating to the finance costs of borrowing for HRA capital expenditure

H3.1 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.

H3.2 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 2021/22, the statutory amortisation charge for premiums and discounts was a net premium of £219k (£219k net premium in 2020/21).

H4 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 current challenges, it has been thought prudent to maintain a relatively high level of reserves and to identify elements within that for specific purposes.

HRA reserves

£000s	*01/04/2021*	*net movements*	*31/03/2022*	*notes*
General reserve	6,786	589	7,375	
Swarcliffe PFI	2,870	1,758	4,628	i
Early Leavers Initiative	-	-	-	ii
Revenue Repairs reserve	4,200	(2,560)	1,640	iii
Welfare Reform	157	(157)	-	iv
Little London, Beeston Hill & Holbeck PFI	5,302	(1,391)	3,911	v
Housing Advisory Panels (HAPs)	547	(343)	204	vi
Sheltered Housing Works	2,561	(2,561)	-	vii
Efile project	257	-	257	viii
Changing the workplace	151	-	151	ix
Wharfedale View Sinking Fund	34	-	34	x
	22,865	(4,665)	18,200	

i Swarcliffe Private Finance Initiative contract.

ii Funds to support the Early Leavers' Initiative.

iii To fund the backlog of repairs / disrepair following the pandemic.

iv To fund future pressures associated with the Government's Welfare Reform Bill.

v To support affordability over the 20 year term of the Little London, Beeston and Holbeck PFI contract.

vi To fund projects identified by Housing Advisory Panels (HAPs).

vii To support improvements and enhancements to the sheltered housing stock.

viii To fund the transfer of Housing Management files to electronic records.

ix To fund the accommodation costs of introducing more efficient ways of working.

x Contribution from shared owners towards the future costs of replacing furniture and carpets at the Wharfedale View Extra Care facility.

H5 HRA assets

H5.1 Land and property 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. These assets are included within the council's balance sheet within the classifications Property, plant and equipment, Investment property and Assets held for sale.

HRA fixed asset movements

Fixed assets £000s	*Council dwellings*	*Other land & buildings*	*Vehicles, plant, eqpt*	*Investment Property*	*Assets held for Sale*	*Community Asset*	*Assets under construction*	*Total fixed assets*
Cost or valuation	2,208,641	42,396	52,915	2,512	64,134	338	5,102	2,376,038
Accumulated depreciation and impairment	(1,459)	(3,149)	(49,501)	-	-	(6)	-	(54,115)
Balance sheet value as at 1 April 2021	2,207,182	39,247	3,414	2,512	64,134	332	5,102	2,321,923
Depreciation	(30,371)	(1,047)	(1,652)	-	-	(6)	-	(33,076)
Additions	93,556	1	1,190	-	-	-	27,217	121,964
Donations	-	-	-	-	-	-	-	-
Impairments (CI&ES)	(93)	-	-	-	-	-	-	(93)
Impairments (revaluation reserve)	(31)	-	-	-	-	-	-	(31)
Revaluations (CI&ES)	74,996	15	-	-	-	-	-	75,011
Revaluations (revaluation reserve)	61,248	1,559	-	-	-	-	-	62,807
Disposals	(1,473)	-	-	-	(25,152)	-	-	(26,625)
Changes in classification	(26,761)	1		-	26,768	-	(8)	-
Cost or valuation	2,391,135	42,935	54,105	2,512	38,982	338	32,319	2,562,326
Accumulated depreciation and impairment	(12,882)	(3,159)	(51,153)	-	26,768	(12)	(8)	(40,446)
Balance sheet value as at 31 March 2022	2,378,253	39,776	2,952	2,512	65,750	326	32,311	2,521,880

The following table shows the same analysis of the movement in land and property assets for the 2020/21 financial year:

Fixed assets £000s	*Council dwellings*	*Other land & buildings*	*Vehicles, plant, eqpt*	*Investment Property*	*Assets held for Sale*	*Community Asset*	*Assets under construction*	*Total fixed assets*
Cost or valuation	2,199,442	42,249	52,103	1,865	54,941	338	10,488	2,361,426
Accumulated depreciation and impairment	(2,276)	(3,041)	(47,691)	-	-	-	-	(53,008)
Balance sheet value as at 1 April 2020	2,197,166	39,208	4,412	1,865	54,941	338	10,488	2,308,418
Depreciation	(29,667)	(993)	(1,810)	-	-	(6)	-	(32,476)
Additions	68,935	224	812	-	-	-	3,585	73,556
Donations	-	-	-	-	-	-	-	-
Impairments (CI&ES)	(507)	(140)	-	-	-	-	-	(647)
Impairments (revaluation reserve)	(169)	-	-	-	-	-	-	(169)
Revaluations (CI&ES)	(20,421)	(410)	-	647	-	-	-	(20,184)
Revaluations (revaluation reserve)	11,147	1,469	-	-	-	-	-	12,616
Disposals	(951)	(111)	-	-	(18,129)	-	-	(19,191)
Changes in classification	(18,351)	-	-	-	27,322	-	(8,971)	-
Cost or valuation	2,208,641	42,396	52,915	2,512	64,134	338	5,102	2,376,038
Accumulated depreciation and impairment	(1,459)	(3,149)	(49,501)	-	-	(6)	-	(54,115)
Balance sheet value as at 31 March 2021	2,207,182	39,247	3,414	2,512	64,134	332	5,102	2,321,923

H5.2 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 41% in 2021/22 (41% in 2020/21). As a consequence the council recognises council dwellings at a value of £2,359m on the balance sheet. At vacant possession the same dwellings would have a value of £5,754m therefore recognising an economic cost to the government of providing council housing at less than open market rents of £3,395m.

H5.3 Housing stock numbers

At 31st March 2022 the council was responsible for managing 53,813 dwellings. The composition of the stock was as follows:

2020/21		number	*2021/22*	
28,697	52.87%	Houses	28,327	52.64%
22,630	41.69%	Flats	22,536	41.88%
2,954	5.44%	Bungalows	2,950	5.48%
54,281	100.00%		53,813	100.0%

H5.4 Housing rent arrears

Further information on rent arrears and the provision for uncollectable housing rents can be found in explanatory note 16.1 to the main financial statements.

H6 HRA capital accounting

H6.1 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

2020/21	£000s	*2021/22*
73,555	Fixed Assets	121,964
-	Investment Properties	-
707	Revenue expenditure funded from capital under statute	1,356
74,262		123,320

HRA capital funding

2020/21	£000s	*2021/22*
47,581	Major Repairs Reserve	66,811
216	Revenue contributions	129
10,279	Borrowing	22,287
94	Other	-
3,893	Grants and contributions	10,190
12,199	Capital receipts	23,903
74,262		123,320

H6.2 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 (£5.8m in 2021/22 and £5.8m in 2020/21) 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

2020/21	£000s	*2021/22*
23,055	Council houses	34,426
150	Land	-
252	Other property	145
23,457		34,571

H7 Major Repairs Reserve

The Accounts and Audit Regulations 2015 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

2020/21	£000s	*2021/22*	
9,384	1 April		13,730
32,476	Statutory transfer to the reserve		33,075
(47,581)	Capital expenditure charged to the reserve	(66,811)	
-	Voluntary set-aside charged to the reserve	-	
19,451	Transfer to/(from) the reserve	31,262	
(28,130)			(35,549)
13,730	31 March		11,256

H8 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 2021/22. 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.

2020/21	Summary income and expenditure account £000s	2021/22		notes
	Income			
(386,244)	Council tax	(421,763)		
8	Council tax benefits	14		C2
1	Transitional relief	3		
(8,839)	S13A Discretionary Reliefs	-		
(395,074)			(421,746)	
(207,861)	Business rates	(304,281)		
5,210	Transitional protection payments	3,415		
(202,651)			(300,866)	
(597,725)			(722,612)	
	Expenditure			
	Council Tax - payments to precepting authorities:			
335,794	Leeds City Council	346,993		
45,207	West Yorkshire Police Authority	47,921		
15,168	West Yorkshire Fire and Rescue Authority	15,227		
396,169			410,141	C3
11,385	Council tax - provision for uncollectable amounts and write-offs		6,361	
	Business rates - payments to precepting bodies:			
187,269	Central Government share	80,296		C5
180,715	Leeds City Council	79,676		C5
3,693	West Yorkshire Fire and Rescue Authority	1,582		C5
1,264	Costs of collection	1,246		
372,941			162,800	
	Business rates - movements on provisions:			
4,155	Provisions raised for appeals against valuations	6,106		
(9,478)	Amounts charged to the provision for valuation appeals	(4,345)		
10,281	Movement on provision for uncollectable amounts and write-offs	11,109		
4,958			12,870	
187,728	(Surplus) / deficit		(130,440)	C6

2020/21	Collection Fund balances £000s	2021/22	
(17,462)	1 April	(205,190)	
(187,728)	Surplus / (deficit) for the year	130,440	C6
(205,190)	31 March	(74,750)	

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 2020/21 there were an estimated 360,850 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 B and D properties to give a tax base. In 2020/21 the tax base for Leeds was 229,489 properties and this was used to calculate the Band D council tax of £1,799.75, 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).

Band	*number of properties in the band*	*less exempt properties*	*chargeable dwellings*	*adjusted chargeable dwellings (i)*	*proportion of Band D council tax*	*Band D equivalent dwellings*
A (ii)	139,770	(8,373)	131,397	83,251	6 / 9	55,473
B	77,189	(5,918)	71,271	57,507	7 / 9	44,728
C	69,147	(2,537)	66,610	58,406	8 / 9	51,916
D	34,982	(1,139)	33,843	31,130	1	31,130
E	21,715	(522)	21,193	20,039	11 / 9	24,492
F	10,277	(114)	10,163	9,638	13 / 9	13,922
G	7,096	(63)	7,033	6,744	15 / 9	11,240
H	674	(13)	661	635	18 / 9	1,270
	360,850	(18,679)	342,171	267,350		234,171
Allowance for non-collection						(4,683)
Defence-exempt properties						1
Base for calculating Leeds City Council 2020/21 council tax						229,489

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

Since 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 2020/21 and 2021/22 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.

2020/21	£000s	*2021/22*	
	Leeds City Council		
337,347	Annual precept	351,189	
(1,553)	Payment of council tax surplus / (deficit)	(4,196)	
335,794			346,993
	West Yorkshire Police Authority		
45,414	Annual precept	48,486	
(207)	Payment of council tax surplus / (deficit)	(565)	
45,207			47,921
	West Yorkshire Fire and Rescue Authority		
15,240	Annual precept	15,417	
(72)	Payment of council tax surplus / (deficit)	(190)	
15,168			15,227
396,169			410,141

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 2022 was £923,238k (£928,202k at 31st March 2021), and the small business rate multiplier for the year was set by the government at 49.9p in the pound for 2021/22 (49.1p in the pound for 2020/21).

C5 Business rates – payments to precepting bodies

The following table analyses business rates payments distributed from the collection fund.

2020/21	£000s	2021/22	
	Leeds City Council		
183,663	Annual precept	168,178	
223	Retained income - Enterprise Zone Relief	58	
249	Retained income - Renewable Energy	249	
2,107	Retained income - Designated Areas	3,048	
(5,527)	Recoupment of business rates deficit	(91,857)	
180,715			79,676
	Central Government		
187,412	Annual precept	171,610	
(223)	Contribution to Enterprise Zone Relief	(58)	
80	Recoupment of business rates deficit	(91,256)	
187,269			80,296
	West Yorkshire Fire and Rescue Authority		
3,748	Annual precept	3,432	
(55)	Recoupment of business rates deficit	(1,850)	
3,693			1,582
371,677			161,554

C6 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.

2020/21 Total	£000s	*2021/22 Council Tax*	*Business Rates*	*Total*
(17,462)	1 April	(13,949)	(191,241)	(205,190)
(187,728)	Surplus / (deficit) for the year	5,245	125,195	130,440
(205,190)	31 March	(8,704)	(66,046)	(74,750)