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The Draft Accounts 2012/13

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# Statement of Accounts 2012/13

Corporate Governance and Audit Committee  
10th July 2013



Corporate Financial Management





**Leeds**  
CITY COUNCIL

# Statement of Accounts 2012/13

Draft accounts for Corporate Governance and Audit Committee  
10 July 2013

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# Foreword

## by the Director of Resources

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of such a large and diverse organisation as Leeds City Council are by their nature both technical and complex and so this foreword explains some of the statements and provides a summary of the Council's financial performance for 2012/13 and its financial prospects.

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

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

Each is preceded by a short note describing its purpose, and they are followed by notes explaining the statements.

The main statements are supplemented by three further sections:

- the Housing Revenue Account reports on the Council's activities as a social landlord, which are consolidated into the main statements;
- the Collection Fund account reports on the collection of local taxes and their distribution; and
- the Group Accounts show the full extent of the Council's activities by including subsidiary and associate companies and joint ventures.

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

We also produce a simplified compact set of accounts. Whilst having no formal legal standing and not being audited, by stripping out many of the technicalities they give a clear if simplified view of our financial position. They are available at [www.leeds.gov.uk/accounts](http://www.leeds.gov.uk/accounts).

### **1 Accountability and financial reporting**

Local authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability the Council is required to produce a set of accounts in order to inform you, as a stakeholder of the Council, that we have properly accounted for all the public money we have received and spent and that the financial standing of the Council is on a secure basis.

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. It does not however aim to fulfil the role of an annual report of a company. This would duplicate much of the work already published in other documents produced by the Council – in particular the City Priority Plans, the State of the City Report, the Business Plan and the Capital Strategy and Asset Management Plan.

- The City Priority Plans 2011 to 2015 are new city-wide partnership plans which aim to identify the key outcomes and priorities to be delivered by us and our partners over the next four years.

- The Council Business Plan 2011 to 2015 is a single plan bringing together all our priorities alongside the medium term financial plan.
- The State of the City Report is an overview of what's happened in Leeds in the past year and underpins the Vision for Leeds, the City Priority Plans and the Council Business Plan. The report has been commissioned by the Leeds Initiative Board and written by Leeds City Council, the NHS in Leeds and the wider public sector partnership. It sets out a range of key facts about the city, the challenges it faces and the way in which the Council, NHS and other public and third sector partners will be working together to secure the best possible outcomes for the people of Leeds.
- The Capital Strategy and Asset Management Plan details the Council's approach to the management of its assets both at a corporate and at a departmental and service level. The Capital Strategy section outlines capital investment over the next five years, and the Asset Management Plan outlines the approach to asset management and highlights the progress made to date. The plan is designed to improve the property portfolio of the Council to ensure that the assets of the Council are well maintained, appropriately located, fit for purpose, and accessible for their intended users.

Local electors and taxpayers have statutory rights to inspect the accounts before the audit is completed and to question the auditors. We advertise the inspection ("deposit") period in the Yorkshire Post and on the Council's internet. To make the accounts as widely available as possible we publish both the draft and final versions on the internet at [www.leeds.gov.uk/accounts](http://www.leeds.gov.uk/accounts) (Leeds residents have free internet access at their local libraries). From the internet page you can also read the Audit Commission briefing *Councils' Accounts – Your Rights* and the external audit reports, e-mail me with any comments or questions you have about the accounts, or click through to the other documents mentioned above.

## 2 **A summary of the Council's financial position**

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

- The Council's overall financial performance;
- The performance of statutory ring fenced accounts; and
- The performance of the Group.

### 2.1 **The Council's overall financial performance for the year**

#### a **In year financial performance**

The Council's financial performance for the year was reported to the Executive Board on the 19<sup>th</sup> June 2013 (a copy of the report is available on the Council's website). This report recognised an underspend of £6.7m on the £570.2m budget for service expenditure. The budget set by the Council included the planned use of £7.0m of general reserves. The £6.7m underspend by services has therefore meant that the budgeted deficit for the year of £7.0m has reduced to just £0.3m. After taking account of the agreed creation of £3.7m of additional earmarked reserves and the recognition of a retrospective refund on a government grant of £1.6m credit, the Council was in deficit for the year by £2.4m. This was a £4.6m improvement on the original budgeted deficit of £7.0m.

The 2012/13 Comprehensive Income and Expenditure Statement (CI&E a/c) takes a wider view of the financial performance of the Council and shows a deficit for the year of £233.4m (£457.9m in 2011/12). This deficit represents the amount that the Council's net worth has fallen over the year. This is shown on the Balance Sheet as a reduction in net assets less liabilities between



31st March 2012 and 31st March 2013. In addition to the in year deficit of £2.4m, there are four main factors which have contributed to this reduction in the net worth of the Council:

- i) For 2012/13 the Council's pensions deficit has increased, resulting in a £146m debit to the reported bottom line of the CI&E a/c. Although the pension fund assets have grown more than anticipated due to a good performance by the markets, this was more than offset by the effect of a fall in the discount rate applied to the fund's future liabilities, which has meant that their current value has increased. For consideration of how this compares with the latest actuarial review of the pension fund see section b (Financial Health as at 31st March 2013) below.
- ii) The CI&E a/c incurs a charge for the depreciation of fixed assets. This charge is an indication as to the cost the Council will have to incur, through borrowing and repairs and maintenance budgets, in order to maintain the standard of our buildings and other assets. For 2012/13 this amounted to a cost of £120m (£123m in 2011/12).
- iii) Under International Financial Reporting Standards (IFRS) any grants for which any conditions imposed by the granting body have 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 2012/13, £68.7m of income from capital grants was recognised.
- iv) The CI&E a/c also recognises any gains or losses on disposal of fixed assets. For 2012/13 this amounted to a loss of £109m (£126m in 2011/12), mainly reflecting the fact that a number of schools are now either trusts or academies. The Council has no choice in whether to transfer these assets and does not receive any consideration for their transfer.

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

Whilst recognising that the CI&E a/c provides a number of important indicators as to the financial health of the Council, it is the £2.4m deficit which has the immediate impact on taxpayers and dictates the level of available un-earmarked General Fund reserves. This small deficit for they year is a significant achievement as maintaining the financial stability of the Council has not been an easy task. The 2012/13 budget represented a major financial challenge for the Council, and the loss of Government grant together with pressures on spending resulted in the Council needing to identify significant savings, bringing the cumulative level of savings required since the Government's 2010 spending review to around £145m. The budget included some difficult and challenging decisions and whilst not all planned savings have been fully achieved, other savings have been identified and additional income secured. Overall the Council has responded well to these challenges in arriving at this final position. The main in-year pressures were as follows:

- Staffing – the 2012/13 budget assumed that 180 full time equivalents (ftes) would leave the Council, mainly through the Early Leavers scheme. By 31st March 2013, 192 ftes had left under the scheme. One-off severance costs of the scheme totalled £2.4m which was to be met from the Early Leavers earmarked reserve. Overall, staffing savings amounted to

£4.5m, primarily within Children's Services, reflecting the number of vacant posts across the directorate throughout the year.

- Adult Social Care – there are a number of significant budgets that are largely dependent on the needs of customers and so can be extremely volatile. Pressures in 2012/13, particularly on transport costs, have been offset by a number of one-off savings which have enabled the directorate to achieve an underspend against the budget of £0.4m. Without one-off savings relating to health funding and customer contributions, mainly towards in-house residential care, the outturn position for Adult Social Care would have been an overspend of £2.2m.
- Children's Services – the 2012/13 budget strategy recognised the need to reduce the number of children in care. At outturn, the directorate has underspent by £2m (7% on the placement budgets). However, these savings are offset by additional cost pressures across the budgets that support care leavers, adoptions and special guardianships and direct payments and an overspend in the in-house fostering service.

Additional spending on Special Educational Needs and on home to school and college transport amounted to £1.3m which were due to increasing journey numbers and prices.

- City Development - The major expenditure pressure during the year was £0.7m on energy, mainly in Sport. Additional winter maintenance costs of £0.5m were incurred due to the exceptional weather conditions and snow in March.
- Debt financing costs - Overall the Council has made considerable savings on debt, the main reason for these savings are as follows:
  - The continuation of low interest rates, decisions to delay some planned capital programme spending through the capital programme review, and a provision for long term borrowing not yet taken up produced debt savings of £3.6m.
  - Under proper accounting practice the Council has the option to capitalise the interest costs on assets under construction. However as such costs are dependent on the final number of assets which remain incomplete at the year end it is difficult to give a reliable estimate as to the final interest level until the capital accounts are finalised in late April. Following finalisation of the capital programme for the year, a £2.2m saving has been identified from the capitalisation of the interest costs of assets under construction.
  - The Housing Revenue Account self-financing scheme which was introduced on 1<sup>st</sup> April 2012 has led to the fully funding of the HRA capital financing requirement from current long term loans held by the Council. The net impact on the General Fund has been a saving of £5.17m for 2012/13, although as the General Fund now has more of the Council's short term loans it will bear more of the risk associated with rising interest costs in the future.
- The difficult economic climate has had an adverse effect on the amount of income from developers to fund highway works for new developments. This has resulted in a shortfall in income of £2.6m.
- The Council is required to set aside an appropriate provision to cover the estimated cost of any insurance claims it has received. The level of provision is subject to regular review and varies depending upon a number of factors such as new claims received, level of payments made and the Council's claims history. The latest assessment of claims against the Council,

which relate to 2012/13 or earlier, has indicated that the level of the insurance provision needs to be higher by £0.7m than was originally budgeted for.

Overall the £2.4m in year deficit reduced the Council's General Fund reserves to £23.1m as at 31st March 2013. As the Council had budgeted to use £7.0m of General Fund reserves this represents an improvement on the Council's reserves position of £4.6m.

#### **b Financial health as at 31st March 2013**

As identified in the CI&E a/c, the Council's assets net of liabilities have fallen by £233m and now stand at £64m. Whilst section (a) i) – iv) above identifies the main reasons for this fall, 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 2013:

- The Council's overall pension deficit has risen to £1,287m, the majority of which 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 2013 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 2010. Whilst this is done on a different basis to the determination of the deficit in the annual accounts, it does provide a good indication of the future standing of the pension fund based on the fund's position at that time. The actuarial review concluded that the pension fund was 93% funded, with a predicted deficit for the whole of the West Yorkshire Pension Fund of £590m. Based on the actuarial review, the Council has established appropriate employer contribution rates in order to move the fund towards a fully funded position over a 22 year recovery period. This position excludes any potential impact of the Government's planned pension proposals, and will be subject to regular review through the triennial review of the fund.
- Overall the value of the Council's long term assets have fallen by £52m. There are a number of factors affecting the value of our assets but as outlined in section a (ii) and (iv) above the largest impacts in 2012/13 is due to the depreciation and the disposal of a number of schools to Trusts and Academies. Other factors impacting on the carrying value of our assets are:
  - Additional capital spend in year of £204m.
  - Revaluation of the Council's assets has led to a net £3m fall in the value of our assets. This mainly reflects a fall in the value of Council Houses (£70m) offset by the rise in the value of other land and buildings owned by the Council.

Whilst we have seen a drop in the operational value of the Council's long term assets, the overall market value of the Council's assets is considerably higher. In particular the market value of our housing stock is around £4.3bn (current social value £1.3bn) and our infrastructure assets are currently only recognised at depreciated historic cost (£585m) when their market value would run into billions of pounds.

- Overall the Council's usable reserves have risen from £206m in 2011/12 to £228m in 2012/13, an increase of £22m. The majority of these £228m of useable reserves are ring fenced (£185m) and are not available to support general expenditure. The main ring fenced reserves as at 31st March 2013 are:
  - School based reserves £31m;
  - Revenue and capital grants received in advance of planned expenditure £112m;

- Housing Revenue Account reserves £26m, statutorily ring fenced to the provision of local authority housing.

The remaining £43m of reserves is made up of the £23m General Fund reserve and £20m of earmarked reserves.

- Overall debt stands at £1,973m (£1,945m in 2011/12) made up of long term borrowing £1,292m (£1,260m in 2011/12), borrowing repayable on demand or within one year of £184m (£172m in 2011/12), credit arrangements under Private Finance Initiative (PFI) schemes of £489m (£502m in 2011/12) and finance lease liabilities of £8m (£11m in 2011/12).

The level of overall debt has increased by £29m from 2011/12. The main movements in respect of this debt position are:

- A reduction of £13m in PFI liabilities, mainly reflecting the fact that no new PFI liabilities were incurred in the year and the Council has repaid some of the outstanding liabilities;
- £55m of new borrowing raised to: replace maturing debt; to fix long term some of the Council's short term borrowing at favourable rates, and to fund capital expenditure.

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.

- Provisions have decreased by £7m, mainly reflecting the settlement of equal pay claims.

## 2.2 Ring-fenced accounts

The following is a summary of the financial performance of a number of statutory ring fenced accounts managed by the Council. The Housing Revenue Account 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 National Non Domestic 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.

### i The Housing Revenue Account (HRA)

The HRA Income & Expenditure Account shows a deficit for the year of £34.5m. This deficit is then adjusted to reflect any statutory overrides to accounting practice in order to produce a reported financial position which directly impacts on Council house rent payers. For 2012/13 the statutory overrides amounted to a credit to the HRA of £35.4m, resulting in a financial surplus for the HRA of £0.9m (compared to a surplus of £5.2m in 2011/12). The main statutory override impacting on the HRA in 2012/13 is the reversal of the £71m impairment charge for the revaluation and demolition of council houses. This is partly offset by a £24m transfer to the Major Repairs Reserve.

After taking account of the approved usage and additions to earmarked reserves a surplus of £1.2m was transferred to the HRA general reserve as approved by the Executive Board on the 19th June 2013.

Overall the HRA reserves stand at £26.2m as at 31st March 2013 (£25.3m as at 31st March 2012). £7.0m 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 £19.2m HRA reserve represents amounts identified as necessary to fund specific future costs, £12.7m of which is

being held to fund the future costs of the Swarcliffe PFI scheme. Full details of the purpose of the remaining balance of the HRA reserve are shown in the explanatory note H5.

## ii Collection Fund

The Collection Fund for 2012/13 generated a surplus of £0.75m (£0.12m deficit in 2011/12). This leaves the Collection Fund with negative reserves of £0.22m as at 31st March 2013 (as at the 31st March 2012 the fund had negative reserves of £0.97m). A Collection Fund balance arises because of differences between estimated and actual amounts of total Council tax bills. Balances at the year end will feed into the estimate of the Collection Fund position that is made the following January and the estimated balance at that point in time will be taken into account when calculating the Council tax for the following year. National Non Domestic Rates do not impact on the Collection Fund balance as they are paid over to the government's national pool and redistributed to authorities based on population.

The percentage of local taxation collected in year reached 96.6% for Council tax (96.6% in 2011/12) and 97.6% for national non-domestic rates (97.5% in 2011/12). The Council tax figure is one of the best performing of the large city councils and means that an additional £2.1m of council tax was collected in comparison to last year. The increase in the collection rate for national non-domestic rates equates to an additional £14.5m of business rates collected compared to the previous year.

## 2.3 Group performance

The Code of Practice on Local Authority Accounting defines the tests for determining which entities are included in the Council's group accounts. For 2012/13 the following entities are included and their results consolidated into the group accounts:

The council's three Arms Length Management Organisations (Aire Valley Homes, East North East Homes and West North West Homes), Leeds Grand Theatre, Belle Isle Tenant Management Organisation, Leeds Groundwork Trust, Leeds & Partners Leeds Ltd, Green Leeds Ltd, the Craft Centre and Design Gallery Ltd, Leeds ATA Ltd and five trust funds for which the council acts as trustee.

The aim of the group accounts is to show the overall picture of the activities of the Council and the resources used to carry out these activities. The following is a summary of the financial performance of the key entities included in the group. Full details on the activities of the group are shown in the accompanying Statement of Accounts (see Group Accounts).

### a Arms Length Management Organisations (ALMOs)

Collectively the three ALMOs showed an operating deficit position for 2012/13 of £5.5m (£17.0m deficit in 2011/12). The detailed performance figures for each individual ALMO are available in the Statement of Accounts under the Group Accounts section.

The net reserves held by the companies now stand at £24.0m (£28.7m in 2011/12). As at 31st March 2013, the net pension liability for the three ALMOs stood at £30.3m (£27.8m in 2011/12), producing net negative reserves for the companies of £6.3m (£0.9m in 2011/12).

Under an agreement with the Council, the ALMOs no longer have to set aside reserves to cover their full pensions liability as the Council has guaranteed their pensions liability.

### b Other group entities

Of the other Group entities there have been no financial results which materially impact on the Council's accounts in 2012/13.

c Impact of the group entities on the overall financial position

Whilst it should be recognised that the group entities do not represent a major part of the Council's activities, the Group Accounts do show that they hold a significant level of general reserves (£29m). The majority of the reserves are held by the ALMOs.

It should be noted that whilst the Group Accounts do show the full scale of the Council's financial activities, those that are the most financially significant are in fact limited companies and as such the Council would only be required to contribute a nominal sum if any of them are wound up.

### 3 Current accounting practice and new developments

#### 3.1 Changes to accounting practice

For 2012/13 there have been no significant changes to accounting practice.

### 4 Looking forward

The financial year 2013/14 is the third year of the Comprehensive Spending Review 2010 and the reduction in government funding for 2013/14 again presents a significant financial challenge to the Council. The 2013/14 budget will require significant savings to be delivered and it is also clear that further savings will be required beyond the current spending review period as part of the Government's deficit reduction plans. 2013/14 also sees the introduction of the Business Rates retention scheme, which represents a fundamental change in the funding of local government. Although local authorities will be able to benefit from any future increases in the business rates collected in their area, they will also be at risk of falling income from any reductions in local business rates.

It is clear that the financial challenge going forward is likely to be as great as that which the Council has already had to deal with. Whilst a pragmatic approach has to date delivered a robust budget, if the Council is to deliver the required reductions, and at the same time deliver the Council's ambition of being the "best council" in the UK, there is a need to develop and refine a more strategic and longer term approach to the Council's financial strategy, which will in turn inform annual budget setting.

The Council has developed six Best Council Objectives for the period 2013-17 which are considered to be crucial to the Council's contribution to becoming the best city. The development of the Council's future financial plans will be prepared in the context of these objectives and work is progressing on finalising the financial plan for the period 2014/15 – 2016/17 within the level of funding that is predicted to be available. However it is important to recognise that future funding levels are uncertain and will be subject to further government spending reviews.

# Statement of Responsibilities

## 1 The City Council's responsibilities

The City Council is required to:

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

## 2 The Director of Resources' responsibilities

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

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


The Director of Resources 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 2013 and its income and expenditure for the year ended 31st March 2013.

Alan T Gay CPFA  
Director of Resources  
25 June 2013



# 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 2012/13 (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 fairly 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 reliable as it

- has been prepared so as to reflect the reality or substance of the transaction and activities underlying them, rather than their formal legal character;
- is free from deliberate or systematic bias;
- is free from material error; and
- has been prudently prepared.

#### c Comparability

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

#### d Understandability

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

### 1.2 Materiality

As allowed under the Code the concept of materiality has been utilised in preparing the accounts, so that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.



### 1.3 Pervasive accounting concepts

#### a Accruals

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

#### b Going concern

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

#### c 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, as defined by the Act and in accordance with 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 fairly the financial position of the authority.

## 2 Accounting policies and estimation techniques

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

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

## 2.1 Accruals of income and expenditure

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

## 2.2 Provisions and contingencies

- a Provisions have only been recognised in the accounts when there is a legal or constructive obligation to transfer economic benefits as a result of a past event, and where such an amount can be reliably estimated. Provisions are charged to the revenue account and, depending on their materiality, are either disclosed as a separate item on the Balance Sheet or added to the carrying balance of an appropriate current liability. When expenditure is incurred to which the provision relates, it is charged directly to the provision.
- b Where a material contingent loss cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included within the financial statements but is disclosed in [explanatory note 14.3](#).
- c Where a material contingent gain is identified it is not accrued for within the accounting statements but disclosed in [explanatory note 10.7](#).
- d The authority accounts for the estimated cost of settling self-insured risk by way of an insurance provision.
- e The carrying amount of debtors has been adjusted for doubtful debts, which should be provided for, and known uncollectable debts have been written off in full.

## 3 Revenue expenditure funded from capital under statute

Local authorities are permitted by statute to treat as capital some items of expenditure that do not generate an asset or lasting economic benefit, and thus would not be capital expenditure under GAAP (Generally Accepted Accounting Practice). Such expenditure is referred to as revenue expenditure funded from capital under statute (REFCUS), and is charged to the relevant service heading within the Comprehensive Income and Expenditure Account. Any external capital funding used to finance the expenditure is credited to the Comprehensive

Income and Expenditure account. However, in order to ensure that the net expenditure is funded from capital funding sources rather than from Council Tax payers, the transactions are reversed out of the General Fund revenue account via the Movement in Reserves Statement.

#### **4 Grants and contributions**

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

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

Capital grants are reversed out of the general fund balance in the Movement in Reserves Statement to the capital grants unapplied account. When the grant has been applied to fund capital expenditure it is posted to the capital adjustment account.

#### **5 Employee Benefits**

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

Paragraph 10 below covers accounting for pensions.

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

#### **6 Financial instruments – financial assets**

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

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

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

## **7 Leases**

### **7.1 Finance leases**

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

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

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

### **7.2 Operating leases**

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

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

## **8 Overheads**

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

## **9 Reserves**

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

The exceptions allowed by the code and by statute are:

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

## 10 Pensions

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

### 10.1 Defined benefit schemes

For those schemes treated as defined benefit schemes, pension fund assets are accounted for at fair value (that is, market value for investments and properties). Pension liabilities are measured on an actuarial basis using the projected unit method. This requires the use of various assumptions about future events. Details of the assumptions used can be found in [explanatory note 4](#).

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

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

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

### 10.2 Defined contribution schemes

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

## **11 Cash and cash equivalents**

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

## **12 Inventories and long term contracts**

### **12.1 Inventories**

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

### **12.2 Long term contracts**

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

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

## **13 Value Added Tax (VAT)**

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

## **14 Associated and subsidiary companies, group accounts**

The local authority group has been determined by reference to the definitions of subsidiaries, associates and joint ventures in the Code (see the preamble to this statement). These definitions are consistent with International Financial Reporting Standards. The scope and classification of the group are shown in the Group Accounts, along with any realigned accounting policies.

## **15 Intangible assets**

### **15.1 Measurement**

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

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

### **15.2 Basis for charging for intangible assets**

The capital cost of an intangible asset is charged to revenue over its economic life on a straight-line basis. The asset life of each intangible asset is assessed on an annual basis and does not extend beyond any granted legal rights unless the legal rights are renewable and renewal is

assured. The asset lives used for the intangible assets are 5 or 10 years. None of the authority's intangible assets are deemed to have any residual value at the end of their useful life.

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

### 15.3 Disposal

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

## 16 Tangible long-term assets

### 16.1 Recognition

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

### 16.2 Measurement

Operational land and properties are valued on the basis of current value in existing use, unless they are of a specialist nature in which case they are valued on a depreciated replacement cost basis. In particular, and in accordance with Department for Communities and Local Government guidance, council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. Consequently council dwellings are included in the balance sheet at 31% of current value.

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

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

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

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

### 16.3 Estimation

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

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

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

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

### 16.4 Basis of charge for use of fixed assets

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

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

Depreciation is calculated by writing off the cost or revalued amount, less estimated residual value, over the remaining useful life of the asset. All assets have been depreciated on a straight line basis with no residual value. Since 2001/02 the authority's rolling programme of condition surveys has incorporated the requirement to determine the remaining life for each asset. Individual remaining asset lives are assessed having regard to the structural condition of the building, to age and state of repair, condition of the mechanical and electrical services, compliance with current legislation and suitability for its existing use. Once completed, depreciation is calculated based on the individual remaining asset life. However, where remaining lives are not available for individual assets, a range for remaining asset lives has been determined for a variety of asset categories. The midpoint has then been used as the estimated remaining asset life. The categories and ranges of remaining asset lives used in the estimation are as follows:

- vehicles, plant and equipment between 3 and 7 years
  - schools between 20 and 60 years
  - libraries, administration offices and council houses between 40 and 60 years
  - car parks between 40 and 60 years
  - farms, golf clubs, cemeteries and markets 60 years
  - all other significant properties between 20 and 40 years
  - infrastructure assets 30 years.
- ii Assets have been reviewed for any impairment loss in respect of consumption of economic benefit. Where an impairment loss has occurred, it has been firstly written down against any previous revaluation gains or where there are no previous revaluation gains, such losses are charged to the service revenue account.



- iii The basis for charging the external cost of capital financing to the Housing Revenue Account (HRA) is the Item 8 determination contained within Part 6 of the Local Government and Housing Act 1989. This requires long term loans to be allocated between the HRA and the General Fund, and for the HRA to receive an appropriate share of overall short term borrowing costs.

Authorities are also required, by the Accounts and Audit Regulations 2011, to establish and maintain the Major Repairs Reserve (MRR). The main credit to the MRR is an amount equivalent to the total depreciation charges for all HRA assets. The Item 8 determination allows that where depreciation charges for HRA dwellings are greater than or less than the specified amount deemed necessary to carry out major repairs to the properties for the year, an amount equal to the difference may be transferred between the HRA and the Major Repairs Reserve.

- iv Repairs and maintenance expenditure is charged to the appropriate service revenue account.

## 16.5 Componentisation of fixed assets

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

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

In considering assets for potential componentisation, the authority has included all general fund buildings with a carrying value of above £1m, and any buildings below this value which are considered to have unique characteristics. Within each building, the authority has set its threshold for the recognition of components as 20% of the cost of the building. Buildings considered to be unique in nature have been separately reviewed, but sample reviews have been undertaken for groups of similar assets. The overall population of HRA assets has been reviewed on a sample basis, using the same threshold for the recognition of individual components. All reviews were carried out by professional quantity surveyors.

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

## 17 Investment Property

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

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

## 18 **Assets held for sale**

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

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

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

## 19 **Heritage assets**

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

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

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

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

## 20 **Capital receipts**

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

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

## 21 **Financial instruments – financial liabilities**

All of the authority's financial liabilities are valued at amortised cost, calculated using the effective interest rate method. Transaction costs are only included in the calculation of the

amortised cost of a financial liability where they are considered to be material. Interest is charged to the income and expenditure account on the basis of the effective interest rate. Any accrual of interest at the balance sheet date is included within the value of the relevant financial liabilities rather than being shown as a separate creditor.

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

## **22 Exceptional items and prior year adjustments**

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

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

## **23 Events after the reporting date**

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

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

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

## **24 Private Finance Initiatives (PFI)**

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

Where the authority concludes that assets provided under PFI schemes should be recognised on its balance sheet, a corresponding deferred liability to pay for those assets is recognised. Throughout the life of the scheme, an element of the unitary charge paid to the contractor is applied to write down the value of the deferred prepayment, and a further element of the unitary charge is treated as being interest payable on the outstanding deferred liability balance. A Minimum Revenue Provision (MRP) charge is made to the General Fund Reserve for an amount

equal to the amount by which the deferred liability has been written down. The net charge to the General Fund Reserve is therefore equal to the unitary charge payment for the year.

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

## 25 Local Taxation

- i The authority is a Council Tax billing authority, collecting Council Tax on behalf of other authorities as well as itself. The collection of Council Tax on behalf of other authorities is treated as being on an agency basis, and thus only the elements of Council Tax collection that relate to the authority's own income are included in its main financial statements.
- ii The authority collects National Non Domestic Rates (NNDR) on behalf of the government. This activity is treated as being on an agency basis and thus is not included in the authority's accounts. The authority receives an allocation from the national NNDR pool, which is shown as a government grant.
- iii The Collection Fund account covers all local taxation collected by the authority on behalf of itself, other local authorities and the government.



# Comprehensive Income and Expenditure Statement

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

2011/12		2012/13			notes
<i>net</i> <i>expenditure</i>	£000s	<i>gross</i> <i>expenditure</i>	<i>gross</i> <i>income</i>	<i>net</i> <i>expenditure</i>	
195,608	Adult Social Care	264,500	66,829	197,671	
16,559	Central Services	65,975	52,903	13,072	
245,264	Children's and Education Services	768,583	548,207	220,376	
68,353	Cultural and Related Services	97,295	23,405	73,890	
64,448	Environmental and Regulatory Services	76,558	10,958	65,600	
20,039	Planning Services	32,829	17,168	15,661	
73,507	Highways and Transport Services	95,930	18,380	77,550	
22,908	Housing Revenue Account	217,105	209,200	7,905	5.6
41,797	Other Housing Services	329,223	292,302	36,921	
14,843	Corporate and Democratic Core	14,928	-	14,928	
16,900	Non-distributable costs	2,395	-	2,395	
780,226	Net cost of services	1,965,321	1,239,352	725,969	
126,041	(Gain) or loss on disposal of fixed assets			109,089	5.7
28,384	Net liabilities transferred from subsidiary			-	
1,448	Parish Council precepts			1,433	
(2,250)	(Surpluses) / deficits on trading undertakings			(3,002)	
5,078	Amounts payable into the Housing Capital Receipts Pool			4,087	
938,927	Net Operating Expenditure			837,576	
126,273	Interest payable and similar charges			90,776	
(2,403)	Pension interest costs and expected return on assets			9,799	3
773	(Gain) or loss on investment properties			(178)	
(1,390)	Interest and investment income			(1,049)	
1,062,180	Net Expenditure after financing and investment			936,924	
(268,515)	Council Tax Income			(270,791)	
(240,669)	Non-Domestic Rates			(289,172)	
(389,995)	Non-Ringfenced Government Grants			(171,910)	6
163,001	(Surplus) / deficit on provision of services			205,051	
(70,752)	(Surplus) / deficit on revaluation of fixed assets			(98,632)	
(2)	(Surplus) / deficit on revaluation of available-for-sale assets			11	
365,645	Actuarial (gains) / losses on pension fund			126,978	
457,892	Total Comprehensive Income and Expenditure			233,408	

## 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.

### 2012/13

	Usable reserves					Unusable reserves		Total reserves	notes
	General Fund Reserve	HRA Reserve	Earmarked GF revenue reserves	Usable capital reserves	Total usable reserves	Statutory revenue reserves	Capital accounting balances		
Balance brought forward 1st April 2012	25,440	25,285	60,302	95,143	206,170	(1,224,439)	1,315,609	297,340	
Surplus / (deficit) on provision of services	(170,646)	(34,405)			(205,051)			(205,051)	
Other comprehensive income and expenditure					-	(126,978)	98,621	(28,357)	11.1
Total comprehensive income and expenditure	(170,646)	(34,405)	-	-	(205,051)	(126,978)	98,621	(233,408)	
Statutory adjustments between accounting basis and funding basis	163,572	35,259	-	103,646	302,477	(18,587)	(283,890)	-	11.2
Statutory capital adjustments	-	-	-	36,611	36,611	-	(36,611)	-	11.3
Increase / (decrease) before transfers	(7,074)	854	-	140,257	134,037	(145,565)	(221,880)	(233,408)	
Transfers to/(from) earmarked revenue reserves	4,720	-	(4,720)	-	-	-	-	-	
Transfers to fund capital expenditure	-	-	-	(111,802)	(111,802)	-	111,802	-	11.4
Increase / (decrease) during year	(2,354)	854	(4,720)	28,455	22,235	(145,565)	(110,078)	(233,408)	
Balance carried forward 31st March 2013	23,086	26,139	55,582	123,598	228,405	(1,370,004)	1,205,531	63,932	

### 2011/12

	Usable reserves					Unusable reserves		Total reserves	notes
	General Fund Reserve	HRA Reserve	Earmarked GF revenue reserves	Usable capital reserves	Total usable reserves	Statutory revenue reserves	Capital accounting balances		
Balance brought forward 1st April 2011	29,563	20,076	55,892	93,707	199,238	(826,359)	1,382,353	755,232	
Surplus / (deficit) on provision of services	(239,116)	76,115			(163,001)			(163,001)	
Other comprehensive income and expenditure					-	(365,645)	70,754	(294,891)	11.1
Total comprehensive income and expenditure	(239,116)	76,115	-	-	(163,001)	(365,645)	70,754	(457,892)	
Statutory adjustments between accounting basis and funding basis	239,403	(70,906)	-	203,192	371,689	(32,435)	(339,254)	-	11.2
Statutory capital adjustments	-	-	-	35,735	35,735	-	(35,735)	-	11.3
Increase / (decrease) before transfers	287	5,209	-	238,927	244,423	(398,080)	(304,235)	(457,892)	
Transfers to/(from) earmarked revenue reserves	(4,410)	-	4,410	-	-	-	-	-	
Transfers to fund capital expenditure	-	-	-	(237,491)	(237,491)	-	237,491	-	11.4
Increase / (decrease) during year	(4,123)	5,209	4,410	1,436	6,932	(398,080)	(66,744)	(457,892)	
Balance carried forward 31st March 2012	25,440	25,285	60,302	95,143	206,170	(1,224,439)	1,315,609	297,340	

# 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.

<u>31 March 2012</u>	£000s	<u>31 March 2013</u>	<i>notes</i>
	<i>Long-term assets</i>		
3,367,709	Property, plant and equipment	3,318,526	1, 13.1
50,635	Heritage assets	58,276	1, 13.2
36,745	Investment property	33,885	1
3,680	Intangible fixed assets	2,180	1
6,177	Long-term investments	2,166	
17,755	Long-term debtors	16,119	13.3
3,482,701		3,431,152	
	<i>Current assets</i>		
116,785	Debtors	107,322	14.1
20,067	Investments	5,025	2
2,765	Inventories	3,067	
1,823	Assets held for sale	6,747	
33	Landfill allowances	19	
3,726	Cash and cash equivalents	4,274	
145,199		126,454	
	<i>Current liabilities</i>		
(197,520)	Creditors	(193,320)	15.1
(172,081)	Borrowing repayable on demand or within one year	(183,647)	2, 16
(31,609)	Provisions for current liabilities	(24,218)	4
(401,210)		(401,185)	
3,226,690	Total assets less current liabilities	3,156,421	
	<i>Long-term liabilities</i>		
(1,260,256)	Long-term borrowing	(1,292,039)	2, 16
(1,140,769)	Net pensions liability	(1,287,228)	3
(522,338)	Deferred liabilities	(506,545)	17.1
(4,203)	Provisions for long term liabilities	(5,648)	4
(1,784)	Capital grants receipts in advance	(1,029)	
(2,929,350)		(3,092,489)	
297,340	Total assets less liabilities	63,932	
	<i>Financed by</i>		
	<i>Unusable capital accounting balances</i>		
315,600	Revaluation Reserve	385,457	18.1
991,812	Capital Adjustment Account	812,680	18.2
8,080	Deferred Capital Receipts	7,288	18.3
117	Available for Sale Reserve	106	18.4
1,315,609		1,205,531	
	<i>Usable capital funding reserves</i>		
4,258	Usable Capital Receipts Reserve	3,413	18.5
85,997	Capital grants unapplied	106,940	18.6
4,888	Major Repairs Reserve	13,245	H8
95,143		123,598	
	<i>Unusable statutory revenue reserves</i>		
(1,140,769)	Pensions Reserve	(1,287,228)	3
(71,641)	Financial Instruments Adjustment Account	(71,971)	20.1
(11,080)	Accumulated Absences Account	(10,510)	20.2
(835)	Collection Fund Adjustment Account	(193)	20.3
(114)	Equal Pay Back Pay Account	(102)	20.4
(1,224,439)		(1,370,004)	
	<i>Usable revenue reserves</i>		
25,440	General Fund Reserve	23,086	
25,285	Housing Revenue Account Reserve	26,139	
60,302	Other earmarked reserves	55,582	12
111,027		104,807	
297,340	Total reserves and balances	63,932	



# 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.

2011/12	£000s	2012/13
	Operating activities :	
	<i>Cash outflows</i>	
(815,103)	Cash paid to and on behalf of employees	(781,793)
(775,446)	Other operating cash payments	(817,385)
(148,882)	Housing Benefit paid out	(154,504)
(5,083)	Payments to the Capital Receipts Pool	(3,414)
(44,245)	Revenue expenditure funded by capital under statute	(32,425)
(1,448)	Precepts paid	(1,433)
(58,730)	Interest paid	(53,873)
(37,786)	Finance lease and PFI scheme interest paid	(36,342)
(1,886,723)		(1,881,169)
	<i>Cash inflows</i>	
1,029,062	Government revenue grants	948,712
266,909	Income from council tax	270,565
240,669	Distribution from National Non Domestic Rates pool	289,173
146,420	Cash received for goods and services	139,709
196,822	Rents (after rebates)	205,995
54,076	Other operating cash receipts	92,229
30,150	Grants funding expenditure capitalised under statute	13,907
1,493	Interest and dividends received	1,122
1,965,601		1,961,412
78,878	Net cash flow from operating activities	80,243
	Capital and financial investment activities:	
	<i>Cash outflows</i>	
(201,190)	Purchase of fixed assets	(211,313)
(10,000)	Purchase of treasury investments	-
-	Purchase of service loans and investments	(1,066)
	<i>Cash inflows</i>	
75,549	Capital grants received	67,921
18,579	Disposal of fixed assets	14,813
1,086	Disposal of service loans and investments	1,772
10,000	Disposal of treasury investments	20,000
2,774	Other capital cash receipts	638
(103,202)	Net cash flow from investing activities	(107,235)
(24,324)	Net cash inflow / (outflow) before financing	(26,992)
	Financing:	
	<i>Cash outflows</i>	
(858,570)	Short term loans repaid	(854,265)
(25,331)	Loans repaid	(26,752)
(15,180)	Finance lease and PFI scheme principal repayments	(15,348)
	<i>Cash inflows</i>	
834,387	New short term loans raised	868,905
90,000	New loans raised	55,000
25,306		27,540
982	Increase / (decrease) in cash and cash equivalents	548
2,744	Balance of cash and cash equivalents brought forward	3,726
982	Increase / (decrease) for the year	548
3,726	Balance of cash and cash equivalents carried forward	4,274

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

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

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

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

## 1 Tangible and intangible fixed assets

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

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

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

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

31/03/2012	£000s	31/03/2013
3,367,709	Property, plant and equipment	3,318,526
50,635	Heritage assets	58,276
36,745	Investment property	33,885
1,823	Assets held for sale	6,747
3,456,912	Total land, buildings and equipment	3,417,434
3,680	Intangible fixed assets	2,180
3,460,592		3,419,614

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.

2011/12	£000s	2012/13
3,579,780	1 April	3,460,592
211,155	Capital expenditure on acquisitions	203,621
	<i>Gains / (losses) recognised in Surplus/(Deficit) on the provision of services</i>	
(122,505)	Depreciation and amortisation	(120,857)
(19,066)	Impairment	(2,201)
(115,278)	Revaluations	(96,046)
584	Donations	-
(144,507)	Disposals	(123,993)
(400,772)		(343,097)
	<i>Gains / (losses) recognised in Other Comprehensive Income and Expenditure</i>	
75,875	Revaluations	98,739
(5,446)	Impairments charged to revaluation reserve	(241)
70,429		98,498
3,460,592	31 March	3,419,614

More detailed information on Property, plant and equipment and on Heritage assets is given in Note 13 on page 56, and information on gains and losses on disposals is given in Note 5.7.

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

The Prudential Framework for Capital Finance in Local Authorities allows councils to finance some of their capital expenditure by borrowing, provided this is at a level that is prudent and affordable. The extent to which a council has decided to finance its capital expenditure by borrowing is reflected in the borrowing element of its Capital Financing Requirement (see note 19.2 on page 72). In order to repay past borrowing used to fund capital expenditure on General Fund assets, each year councils are required to set aside an amount known as the Minimum Revenue Provision (MRP). The council's policy is to set its MRP in order to repay new borrowing over the life of the asset which the borrowing has funded.

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

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

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

31/03/2012	£000s	31/03/2013
	Borrowing	
(1,260,256)	Long term borrowing	(1,292,039)
(172,081)	Borrowing repayable on demand or within one year	(183,647)
	Investments made for treasury purposes	
5,000	Long term investments	-
20,066	Investments maturing on demand or within one year	5,025
3,588	Cash equivalents	4,303
(1,403,683)	Net borrowing	(1,466,358)
	Other debt financing of fixed assets	
(502,472)	Deferred liabilities - PFI schemes	(489,626)
(10,574)	Deferred liabilities - finance leases	(8,114)
(1,916,729)	Net debt	(1,964,098)

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

Further information on the council's borrowing and investing activities, the financial instruments it holds for service reasons, and the management of risks associated with all of these can be found in Note 16 on page 63 .

### 3 Pensions liabilities

The council is required to account for its pension costs under IAS 19 – Employee Benefits. This means that it is the expenditure and income relating to IAS 19 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 IAS 19 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 two different pension schemes. Non teaching staff are members of the West Yorkshire Pension Fund (WYPF), and teachers are members of the national Teachers Pension Scheme (TPS). 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 is an unfunded multi-employer scheme 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.

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

31/03/2012	£000s	31/03/2013
(973,236)	WYPF mainstream pensions	(1,112,665)
(70,758)	WYPF discretionary pensions	(73,354)
(1,043,994)		(1,186,019)
(96,775)	Teachers discretionary pensions	(101,209)
(1,140,769)	Net asset / (liability)	(1,287,228)

The £1,186m net liability relating to the WYPF represents the difference between the value of the council's pension fund assets at 31st March 2013 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 2013 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 2010. This concluded that the WYPF was 93% funded, and set contribution rates for the next three years which are designed to move the fund towards a fully funded position.

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

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

2011/12				2012/13		
WYPF	Teachers	Total		WYPF	Teachers	Total
649,854	90,514	740,368	1 April	1,043,994	96,775	1,140,769
			<i>In Surplus/(Deficit) on the provision of services</i>			
12,680	(5,955)	6,725	Adjustment for IAS19 based service expenditure	16,104	(6,422)	9,682
30,435	-	30,435	Net pensions liabilities for staff transferred	-	-	-
(7,221)	4,817	(2,404)	Interest cost and expected return on assets	5,493	4,306	9,799
			<i>In Other Comprehensive Income and Expenditure</i>			
358,246	7,399	365,645	Actuarial gains and losses	120,428	6,550	126,978
1,043,994	96,775	1,140,769	31 March	1,186,019	101,209	1,287,228

Further information on pensions assets and liabilities, including the assumptions used by the council's actuaries in carrying out their valuations, can be found in Note 8 on page 35.

#### 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	31/03/2012	Provisions raised	Provisions used	Provisions reversed	31/03/2013	notes
Equal pay compensation	23,008		(8,029)	(11)	14,968	i
Insurance liabilities	10,329	3,130	(486)	-	12,973	ii
Other	2,475	514	(264)	(800)	1,925	
	35,812	3,644	(8,779)	(811)	29,866	
Short term provisions	31,609				24,218	
Long term provisions	4,203				5,648	
	35,812				29,866	

- i Leeds City Council is in the process of settling claims in respect of equal pay, following the Single Status Agreement introduced in 1997 by the National Joint Council for Local Government Services to bring together manual and white collar employees under one set of terms and conditions of employment. From 2006/07 onwards, compensation payments have been made in relation to some specific groups of employees who were deemed to have been affected. At 31st March 2013, the council has agreed compensation offers in principle for a number of employees in specific groups, which it is in the process of settling. The closing value of the provision reflects the estimated cost of the remaining unsettled claims covered by the agreed offers. The potential for further liabilities arising from equal pay claims is covered in note 4.2 below.
- ii The insurance provision covers the value of insurance claims for which the council estimates that it has a potential legal liability. Employee, public liability and motor third party liability claims are covered by external insurance policies which limit the council's maximum liability on individual claims to £500k (£150k for motor third party liability claims). The council is also limited to a maximum total liability across all employee and public liability claims of £10m per year from 2009/10 onwards and £12m for each of the previous six years. Included within the provision is £600k (£574k at 31st March 2012) 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 £5,648k (£4,203k at 31st March 2012) 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 below.

#### 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 2013:

a General

The council has a number of general litigious matters ongoing which could result in payments totalling £1.4m (£0.5m at 31st March 2012).

b Specific

- i Insurance claims. The council has been advised by its actuaries that the value of outstanding legal liability claims against it is £30.0m (£24.5m at 31st March 2012). It is estimated that, if successful, less than £0.1m of these claims would be met by the council's external insurers (£0.1m at 31st March 2012) leaving a balance of £30.0m where any liabilities would be met by the council. A provision has been set aside on the Balance Sheet to the value of £12.3m (see note 4.1 above) for the estimated future settlement of these claims. The contingent liability value for insurance claims therefore stood at £17.7m at 31st March 2013 (£14.1m at 31st March 2012).
- ii Municipal Mutual Insurance Ltd. Prior to 1992, the council's public liability and employers 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 Arrangement. A recent court ruling in relation to employers liability for occupational disease claims such as asbestosis has adversely affected the financial position of Municipal Mutual Insurance Ltd to the extent that the Scheme of Arrangement has been triggered. The initial levy rate has been set at 15%, and the council has raised a provision of £741k for this amount. However the scheme administrator has indicated that the eventual amount may be as high as 28%.
- iii Equal pay claims. Arising from the 1997 Single Status Agreement, the council has included in its accounts a provision for the estimated cost of compensation payments which are a settlement offer has been made in relation to a specific group of outstanding equal pay claims (see note 4.1 for further details). However, the council recognises the potential that further equal pay claims may arise, some of which may lead to additional compensation agreements or to employees taking employment tribunal action. It is not possible to estimate with any certainty the likely financial impact in advance of such claims being made.
- iv In 1988 the council issued an undertaking regarding a potential structural defect to a number of former council houses. The undertaking given related to properties of a particular construction on one estate, and applied only if the specified defects became apparent. A small number of claims have been received, but to date there is no indication that the council is likely to incur a significant liability in relation to this undertaking.
- v Search fees for land charges. Leeds City Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £223k plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £398k plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the

Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

- vi The council has received claims from a contractor for work which the contractor claims was over and above the terms of its contract. The council is disputing the claims, which have a total value of £16m.



# Further explanatory notes to the main financial statements

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

## 5 Additional information on reported income and expenditure

### 5.1 Leeds City Council outturn position and organisational structure

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

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

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

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

#### Outturn position – Leeds City Council organisational units

2011/12		2012/13			
<i>net</i>		<i>gross</i>	<i>gross</i>	<i>transfer to</i>	<i>net</i>
<i>outturn</i>	£000s	<i>expenditure</i>	<i>income</i>	<i>reserves</i>	<i>outturn</i>
68,762	City Development	154,287	(85,037)	635	69,885
96,033	Environment & Neighbourhoods	150,028	(58,259)	(1,142)	90,627
128,988	Children's Services	298,784	(171,482)	2,959	130,261
17	Schools	476,065	(477,329)	1,290	26
177,809	Adult Social Care	249,224	(71,396)	(1,337)	176,491
61,874	Central and Corporate Functions	565,408	(505,663)	137	59,882
52,868	Central Accounts	114,110	(68,552)	(7,262)	38,296
586,351		2,007,906	(1,437,718)	(4,720)	565,468
(582,228)	RSG & Local Taxation	-	(563,114)	-	(563,114)
4,123	Total General Fund	2,007,906	(2,000,832)	(4,720)	2,354
(5,209)	Housing Revenue Account	211,402	(212,256)	-	(854)

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

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

2011/12	£000s	2012/13
4,123	General fund outturn (surplus) / deficit	2,354
(5,209)	HRA outturn (surplus) /deficit	(854)
(1,086)	Overall outturn position	1,500
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Transfers to other usable revenue reserves</i>		
(4,410)	Transfers (to) / from earmarked reserves	4,720
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Statutory items relating to capital accounting and financing</i>		
270,943	Transfer impact of capital charges to capital reserves	237,576
(75,572)	Transfer capital grants received to usable capital reserves	(68,676)
(33,779)	General Fund Minimum Revenue Provison for debt redemption	(35,622)
(1,676)	HRA transfers to capital reserves for repayment of debt	(4,819)
(5,452)	Transfers to capital reserves to fund capital expenditure	(2,307)
126,044	Transfer net (gain) / loss on disposal of assets to capital reserves	109,091
(583)	Transfer gain on donated assets to reserves	-
5,078	Transfer from capital reserves to fund pooling of HRA capital receipts	4,087
(36,803)	Transfer HRA major repairs allowance to major repairs reserve	(59,086)
(112,138)	Transfer HRA settlement notional capital receipt to UCR	-
136,062		180,244
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Other statutory items</i>		
34,756	Transfer to / (from) Pensions reserve	19,481
330	Transfer to / (from) Financial instruments adjustment account	330
100	Transfer to / (from) Council Tax adjustment account	(642)
114	Transfer to / (from) Equal pay back pay account	(12)
(2,865)	Transfer to / (from) Accumulated absences account	(570)
32,435		18,587
<i>Unrealised items of income and expenditure not affecting usable reserves and not reported within Outturn</i>		
(70,752)	(Surplus) / deficit on revaluation of fixed assets	(98,632)
(2)	(Surplus) / deficit on revaluation of available-for-sale assets	11
365,645	Actuarial (gains) / losses on pension fund	126,978
294,891		28,357
457,892	Total comprehensive income and expenditure (council)	233,408
3,744	Surplus/deficit arising from group entities	7,738
461,636	Total comprehensive income and expenditure (Group)	241,146

### 5.3 Subjective analysis for individual organisational units

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

#### a City Development

2011/12	£000s	2012/13	
	<i>Expenditure</i>		
66,288	Employee Expenses	62,215	
89,974	Other Running Expenses	91,854	
166	Agency Payments	173	
63	Transfer Payments	45	
<u>156,491</u>	Total Expenditure		154,287
	<i>Income</i>		
(16,258)	Government grants and contributions	(15,518)	
(72,958)	Fees, charges and other service income	(69,483)	
-	Interest and investment income	(36)	
<u>(89,216)</u>	Total Income		(85,037)
	<i>Transfers to Reserves</i>		
(1,000)	Transfer to/(from) the Capital reserve	-	
2,487	Transfer to/(from) other earmarked reserves	635	
<u>1,487</u>	Total transfers to reserves		635
<u>68,762</u>	Outturn position		<u>69,885</u>

#### b Environment & Neighbourhoods

2011/12	£000s	2012/13	
	<i>Expenditure</i>		
58,243	Employee Expenses	55,035	
68,526	Other Running Expenses	67,849	
30,922	Agency Payments	27,480	
180	Transfer Payments	(336)	
<u>157,871</u>	Total Expenditure		150,028
	<i>Income</i>		
(5,345)	Government grants and contributions	(3,177)	
(58,181)	Fees, charges and other service income	(55,068)	
(15)	Interest and investment income	(14)	
<u>(63,541)</u>	Total Income		(58,259)
	<i>Transfers to Reserves</i>		
132	Transfer to/(from) the Capital reserve	-	
1,571	Transfer to/(from) other earmarked reserves	(1,142)	
<u>1,703</u>	Total transfers to reserves		(1,142)
<u>96,033</u>	Outturn position		<u>90,627</u>

c Children's Services

2011/12	£000s	2012/13	
	<i>Expenditure</i>		
107,583	Employee Expenses	105,315	
115,276	Other Running Expenses	114,598	
77,645	Agency Payments	77,714	
1,101	Transfer Payments	1,157	
<u>301,605</u>	Total Expenditure		298,784
	<i>Income</i>		
(112,904)	Government grants and contributions	(115,595)	
(55,228)	Fees, charges and other service income	(55,886)	
(2)	Interest and investment income	(1)	
<u>(168,134)</u>	Total Income		(171,482)
	<i>Transfers to Reserves</i>		
860	Transfer to/(from) the Capital reserve	-	
(5,343)	Transfer to/(from) other earmarked reserves	2,959	
<u>(4,483)</u>	Total transfers to reserves		2,959
<u>128,988</u>	Outturn position		<u>130,261</u>

d Schools

2011/12	£000s	2012/13	
	<i>Expenditure</i>		
371,477	Employee Expenses	350,037	
125,451	Other Running Expenses	126,028	
1	Agency Payments	-	
<u>496,929</u>	Total Expenditure		476,065
	<i>Income</i>		
(460,262)	Government grants and contributions	(434,393)	
(40,584)	Fees, charges and other service income	(42,936)	
<u>(500,846)</u>	Total Income		(477,329)
	<i>Transfers to Reserves</i>		
8,063	Transfer to/(from) other earmarked reserves	5,793	
(4,129)	School reserves	(4,503)	
<u>3,934</u>	Total transfers to reserves		1,290
<u>17</u>	Outturn position		<u>26</u>

e Adult Social Care

2011/12	£000s	2012/13
	<i>Expenditure</i>	
81,217	Employee Expenses	78,744
27,590	Other Running Expenses	26,466
135,445	Agency Payments	135,868
8,071	Transfer Payments	8,146
252,323	Total Expenditure	249,224
	<i>Income</i>	
(14,857)	Government grants and contributions	(15,036)
(62,662)	Fees, charges and other service income	(56,360)
(77,519)	Total Income	(71,396)
	<i>Transfers to Reserves</i>	
408	Transfer to/(from) the Capital reserve	-
2,597	Transfer to other earmarked reserves	(1,337)
3,005	Total transfers to reserves	(1,337)
177,809	Outturn position	176,491

f Central and Corporate Functions

2011/12	£000s	2012/13
	<i>Expenditure</i>	
124,742	Employee Expenses	126,168
91,789	Other Running Expenses	102,330
99	Agency Payments	2
320,761	Transfer Payments including benefits	336,908
537,391	Total Expenditure	565,408
	<i>Income</i>	
(322,985)	Government grants and contributions	(339,569)
(156,967)	Fees, charges and other service income	(166,094)
(479,952)	Total Income	(505,663)
	<i>Transfers to Reserves</i>	
4,458	Transfer to/(from) the Capital reserve	67
(23)	Transfer to/(from) other earmarked reserves	70
4,435	Total transfers to reserves	137
61,874	Outturn position	59,882

g Central Accounts

2011/12	£000s	2012/13	
	<i>Expenditure</i>		
1,722	Employee Expenses	1,807	
72,837	Other Running Expenses	74,431	
38,148	Agency Payments	37,866	
-	Transfer Payments	6	
112,707	Total Expenditure		114,110
	<i>Income</i>		
(16,139)	Government grants and contributions	(16,863)	
(31,720)	Fees, charges and other service income	(50,610)	
(1,502)	Interest and investment income	(1,079)	
(49,361)	Total Income		(68,552)
	<i>Transfers to Reserves</i>		
(67)	Transfer to/(from) the Capital reserve	(67)	
(10,411)	Transfer to/(from) other earmarked reserves	(7,195)	
(10,478)	Total transfers to reserves		(7,262)
52,868	Outturn position		38,296

h Housing Revenue Account

2011/12	£000s	2012/13	
	<i>Expenditure</i>		
3,768	Employee Expenses	2,483	
241,571	Other Running Expenses	99,797	i
86	Agency Payments	73	
82,384	Transfer Payments	84,803	
327,809	Total Expenditure		187,156
	<i>Income</i>		
(140,809)	Government grants and contributions	(6,233)	i
(194,299)	Fees, charges and other service income	(206,010)	
(12)	Interest and investment income	(13)	
(335,120)	Total Income		(212,256)
	<i>Transfers to Reserves</i>		
2,102	Transfer to/(from) Major Repairs Reserve	24,246	
2,102	Total transfers to reserves		24,246
(5,209)	Outturn position		(854)

i The 2011/12 figures for the HRA above include income and expenditure transactions of £142m relating to the government's settlement for HRA self financing. Please see note H1 to the HRA for further details.

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

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

2011/12	£000	2012/13
(1,086)	Net reported Outturn position per segmental analysis	1,500
	<i>Amounts included in Outturn reporting but not included in the Comprehensive Income and Expenditure Account</i>	
(4,410)	Transfers to other usable revenue reserves	4,720
136,062	Statutory items relating to capital accounting and financing	180,244
32,435	Other statutory items	18,587
164,087		203,551
	<i>Amounts included below Net cost of services in the Comprehensive Income and Expenditure Account</i>	
(158,701)	Other operating expenditure	(111,607)
(123,253)	Financing and investment income and expenditure	(99,348)
899,179	Local taxation and general government grant income	731,873
617,225		520,918
780,226	Net Cost of Services in Comprehensive Income and Expenditure Statement	725,969

- i A more detailed breakdown of these items can be seen in note 5.2 above.
- ii A more detailed breakdown of these items is shown on the face of the Comprehensive Income and Expenditure Account.

## 5.5 Subjective analysis of group comprehensive income and expenditure

The following table gives a breakdown by type of income and expenditure of the council and its subsidiaries and associates overall results for the year. Please see page 90 for the council's group accounts.

2011/12	£000s	2012/13
	<i>Income</i>	
(423,197)	Fees, charges and other service income	(415,875)
(24)	Surplus or deficit on associates and joint ventures	125
(1,961)	Interest and investment income	(1,467)
(159,220)	Expected return on pension assets	(151,490)
(268,515)	Income from council tax	(270,791)
(240,669)	Distribution from non-domestic rate pool	(289,174)
(1,280,188)	Government Grants	(1,020,458)
(2,373,773)	Total Income	(2,149,130)
	<i>Expenditure</i>	
856,409	Employee expenses	825,924
954,423	Other service expenses	949,737
299,790	Depreciation, amortisation and impairment	219,181
95,967	Interest payments	93,383
30,306	Interest payments - HRA Amortisation of premium an	-
1,448	Precepts and levies	1,433
5,078	Payments to Housing Capital Receipts Pool	4,087
126,041	Gain or loss on disposal of non-current assets	109,089
773	Gain or loss on investment properties	(178)
(2,250)	(Surplus)/deficit on trading activities	(3,002)
155,251	Pension interest costs	160,371
149	Other taxation	98
2,523,385	Total Expenditure	2,360,123
149,612	Group (Surplus)/ deficit	210,993

## 5.6 Housing Revenue Account (HRA)

The HRA Income and Expenditure Account and other movements on the HRA reserve have been consolidated into the council's Comprehensive Income and Expenditure Account on a line by line basis. The components making up the net increase on the HRA reserve of £0.9m (a net increase of £5.2m in 2011/12) 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 76).

## 5.7 Gains or losses on the disposal of fixed assets

The figures shown in the Comprehensive Income and Expenditure account for gains or losses on the disposal of fixed assets represents the difference between the carrying value of assets which have been disposed of and the proceeds of any sale, less any administrative costs of disposal. As well as the sale of surplus assets, the figure includes assets which the council has been required to transfer to other bodies at nil consideration. The most significant element of the loss recorded in both the current and previous financial year is the value of school buildings which have been handed over to other organisations to run them as academies or trusts. Transfers of schools led to a loss being recognised of £110.6m in 2012/13 (£129.4m in 2011/12). The table below gives a breakdown of the figures.

2011/12	£000s	2012/13
(18,684)	Receipts from sale of fixed assets	(14,904)
170	Receipts used to fund disposal costs	-
(18,514)		(14,904)
	<i>Value of fixed assets disposed of</i>	
108,085	Schools transferred to an Academy	39,282
21,539	Schools transferred to a Trust	71,310
14,931	Other fixed assets	13,401
144,555		123,993
126,041	Total (gain) or loss on disposal of fixed assets	109,089

## 6 General Government grants

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



## General Government Grants

2011/12	£000s	2012/13
	General Government Grants	
(74,392)	Revenue Support Grant (RSG)	(5,606)
(44,241)	Private Finance Initiative (PFI) grant	(43,939)
(75,572)	Capital Grants	(68,676)
(53,346)	Non-Ringfenced Government Grants	(53,689)
(142,444)	HRA Settlement	-
<u>(389,995)</u>		<u>(171,910)</u>
	Government Grants included in Net cost of services	
(11,076)	Adult Social Care	(11,163)
(209,049)	Central Services	(215,737)
(511,540)	Children's & Education Services	(488,425)
(12)	Cultural and Related Services	(601)
(115)	Environmental and Regulatory Services	(644)
(29)	Planning Services	(314)
(1,935)	Highways and Transport Services	(185)
-	Housing Revenue Account	(6,233)
(118,406)	Other Housing Services	(125,246)
<u>(852,162)</u>		<u>(848,548)</u>

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

The Local Authority (Goods and Services) Act 1970 allows local authorities to provide goods and services to various other public bodies, and requires that the income and expenditure under such contracts is disclosed in an authority's statement of accounts. For 2012/13, the authority generated £1,591k of income under such contracts, and incurred costs of £1,291k

### 8 Pensions

An overview of the impact of pensions within the council's accounts is given in Note 3 on page 22. This note gives further information on the pensions assets and liabilities included in the council's accounts, and details the actuarial assumptions used in estimating them.

#### 8.1 West Yorkshire Pension Fund (WYPF)

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

The last full actuarial valuation to be completed for the WYPF was carried out as at 31st March 2010. An interim actuarial review was carried out in order to calculate the figures required under IAS 19. In calculating the council's assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future, meaning that the results of actuarial calculations are subject to uncertainties within a range of possible values. The following actuarial assumptions were made:

## WYPF – actuarial assumptions

31/03/2012		31/03/2013	
	Financial assumptions		
3.6%	Rate of inflation (RPI)	3.7%	(i)
2.6%	Rate of inflation (CPI)	2.8%	(i)
5.1%	Rate of increase in salaries	4.7%	
2.6%	Rate of increase in pensions	2.8%	
4.8%	Discount rate	4.4%	
	Expected rate of return on assets		
8.1%	Equities	7.8%	
3.1%	Government bonds	2.8%	
3.7%	Other bonds	3.8%	
7.6%	Property	7.3%	
1.8%	Cash / liquidity	0.9%	
8.1%	Other	7.8%	
	Mortality assumptions (years)		
22.0	Longevity at 65 for current male pensioners	22.1	
24.1	Longevity at 65 for current female pensioners	24.3	
23.8	Longevity at 65 for future male pensioners	23.9	
26.1	Longevity at 65 for future female pensioners	26.2	

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

The overall expected rate of return on assets is derived from the above assumptions by aggregating the expected return for each class of asset over the actual asset holdings for the fund at the year end.

### a WYPF – assets and liabilities

At 31st March 2013, 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

31/03/2012	£000s	31/03/2013
(3,043,731)	Estimated present value of liabilities (funded)	(3,465,178)
(70,758)	Estimated present value of liabilities (unfunded)	(73,354)
(3,114,489)		(3,538,532)
2,070,495	Fair value of assets	2,352,513
(1,043,994)	Net asset / (liability)	(1,186,019)

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

## WYPF – movement in pension assets and liabilities

£000s	<i>liabilities</i>	<i>assets</i>	<i>net</i>
1 April 2011	(3,114,489)	2,070,495	(1,043,994)
<i>Actuarial gains and losses</i>			
Change in assumptions	(268,958)		
Asset gain / (loss)		143,607	
Liability gain / (loss)	4,923		
	(264,035)	143,607	(120,428)
<i>Service expenditure</i>			
Current service cost	(75,261)		
Past Service Cost	(1,731)		
Employer contributions		60,888	
	(76,992)	60,888	(16,104)
<i>Finance gains and losses</i>			
Expected return on assets		144,113	
Interest on pension liabilities	(149,606)		
	(149,606)	144,113	(5,493)
<i>Other movements</i>			
Benefits paid	88,865	(88,865)	
Employee contributions	(22,275)	22,275	
	66,590	(66,590)	-
31 March 2012	(3,538,532)	2,352,513	(1,186,019)

The council's net pensions liability has increased by £142m since 31st March 2012. This was largely due to an actuarial losses resulting from a reduction in the assumed discount rate for valuing liabilities. The fund's liabilities are required to be discounted using the market yield on AA rated corporate bonds at the balance sheet date. Continuing difficulties in global financial markets meant that there was a reduction in this discount rate during 2012/13 of 0.4%, which caused a significant increase in the discounted value of the council's liabilities as at 31<sup>st</sup> March 2013. This was partly offset by gains in income earned from assets, which was higher than had been assumed.

The following table shows the council's assets and liabilities over a 5 year period.

### WYPF – history

£000s	<i>assets</i>	<i>liabilities</i>	<i>net</i>
31 March 2013	2,352,513	(3,538,532)	(1,186,019)
31 March 2012	2,070,495	(3,114,489)	(1,043,994)
31 March 2011	1,960,667	(2,610,521)	(649,854)
31 March 2010	1,717,528	(3,100,505)	(1,382,977)
31 March 2009	1,270,138	(1,909,816)	(639,678)

### b 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.

31/03/2012		31/03/2013	
71.1%	Equities	72.5%	
12.6%	Government bonds	11.9%	
5.4%	Other bonds	5.7%	
3.6%	Property	3.1%	
2.8%	Cash/liquidity	3.6%	
4.5%	Other	3.2%	

The expected rate of return on assets is based on market expectations at the beginning of the period, for investment returns over the entire life of the related liability. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return used by the actuary is derived by aggregating the assumed rate of return for each category of asset as shown in the table of actuarial assumptions above (page 36), weighted by the proportion of the assets in the particular category.

The actual return on assets for 2012/13 was a gain of £287.7m, in comparison to the expected gain of £144.1m.

c Expected contributions to the scheme for 2013/14

The council expects to make contributions of approximately £54,207k to WYPF in 2013/14.

## 8.2 Teachers' pensions

Teachers employed by the authority are members of the national Teachers Pension Scheme, which is an unfunded defined benefit pension scheme administered by the government. The employers contribution rate is set periodically by the government. Under the Accounting Code of Practice guidance on IAS 19, the Teachers' Pension scheme is classed as a multi-employer defined benefit scheme for which the liabilities of individual employers cannot be separated, meaning that it should be treated in the same way as a defined contribution scheme under IAS 19. The employer's contribution rate for the teachers' pension scheme during 2012/13 was 14.1.% of pensionable pay, and this will be unchanged for 2013/14. The actual amount payable to the teachers' pension scheme by the council for 2012/13 was £25,125k. However, 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

31/03/2012		31/03/2013	
Financial assumptions			
2.4%	Rate of inflation (CPI)	2.6%	
2.4%	Rate of increase in pensions	2.6%	
4.6%	Discount rate	4.1%	
Mortality assumptions (years)			
22.0	Longevity at 65 for current male pensioners	22.1	
24.1	Longevity at 65 for current female pensioners	24.3	

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

### Teachers' discretionary pensions – assets and liabilities

31/03/2012	£000s	31/03/2013
(96,775)	Estimated present value of liabilities	(101,209)

The movement in the pension liability during the year is broken down in the following table. Amounts relating to service expenditure shown below appear within the Net Cost of Service in the

Comprehensive Income and Expenditure Account, finance gains and losses appear within Net Operating Expenditure, and actuarial gains and losses are shown under Other Comprehensive Income and Expenditure.

#### Teachers' discretionary pensions – movement in pension liability

£000s	<i>liability</i>
1 April 2011	(96,775)
<i>Service expenditure</i>	
Employer contributions	6,931
Past service cost / curtailment cost / settlements	(509)
	6,422
<i>Finance gains and losses</i>	
Interest on pension liabilities	(4,306)
	(4,306)
<i>Actuarial gains and losses</i>	
Change in assumptions	(6,735)
Liability gain / (loss)	185
	(6,550)
31 March 2012	(101,209)

The following table shows the council's teachers pension liabilities over a 5 year period

£000s	<i>liability</i>
31 March 2013	(101,209)
31 March 2012	(96,775)
31 March 2011	(90,514)
31 March 2010	(90,119)
31 March 2009	(75,089)

The council expects to make payments of approximately £6,611k in relation to teachers discretionary pensions in 2013/14.

### 8.3 Actuarial gains and losses on pensions assets and liabilities

Actuarial gains and losses can be divided into experience gains and losses (i.e. the extent to which actual outcomes have differed from the assumptions that were used in calculating IAS 19 figures), and the effect of changes in actuarial assumptions. All actuarial gains and losses are recognised as other comprehensive income and expenditure within the Comprehensive Income and Expenditure Account.

The cumulative value of actuarial gains and losses relating to the WYPF pension fund that have been recognised under Other comprehensive gains and losses within the Comprehensive income and expenditure account since the council adopted IFRS based accounting on 1<sup>st</sup> April 2009 is £713.5m. The corresponding figure for discretionary teachers pensions is £37.9m.

The following table shows the experience gains and losses over the past five years identified as movements on the WYPF Pensions reserve, measured as absolute amounts and as percentages of the assets or liabilities at 31st March for each year.

## Experience gains and losses on the West Yorkshire Pension Fund assets and liabilities

£000s	<i>Differences between expected and actual returns on assets</i>		<i>Differences between expected and actual gains and losses on liabilities</i>		<i>Total differences</i>
2008/09	(419,792)	-33.1%	-	-	(419,792)
2009/10	368,112	21.4%	22,034	-0.7%	390,146
2010/11	117,157	6.0%	164,839	-6.3%	281,996
2011/12	(118,132)	-5.7%	(20,594)	0.7%	(138,726)
2012/13	143,607	6.1%	4,923	0.1%	148,530

The following table shows the history of experience gains and losses on the Teachers' Discretionary Pensions liabilities, measured as absolute amounts and as percentages of the liabilities at 31st March for each year:

### Experience gains and losses on Teachers' Discretionary Pensions

£000s	<i>Differences between expected and actual returns on assets</i>		<i>Differences between expected and actual gains and losses on liabilities</i>		<i>Total differences</i>
2008/09	n/a		-	-	-
2009/10	n/a		2,380	-2.6%	2,380
2010/11	n/a		(13,314)	14.7%	(13,314)
2011/12	n/a		(2,176)	2.2%	(2,176)
2012/13	n/a		185	0.2%	185

## 9 Private Finance Initiative (PFI)

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

For all of these schemes, the annual amount payable under the contract is subject to both indexation factors and the contractor's performance in meeting service standards. The council also receives government grant in support of its expenditure on each of the schemes (see note 6 on page 35). 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.

### 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, two of the schools have transferred to trust 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, two of the secondary schools have transferred to academy status and one has become a trust. These three schools are therefore no longer included as assets in the council's balance sheet.

d Swarcliffe PFI Project

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

e Street Lighting PFI Project

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

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

On 3rd April 2007, Leeds City Council entered into a long term partnership contract with Leeds LEP Ltd, the Local Education Partner ("LEP") in which it is a shareholder, to procure the rebuilding or refurbishment of 14 high schools in Leeds. On the same date the council also entered into a PFI contract for the rebuilding of 4 high schools; service commencement for 3 of these schools commenced in September 2008 and the fourth opened in September 2009. Since the contract started, one of the schools transferred to trust status and one has become an academy. These two schools are therefore no longer included as assets in the council's balance sheet. This 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. This 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 (JSC) in Chapeltown and Harehills, where the council and health primary care trusts 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.

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

Movement in PFI assets

£000s	01/04/2012	Acquisitions, lifecycle costs	Disposals	Reval'ns, depreciation, impairment	31/03/2013
Seven Schools	34,815	670	-	14,680	50,165
Primary Schools	21,364	316	(2,980)	7,814	26,514
Combined Secondary Schools	40,170	1,224	(26,981)	11,293	25,706
Swarcliffe	-	396	-	(396)	-
Street Lighting	80,347	-	-	(2,869)	77,478
Building Schools for the Future (1)	45,333	251	(15,039)	(469)	30,076
Independent Living	18,334	-	-	(288)	18,046
Building Schools for the Future (2)	9,353	40	-	(267)	9,126
New Leaf Leisure Centres	26,288	23	-	(1,048)	25,263
Harehills JSC	1,253	10	-	(49)	1,214
	277,257	2,930	(45,000)	28,401	263,588

The disposals included above relate to two schools which have become trusts and a further two which have become academies during the year. The council retains the liability to pay the unitary charge amounts relating to these schools despite the fact that it no longer recognises them as assets.

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

Movement in PFI liabilities

£000s	01/04/2012	New liabilities	Amounts repaid	31/03/2013
Seven Schools	30,266		(942)	29,324
Primary Schools	31,434		(833)	30,601
Combined Secondary Schools	92,463		(2,067)	90,396
Swarcliffe	39,227		(1,224)	38,003
Street Lighting	82,540		(2,172)	80,368
Building Schools for the Future (1)	103,472		(2,440)	101,032
Independent Living	57,487		(1,632)	55,855
Building Schools for the Future (2)	33,512		(850)	32,662
New Leaf Leisure Centres	26,742		(548)	26,194
Harehills JSC	5,329		(138)	5,191
	502,472	-	(12,846)	489,626



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 :

#### Analysis of PFI liabilities

£000s	Payable in 1 Year	Payable in 2-5 Years	Payable in 6-10 Years	Payable in 11-15 Years	Payable in 16-20 Years	Payable in 21-25 Years	Total
Seven Schools	932	4,433	7,008	10,692	6,259		29,324
Primary Schools	963	4,194	6,376	9,234	9,834		30,601
Combined Secondary Schools	2,486	12,159	14,075	21,014	37,956	2,706	90,396
Swarcliffe	1,002	4,458	4,844	7,494	12,647	7,558	38,003
Street Lighting	2,382	10,889	16,600	25,120	25,377		80,368
Building Schools for the Future (1)	2,533	11,480	18,106	23,962	33,933	11,018	101,032
Independent Living	1,645	7,390	6,965	10,334	13,804	15,717	55,855
Building Schools for the Future (2)	864	3,867	5,890	7,783	10,577	3,681	32,662
New Leaf Leisure Centres	584	2,681	4,023	5,964	7,850	5,092	26,194
Harehills JSC	138	534	929	1,123	1,594	873	5,191
<b>Total Liabilities</b>	<b>13,529</b>	<b>62,085</b>	<b>84,816</b>	<b>122,720</b>	<b>159,831</b>	<b>46,645</b>	<b>489,626</b>

The following table shows the total unitary charge payments made under the schemes during 2012/13, and the total amounts expected to be paid in 2013/14. Amounts payable in future years will depend on inflation factors and the contractors performance.

£000s	2012/13	2013/14
Seven Schools	7,425	7,379
Primary Schools	6,595	6,513
Combined Secondary Schools	15,823	16,074
Swarcliffe	8,913	9,158
Street Lighting	11,558	12,046
Building Schools for the Future (1)	14,145	14,117
Independent Living	5,660	5,584
Building Schools for the Future (2)	4,092	4,084
New Leaf Leisure Centres	3,506	3,597
Harehills JSC	611	611
Chapelton JSC	542	542
	<b>78,870</b>	<b>79,705</b>

## 10 Additional notes to the comprehensive income and expenditure account

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

### 10.1 Dedicated Schools Grant

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

For 2012/13 the total available DSG funding was £448.0m.

#### Calculation of available DSG

2011/12	£000s	2012/13
503,622	Final DSG before Academy recoupment	506,960
36,922	Academy figure recouped in year	66,110
466,700	Total DSG after Academy recoupment	440,850
2,826	Brought Forward	7,119
-	Carry forward agreed in advance	-
471,623	Total for distribution	447,969

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

#### Allocation of Schools Budget and Dedicated Schools Grant

2011/12				2012/13		
Central schools budget	Individual schools' budget	Total		Central schools budget	Individual schools' budget	Total
50,134	421,489	471,623	Agreed budgeted distribution	48,086	399,883	447,969
-	-	-	In year adjustments	-	-	-
50,134	421,489	471,623	Final budgeted distribution	48,086	399,883	447,969
43,015	-	43,015	Actual Central Expenditure	41,752	-	41,752
-	421,489	421,489	Actual ISB deployed to schools	-	400,417	400,417
-	-	-	Local Authority contribution	-	-	-
7,119	-	7,119	Carry forward	6,334	(534)	5,800

The £5.8m carry forward of DSG funding will be brought forward into 2013/14. Any underspends on the element of DSG funding allocated to schools will be carried forward within schools reserves (see explanatory note 12).

## 10.2 Pooled budgets

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

### a Joint Commissioning Board for People with Learning Disabilities

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

## Joint Commissioning Board for People with Learning Disabilities

2011/12	£000s	2012/13
	<i>Funding</i>	
50,922	Leeds City Council	52,995
15,445	Leeds Primary Care Trust	17,474
<u>66,367</u>		<u>70,469</u>
	<i>Expenditure on services provided by</i>	
49,064	Independent sector	54,693
17,303	Leeds City Council (Adult Social Care)	15,776
<u>66,367</u>		<u>70,469</u>

### b Leeds Community Equipment Services

This is an integrated service managed jointly by Leeds Primary Care Trust 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

2011/12	£000s	2012/13
	<i>Funding</i>	
519	Leeds City Council	540
417	Leeds Primary Care Trust	667
<u>936</u>		<u>1,207</u>
	<i>Expenditure on services provided by</i>	
514	Leeds City Council (Adult Social Care)	540
417	Leeds Primary Care Trust	667
<u>931</u>		<u>1,207</u>
5	Balance to carry forward to 2012/13	-

### c Safer Leeds - Drugs

The council has a Section 75 Pooled Budget Agreement in place with NHS Leeds, effective from 1st April 2010. This is for the use of the Pooled Treatment Budget for the commissioning of drug misuse services, which is received by NHS Leeds from the National Treatment Agency (NTA).

The Safer Leeds Joint Commissioning Group for drugs has delegated responsibility for commissioning within budget from the Safer Leeds Partnership. The group is made up of partner representatives including NHS Leeds, and is hosted by the council's Community Safety service, within the Environment & Neighbourhoods directorate.

#### Safer Leeds – Drugs

2011/12	£000s	2012/13
	<i>Funding</i>	
6,693	Pooled Treatment Budget from NHS	6,250
	<i>Expenditure on services provided by</i>	
6,574	Commissioned Services	6,250
<u>119</u>	Balance to carry forward to 2012/13	<u>-</u>

### 10.3 Employee remuneration

Under the Accounts and Audit Regulations 2011, local authorities are required to disclose information on their employees' remuneration in three sections. Full details are required for senior employees who have a role in the overall management of the council or who occupy certain statutory posts, and whose annual salary is above £50,000. Those senior officers whose salary is above £150,000 are required to be named.

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

#### a Senior employees

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

#### Senior employees remuneration

	<i>Employment period</i>	<i>Salary, Fees and Allowances</i>	<i>Employers Pension Contribution</i>	<i>Total Remuneration</i>
		£	£	£
<b>2011/12</b>				
Chief Executive (Tom Riordan )	1 April 2011 to 31 March 2012	176,544	25,044	201,588
Director of Resources & Deputy Chief Executive (Alan Gay)	1 April 2011 to 31 March 2012	153,550	21,804	175,354
Assistant Chief Executive (Planning, Policy & Improvement) (James Rogers)	1 April 2011 to 31 March 2012	121,048	17,189	138,237
Director of Environment & Neighbourhoods (Neil Evans)	1 April 2011 to 31 March 2012	142,582	20,247	162,829
Director Adult Social Care (Sandie Keene)	1 April 2011 to 31 March 2012	142,912	20,247	163,159
Director of City Development (Martin Farrington)	1 April 2011 to 31 March 2012	133,990	19,012	153,002
Director of Children's Services (Nigel Richardson)	1 April 2011 to 31 March 2012	146,247	20,634	166,881
Acting City Solicitor (Bob Pritchard)	1 April 2011 to 31 January 2012	77,836	11,053	88,889
City Solicitor (Catherine Witham)	12 December 2011 to 31 March 2012	30,156	4,233	34,389
<b>2012/13</b>				
Chief Executive (Tom Riordan )	1 April 2012 to 31 March 2013	176,906	25,221	202,127
Director of Resources & Deputy Chief Executive (Alan Gay)	1 April 2012 to 31 March 2013	153,558	1,830	155,388
Assistant Chief Executive (Planning, Policy & Improvement) (James Rogers)	1 April 2012 to 31 March 2013	121,082	17,310	138,392
Director of Environment & Neighbourhoods (Neil Evans)	1 April 2012 to 31 March 2013	142,582	20,389	162,971
Director Adult Social Care (Sandie Keene)	1 April 2012 to 31 March 2013	142,921	20,389	163,310
Director of City Development (Martin Farrington)	1 April 2012 to 31 March 2013	136,785	19,560	156,345
Director of Children's Services (Nigel Richardson)	1 April 2012 to 31 March 2013	145,688	20,780	166,468
City Solicitor (Catherine Witham)	1 April 2012 to 31 March 2013	98,753	14,032	112,785

#### General notes

- No bonuses were paid during 2011/12 and 2012/13.
- No expense allowances were paid during 2011/12 and 2012/13.
- No additional benefits, either in cash or otherwise, were paid during 2011/12 and 2012/13.
- 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

2011/12			Number of employees	2012/13		
Teachers	Other Staff	Total		Teachers	Other Staff	Total
95	140	235	£50,000 to £54,999	93	128	221
75	54	129	£55,000 to £59,999	71	53	124
54	56	110	£60,000 to £64,999	48	44	92
35	50	85	£65,000 to £69,999	28	40	68
12	11	23	£70,000 to £74,999	20	20	40
4	15	19	£75,000 to £79,999	5	10	15
3	4	7	£80,000 to £84,999	2	6	8
5	6	11	£85,000 to £89,999	6	10	16
3	8	11	£90,000 to £94,999	1	5	6
5	7	12	£95,000 to £99,999	3	5	8
1	3	4	£100,000 to £104,999	2	3	5
2	-	2	£105,000 to £109,999	3	-	3
-	-	-	£110,000 to £114,999	-	1	1
1	1	2	£115,000 to £119,999	1	1	2
-	2	2	£120,000 to £124,999	-	-	-
295	357	652		283	326	609

During 2012/13 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 2012/13, 10 teachers and 18 other staff have been added to this disclosure due to these one off payments. The equivalent figures for 2011/12 were 4 teachers and 39 other staff.

Also during 2012/13 a number of schools gained Trust or Academy status. As a result, 38 teachers and 1 other employee are not included within the figures for 2012/13 because they are no longer employed by the council.

c Exit packages

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.

## Exit packages

2011/12		2012/13	
Number of packages	Total cost	Number of packages	Total cost
	£		£
<i>Compulsory redundancies</i>			
80	363,633	55	324,944
12	334,954	8	223,968
3	194,282	-	-
<b>95</b>	<b>892,869</b>	<b>63</b>	<b>548,912</b>
<i>Other leavers</i>			
424	3,054,487	126	1,045,838
95	2,675,395	44	1,257,381
34	1,675,950	13	643,017
18	1,265,487	-	-
13	1,156,915	2	168,491
6	759,819	3	350,513
<b>590</b>	<b>10,588,053</b>	<b>188</b>	<b>3,465,240</b>

The costs shown above 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 2012/13 the council incurred £2.1m of pension strain costs, which are estimated to have resulted in an £11.4m salary saving over 5 years. The comparable figures for 2011/12 were £5.3m of pension strain costs, resulting in a £28.0m salary saving over 5 years.

### 10.4 Related parties

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

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

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

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

#### a Council members

The council maintains a register of all members' pecuniary and non-financial interests which could conflict with those of the council. Members of the council are bound by the Council's constitution to inform the authority's Monitoring Officer when they are elected of any interests they hold, and of any subsequent changes to their interests, so that they can be recorded in this register.

The register of members interests is open to public inspection as required by the Local Authority (Members Interests) Regulations 1992 (si1992/618) laid under section 19 of the Local Government and Housing Act 1989. 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. Where such an event occurs it is formally declared and recorded in the published minutes

In respect of the 2012/13 financial year a number of council members had a controlling interest in a company, partnership, trust or entity. The controlling interest was by way of ownership, or as a director, trustee, governor or partner of an organisation. The existence of the procedures described above ensure that the authority is able to both identify where a member has an interest, and take action to ensure that there is no participation in any decisions relevant to their interest. All major decisions are available for public scrutiny and challenge as part of the Council's constitutional arrangements

#### b Senior officers

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

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

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

#### c Other significant related parties

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

Related party transactions with National Health Service bodies amounted to income to the council of £24.8m in 2012/13 (£28.6m in 2011/12), including £0.5m accrued at 31st March. An additional £6.1m is held as receipts in advance at 31st March. This income relates to various schemes and included funded nursing care for local authority funded residents from 1st April 2003, under Section 49 of the Health and Social Care Act 2001.

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

- Precepting authorities (see the Income and Expenditure and Collection Fund Accounts)
- Local Authority (Goods and Services) Act 1970 (see explanatory note 7)

- West Yorkshire Pension Fund (see explanatory note 3)
- Pooled services (see explanatory note 10.2)
- Government grants (see explanatory note 6)

Agency payments by way of grants made to voluntary organisations for undertaking certain statutory duties on behalf of the council amounted to £12.7m in 2012/13 (£12.7m in 2011/12). This includes £0.1m accrued at 31st March.

The council also has a number of associated and subsidiary companies, whom it procures services from and/or provides services to. Full details of these companies can be found in the explanatory notes to the Group Accounts.

## 10.5 Audit fees

The Code requires a summary of the fees paid to the council's appointed auditors:

### Audit fees

2011/12	£000s	2012/13	notes
508	General audit	350	i
108	Certification of grant claims and returns	47	ii
(41)	Audit Commission subsidy/rebate	(25)	
	Other		
2	National Fraud Initiative	-	
<u>2</u>		<u>-</u>	
<u>577</u>		<u>372</u>	

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

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

## 11 Movements on reserves

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

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

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

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



## 11.1 Other comprehensive income and expenditure

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

2011/12	£000s	2012/13
	<i>Gains / (losses) on Capital accounting balances</i>	
70,752	Surplus / (deficit) on revaluation of long term assets	98,632
2	Surplus / (deficit) on revaluation of available-for-sale assets	(11)
<u>70,754</u>		<u>98,621</u>
	<i>Gains / (losses) on Statutory revenue reserves</i>	
(365,645)	Actuarial gains / (losses) on pension fund	(126,978)
<u>(294,891)</u>	Total of other recognised gains and losses	<u>(28,357)</u>

## 11.2 Statutory adjustments between the accounting basis and the funding basis

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

2011/12		2012/13	
Total	£000s	Total	notes
<i>Transfers to/(from) the Usable Capital Receipts Reserve</i>			
18,629	Net gain / (loss) on sale of fixed assets - capital receipts	14,811	
112,138	HRA self financing settlement notional capital receipt	-	i
(5,078)	Transfer to I&E to fund payment of HRA pooled receipts	(4,087)	
(170)	Transfer to I&E to fund allowable disposal costs	-	
125,519		10,724	
<i>Transfers to/(from) the Housing Major Repairs Reserve</i>			
2,101	Excess of depreciation charged to HRA over Major Repairs Allowance	24,246	
<i>Transfers to/(from) the Capital Grants Unapplied account</i>			
75,572	Capital grants received	68,676	
203,192	Total transfers to / (from) usable capital reserves		103,646
<i>Transfers to/(from) General Fund and HRA reserves to Statutory revenue reserves</i>			
(34,756)	Transfer to / (from) the pensions reserve		(19,481)
(330)	Transfer to / (from) the financial instruments adjustment account		(330)
(100)	Transfer to / (from) the collection fund adjustment account		642
(114)	Transfer to / (from) the equal pay back pay account		12
2,865	Transfer to / (from) the accumulated absences account		570
(32,435)	Total transfers to / (from) statutory revenue reserves		(18,587)
<i>Transfers to/(from) General Fund and HRA reserves to Capital accounting balances</i>			
(222,146)	Depreciation and impairment of fixed assets (excl depr'n on HRA assets)		(184,218)
(44,245)	Capital expenditure defined under statute		(32,425)
30,150	Grants and contributions for capital expenditure defined under statute		13,907
(144,557)	Net gain / (loss) on sale of fixed assets - assets written out		(123,993)
54	Deferral of capital receipts due		91
33,779	Statutory provision for repayment of debt		35,622
5,452	Capital expenditure funded from revenue		2,307
583	Donated assets received		-
-	- HRA set aside to redeem debt		1,500
1,676	Other statutory items within the HRA		3,319
(339,254)	Total transfers to / (from) capital accounting balances		(283,890)
(168,497)	Net additional amounts to be debited/(credited) to General Fund and HRA		(198,831)

- i The figures for 2011/12 for transfers to the Usable capital receipts reserve include the amount received from the government under the HRA self financing settlement. Further details can be found in note H1 on page 78.
- ii A number of adjustments are required or permitted by statute, which have the effect of amending the rate at which certain items of income and expenditure are charged or credited to the General Fund and the Housing Revenue Account :
- The amount by which IAS19 pensions costs differ from the actual pension contributions payable for the year is transferred to or from the Pensions Reserve.
  - Premiums and discounts on re-scheduled borrowing are amortised over a number of years from the Financial Instruments Adjustment Account (please see explanatory note 20.1 for further details).
  - Differences between the council's Council Tax precept for the year and its actual council tax income collected are transferred to or from the Collection Fund Adjustment Account (please see note 20.3).

- Provisions for future settlements of equal pay claims are transferred to the Equal Pay Back Pay Account and only charged to the General Fund when payments are made. Please see explanatory note 20.4 for further information.
- Liabilities relating to untaken leave entitlements carried forward by staff are transferred to the Accumulated Absences Account (please see explanatory note 20.2).

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

H8 Housing Major Repairs Reserve

18.6 Capital grants unapplied account

18.5 Usable capital receipts reserve

18.2 Capital adjustment account

### 11.3 Statutory capital adjustments

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

2011/12	£000s		2012/13	notes
34,702		Transfer to Housing Major Repairs Reserve - HRA depreciation	34,840	i
1,033		Transfers to Usable capital receipts reserve - long term capital debtors received and capital investments sold	1,771	ii
<u>35,735</u>			<u>36,611</u>	

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

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

The following table gives a breakdown of the amounts which the council has transferred from its usable capital reserves to the Capital Adjustment Account (see note 14.2) to fund new capital expenditure for the year and to fund the repayment of credit arrangements and capital borrowings. For 2011/12, the transfer from the Usable capital receipts reserve included a £112.1m notional capital receipt relating to the government settlement for the introduction of self financing in the HRA for 2012/13. Please see note H1 on page 78 for further details of this. Details of the total movements on the individual reserves affected by these items can be found in the explanatory notes referred to below.

2011/12	£000s		2012/13	notes
112,138		Transfer from Usable Capital Receipts Reserve - HRA settlement	-	18.5
10,156		Transfer from Usable Capital Receipts Reserve - other receipts	13,340	18.5
31,915		Transfer from the Major Repairs Reserve	50,729	H8
83,282		Transfer from Capital Grants Unapplied account	47,733	18.6
<u>237,491</u>			<u>111,802</u>	

## 12 Earmarked Revenue Reserves

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

### Earmarked revenue reserves

£000s	31/03/2012	net movements	31/03/2013	notes
Schools reserves	15,116	1,991	17,107	a
Central schools block	7,120	(1,320)	5,800	b
Extended schools	5,900	1,212	7,112	c
Other schools-related reserves	619	-	619	d
<b>Total schools reserves</b>	<b>28,755</b>	<b>1,883</b>	<b>30,638</b>	
PFI scheme reserves	11,226	(9,900)	1,326	e
Capital reserve	3,136	3,432	6,568	f
Government grants in advance	4,806	374	5,180	g
Early leavers initiative	4,564	(2,835)	1,729	h
Other reserves	7,815	2,326	10,141	i
<b>Total earmarked revenue reserves</b>	<b>60,302</b>	<b>(4,720)</b>	<b>55,582</b>	

#### 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 £2.0m in 2012/13, which partly reflects a £1.4m increase in aggregate school balances and the repayment of previous borrowing from school reserves. Setup costs for future BSF schemes are borrowed from school balances, and at the close of 2012/13 the amounted to £3.9m. Thus the actual reserves available to schools are £21.0m. In the event of schools needing to call on their available reserves, the amounts not yet repaid would be transferred from the General Fund reserve.

#### b Central schools block

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

#### c Extended Schools Reserve

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

#### d Other schools related reserves

Other schools related reserves include a Fire Prevention Works schools reserve and a Consequential Loss reserve to fund related costs arising as a result of fires, which are not covered by fire insurance.

#### e PFI scheme reserves

The council currently receives government Private Finance Initiative (PFI) special grants and makes contractual payments under ten PFI schemes, one of which relates to the HRA. Where

the annual grant received is in excess of the contract payments made for the year, the additional income is transferred to a PFI reserve to meet future years' contract payments. Additional contributions will be made to these reserves in future years in order to meet the lifetime costs of the PFI schemes. The figure for PFI reserves included within earmarked reserves above relates only to General Fund PFI schemes (see note H5 for details of reserves identified for future costs of the PFI scheme within the HRA).

f 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.

g Government grants in advance

Under IFRS accounting requirements, the council recognises income for the grants that it receives as soon as it has satisfied all of the grant conditions, rather than recognising them as income only when the associated expenditure which they are to fund occurs. This means that in many cases grant income is recognised in an earlier financial year than its associated expenditure. The council has therefore established a reserve to hold such grant income separately until the expenditure which it is to fund occurs.

h Early leavers initiative

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

i Other reserves

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

- A reserve for the potential impact of the possible clawback of insurance claims from Mutual Municipal Insurance Ltd (please see Note 4.2 (ii) for further details)
- A ring-fenced reserve for the taxi and private hire licensing service.
- A reserve for the Leeds Learning Network provided to, and funded by, schools. The service enables schools to connect to the internet and share learning content.
- A reserve holding funding received from the National Health Service to support the reconfiguration of services in adults social care, to enable more integrated provision of social care and health services.
- A reserve to fund costs associated with the hosting of the first stage of the Tour de France in 2014
- A reserve to fund future maintenance of the road network

## 13 Assets

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

### 13.1 Property plant and equipment

a Balance sheet value

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

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

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

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

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

#### Balance sheet movements

<i>Property plant and equipment</i> £000s	<i>Council dwellings</i>	<i>Other land &amp; buildings</i>	<i>Infrastructure</i>	<i>Vehicles, plant, eqpt</i>	<i>Community assets</i>	<i>Assets under construction</i>	<i>Total fixed assets</i>
Cost or valuation	1,407,479	1,434,858	746,317	174,483	45,521	67,502	3,876,160
Accumulated depreciation and impairment	(9,146)	(213,561)	(176,158)	(104,034)	(5,552)	-	(508,451)
Balance sheet value as at 1 April 2012	1,398,333	1,221,297	570,159	70,449	39,969	67,502	3,367,709
Depreciation	(28,556)	(44,436)	(23,254)	(22,175)	(936)	-	(119,357)
Additions	53,481	29,079	37,988	18,392	2,499	61,247	202,686
Donations	-	-	-	-	-	-	-
Impairments (charged to cost of services)	(1,103)	(306)	-	(2)	-	-	(1,411)
Impairments (charged to revaluation reserve)	-	(241)	-	-	-	-	(241)
Revaluations (charged to cost of services)	(70,412)	(25,376)	-	-	-	-	(95,788)
Revaluations (credited to revaluation reserve)	8,036	83,503	-	-	-	-	91,539
Disposals	(8,758)	(110,801)	-	(54)	-	-	(119,613)
Changes in classification	(3,864)	21,372	-	-	-	(24,506)	(6,998)
Balance sheet value as at 31 March 2013	1,347,157	1,174,091	584,893	66,610	41,532	104,243	3,318,526
Comprising:							
Cost or valuation	1,349,740	1,358,396	784,304	192,823	48,020	104,243	3,837,526
Accumulated depreciation and impairment	(2,583)	(184,305)	(199,411)	(126,213)	(6,488)	-	(519,000)

## b Nature of asset holding

This table shows whether assets recognised on the balance sheet at 31st March 2013 are owned by the council, leased, or part of a PFI arrangement. Further details of PFI contracts can be found in explanatory note 9.

### Nature of asset holding

<i>Property plant and equipment</i> £000s	<i>Council dwellings</i>	<i>Other land &amp; buildings</i>	<i>Infrastructure</i>	<i>Vehicles, plant, eqpt</i>	<i>Community assets</i>	<i>Assets under construction</i>	<i>Total fixed assets</i>
Ow ned	1,347,157	965,001	507,415	65,462	40,011	104,243	3,029,289
Finance Lease	-	22,980	-	1,148	1,521	-	25,649
PFI	-	186,110	77,478	-	-	-	263,588
	1,347,157	1,174,091	584,893	66,610	41,532	104,243	3,318,526

## c Valuation periods

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

### Valuation periods

<i>Property plant and equipment</i> £000s	<i>Council dwellings</i>	<i>Other land and buildings</i>	<i>Infrastructure</i>	<i>Vehicles, plant, eqpt</i>	<i>Community assets</i>	<i>Assets under construction</i>	<i>Total operational</i>
Valued at historical cost	-	-	584,893	66,610	41,532	104,243	797,278
Valued at current value in –							
2008/09	-	200,318	-	-	-	-	200,318
2009/10	2,926	298,230	-	-	-	-	301,156
2010/11	151	187,729	-	-	-	-	187,880
2011/12	-	149,249	-	-	-	-	149,249
2012/13	1,344,080	338,565	-	-	-	-	1,682,645
	1,347,157	1,174,091	584,893	66,610	41,532	104,243	3,318,526

## d Asset valuations

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

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

## 13.2 Heritage Assets

Heritage assets are those assets with historical, artistic, cultural, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture, and are intended to be preserved for future generations. Assets which have some of these characteristics but which are also used for operational purposes are classed as operational assets 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 five buildings on its balance sheet as heritage assets. These are Kirkstall Abbey, Temple Newsam House, Lotherton Hall, Armley Mills and Thwaite Mills. These buildings have been judged by the council's valuers to be too unique in nature for a current valuation to be practicable, and they are all therefore held at historic cost. Since all of these 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.

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

ii Museum exhibits and works of art – valuable items

The council owns approximately 1.3 million separate works of art and exhibits. It is not considered practical to individually value this entire collection, and so only those items which have a significant value are individually valued and recorded in the balance sheet at their current valuation. These include paintings and historic items of furniture and silverware. Valuations are undertaken by the council's museum curators by comparison with auction sales of similar items, and individual insurance valuations where exhibits are given on loan to other organisations. Valuations are undertaken annually, with the last valuation at 1st March 2013.

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 currently 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	<i>Historic buildings held at cost</i>	<i>Artworks and museum exhibits held at cost</i>	<i>Total assets held at cost</i>	<i>Artworks and museum exhibits held at valuation</i>	<i>Total heritage assets</i>
As at 1 April 2012	3,058	5,327	8,385	42,250	50,635
Acquisitions and enhancements	36	405	441	-	441
Donations	-	-	-	-	-
Revaluations	-	-	-	7,200	7,200
As at 31 March 2013	3,094	5,732	8,826	49,450	58,276

### 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 current overall insurance valuation of the whole collection is £106.4m, meaning that the lesser valued items have been given a collective value of £48.1m. 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 an acquisitions and disposals policy which is approved annually. This policy is accessible from the Leeds Museums and Galleries homepage on the internet. The website also provides information on the preservation and management of existing exhibits and works of art, as well as an online catalogue containing information on many items within the council's collections.

#### ii Civic Regalia

The council owns a number of items of civic regalia, including the mayoral chains, the civic plate and various gifts presented to the council. The entire collection has an overall insurance valuation of £1.1m, but individual items are not valued separately. The council has determined that the cost of valuing individual items would not be justifiable, and so these are not included in the balance sheet.

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

#### iii Historical records

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

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

iv Other local heritage sites

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

c Operational heritage assets

The authority has a number of historically important buildings and other structures which are used for operational purposes and therefore appear in its balance sheet as operational assets.

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

### 13.3 Long term debtors

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

Long term debtors

31/03/2012	£000s		31/03/2013	notes
9,842		Loans made	9,155	
1,523		Amounts due under finance leases	1,517	
6,390		Other debtors	5,447	i
<u>17,755</u>			<u>16,119</u>	

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

### 13.4 Contingent assets

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

i VAT Car parking income claim

The council has been closely following the progress of an ongoing Value Added Tax (VAT) tribunal case in relation to off-street car parking, between HM Revenues and Customs (HMRC) and a number of local authorities. Although in the lead case the local authority lost its most recent appeal, an application has been made to appeal this decision further. If the appeal process confirms that off-street car parking is not a business activity, and if local authorities as a sector then prove that there is no distortion of competition, they will no longer have to account for VAT on such income (on-street car parking is already classed as a non business activity).

Following refusal from HMRC to repay claims submitted, the council has lodged Tribunal appeals which have been stood over pending the outcome of the lead case. The total amount of the council's claims in relation to VAT on car parking is £17.5m, of which £0.7m is subject to a separate capping claim – see ii below.

In another related tribunal case it has been ruled that overpayments at off-street parking meters should not bear VAT. The Council is currently working to quantify the value of such payments within its overall £17.5m claim. Its preliminary estimate is that this may represent 2-3% of the overall claim.

ii VAT capping claims

The council has lodged an appeal in respect of the three year capping provisions and whether the capping of claims repaid is valid. The total amount of the council's capping claim is £3.8m, of which £2.7m relates to trade waste, £0.7m relates to car parking, and £0.3m relates to other claims. The council's appeal has been heard at the Upper Tax Tribunal, but the decision has not yet been received.

iii VAT compound interest claim

Following the repayment of its previous claims relating to the imposition of the 3 year cap on VAT repayments, the council has received "simple interest" and has requested compound interest at an appeal to VAT tribunal. The Tribunal may not be the correct avenue for this appeal to be heard and there was a high court ruling which established that in certain circumstances there was a right to be paid compound interest. LCC have therefore submitted a number of compound interest claims to the court and the outcome of the lead cases which have been referred to the European Court of Justice are awaited. The amount of the claim is £59.7m.

iv Landfill tax claim

The council has submitted a claim to the High Court in respect of overpaid landfill tax, where waste was used for energy generation or conservation. The total value of the claim is £50.5m

## 14 Current assets

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

### 14.1 Debtors

As the balance sheet represents the position at the end of the financial year, there are monies owed to the council at that date which are yet to be received as cash. The following analysis shows the amounts owed to the council which had not been received at 31st March 2013.

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

## Debtors

31/03/2012	£000s	31/03/2013
	Government	
16,408	HM Revenue and Customs	14,439
15,472	Department of Communities and Local Government	12,845
9,246	Other departments	9,006
<u>41,126</u>		<u>36,290</u>
	Taxpayers	
21,676	Council Tax	23,051
	Group entities	
15,915	Arms-length Management Organisations	1,536
2	Education Leeds	11
1,005	Other group entities	1,268
<u>16,922</u>		<u>2,815</u>
	Public sector organisations	
5,528	Local authorities and other public bodies	5,939
	Other	
7,805	Housing rents	6,730
47,980	Other - Sundry Debtors	56,583
<u>55,785</u>		<u>63,313</u>
141,037		131,408
	Provisions for bad and doubtful debts	
(11,337)	Taxpayers	(12,613)
(4,323)	Housing rents	(3,252)
(8,592)	Other	(8,221)
<u>(24,252)</u>		<u>(24,086)</u>
<u>116,785</u>		<u>107,322</u>

The £56.6m of sundry debtors at the year end represents income due to be received from routine fees and charges.

## 15 Current liabilities

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

### 15.1 Creditors

Since the council's Balance Sheet represents the financial position at the end of the financial year, there are monies owed by the council at that date which have yet to be paid. There are also amounts which the council has received before the end of the financial year which relate to services which have not yet been provided, or are to fund schemes which have not yet taken place. This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31st March 2013.

## Creditors

31/03/2012	£000s	31/03/2013
	Government	
17,915	HM Revenue and Customs	16,483
3,589	Department of Communities and Local Government	1,689
4,377	Other departments	5,813
25,881		23,985
	Group entities	
8,261	ALMOs	8,284
8,261		8,284
	Public sector organisations	
14,583	Local authorities and other public bodies	18,842
	Taxpayers	
2,371	Council Tax	2,624
2,371		2,624
	Other	
2,448	Housing rents	2,111
128,691	Sundry creditors	120,000
131,139		122,111
182,235		175,846
15,285	Receipts in advance	17,474
15,285		17,474
197,520		193,320

The figures above for both 2012/13 and 2011/12 sundry creditors include £37m of balances relating to the Leeds City Region partnership, for which the council acts as the accountable body. The remaining balance of sundry creditors at the year end relates to payments due for routine goods and services. The balance reflects the normal timing delay between goods and services being provided to the council and invoices being received and processed.

## 16 Financial Instruments

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

### 16.1 Amounts recognised in the Balance Sheet

Some balance sheet categories, for example current debtors, include both items which are financial instruments and items which are not financial instruments. The table below shows the carrying values of financial instruments included within the various lines of the council's balance sheet. In accordance with the Code, any accrued interest as at 31st March 2013 is included within the carrying value of the relevant financial instrument, rather than within debtors and creditors.

## Carrying values

31/03/2012	£000s	31/03/2013
	<i>Financial assets</i>	
	Loans and receivables	
20,067	Investments	5,025
61,921	Debtors	53,803
5,000	Long term investments	1,000
17,755	Long term debtors	16,119
	Available for sale	
1,177	Long term investments	1,166
105,920		77,113
	<i>Financial liabilities</i>	
	Financial liabilities at amortised cost	
(1,260,256)	Long term borrowing	(1,292,039)
(153,279)	Creditors	(149,167)
(172,081)	Borrowing repayable within one year	(183,647)
(520,581)	Deferred liabilities	(504,928)
(2,106,197)		(2,129,781)

## 16.2 Recognised gains and losses

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

31/03/2012	£000s	31/03/2013
	<i>Recognised in Income and Expenditure on provision of services</i>	
	Financial assets	
-	Gains / (losses) on disposal of assets available for sale	-
1,388	Interest receivable on loans and receivables	1,050
(657)	Net movement in impairment of loans and receivables	(456)
-	Gains / (losses) on disposal of loans and receivables	-
	Financial liabilities	
(98,037)	Interest payable	(93,412)
(30,306)	Gains / (losses) on current year disposals	-
(127,612)		(92,818)
	<i>Recognised in Other comprehensive income and expenditure</i>	
	Financial assets	
2	Unrealised gains/(losses) on assets available for sale	(11)
-	Disposal of assets available for sale	-
	Financial liabilities	
-	Gains / (losses) on prior years disposals	-
2		(11)
(127,610)	Total recognised gain / (loss)	(92,829)

## 16.3 Fair value of items carried at amortised cost

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

## Fair values

31/03/2012		£000s	31/03/2013	
Carrying value	Fair value		Carrying value	Fair value
<i>Financial Assets</i>				
Loans and receivables				
1,523	1,523	Long term debtors - finance leases	1,517	1,517
16,232	15,889	Long term debtors - other	14,602	14,711
5,000	5,111	Long term investments	1,000	1,087
<b>22,755</b>	<b>22,523</b>		<b>17,119</b>	<b>17,315</b>
<i>Financial Liabilities</i>				
Financial liabilities at amortised cost				
(1,260,256)	(1,280,622)	Long term borrowing	(1,292,039)	(1,395,494)
(502,472)	(502,472)	Deferred liabilities - PFI schemes	(489,626)	(489,626)
(10,574)	(10,574)	Deferred liabilities - finance leases	(8,072)	(8,072)
(7,535)	(8,931)	Deferred liabilities - other	(7,230)	(8,687)
<b>(1,780,837)</b>	<b>(1,802,599)</b>		<b>(1,796,967)</b>	<b>(1,901,879)</b>

The council has determined that for PFI scheme liabilities and finance lease liabilities, the carrying value represents the best estimate of fair value, as the carrying value is based on the effective interest rate of the contract, which reflects the unique risks associated with that contract. For the remaining financial instruments in the above table, fair value has been estimated using the PWLB's interest rates for new fixed rate borrowing of the appropriate maturity as at 28th March 2013, which was the last working day of the 2012/13 financial year. The figures for long term debtors include the council's portfolios of right to buy housing mortgages and employee car loans. In calculating the estimated fair value of these long term debtors, an average lifetime for the portfolios as a whole has been used.

### 16.4 Management of risks arising from financial instruments

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

#### a Credit risk

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

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

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

In addition to its loans and investments made for treasury management purposes, the council sometimes makes loans for service reasons. Each such transaction is subject to a rigorous financial appraisal before any loan is made, and loans are typically required to be secured on appropriate assets of the borrower. These loans and investments have been subject to an impairment review, and the council has concluded that no impairment provisions are required at 31st March 2013. Historically, the council has not experienced any defaults on its service loans and investments.

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

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

#### Credit risk

£000s	31/03/2013		
	Gross value	Impairment value	Net value
Deposits with financial institutions	5,000		5,000
Accrued interest on deposits	25		25
Other investments	2,166		2,166
Long term loans	9,155		9,155
Other long term debtors	6,964		6,964
Trade debtors	59,408	(5,605)	53,803
	82,718	(5,605)	77,113

#### b Liquidity risk

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

The council has access to borrowings from both the Public Works Loans Board and commercial lenders to meet its long term spending and shorter term cash flow requirements. By statute, all amounts borrowed by a local authority are secured without priority across all of its revenues. This statutory provision helps to ensure that the council is readily able to access the funds that it needs, and the council has not encountered any difficulty in borrowing to meet its needs during 2012/13. The council therefore considers that it has no significant liquidity risk, so far as it can foresee. However, there is a consequent risk that the council may be obliged to borrow at a time of unfavourable interest rates (see (c) below).

#### c Interest rate risk

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



### *Long term financial liabilities*

The majority of the council's long term borrowing is at fixed interest rates, but it also borrows some monies in the form of lender option borrower option loans (LOBOs). Since all of the council's borrowing is held in the balance sheet at amortised cost rather than at fair value, any changes in the fair value of these financial liabilities as a result of fluctuations in market interest rates will not impact on the Comprehensive Income and Expenditure Account. The primary risk associated with fixed rate long term borrowing is that it will mature and require to be refinanced at a time of high interest rates. However, there is also a risk that if interest rates fall, the council may be unable to take full advantage of the lower rates due to holding long term fixed interest borrowing. In order to help manage its interest rate risk, the council operates maximum limits for the percentage of its borrowing which can be at fixed rates and the percentage which can be exposed to interest rate risk (i.e. the percentage which is at variable rates or which is short term borrowing). The maturity profile of long term borrowing is managed to ensure that exposure to interest rate changes is spread evenly over time. The council also constantly reviews the potential for refinancing its existing debt at reduced interest rates. In order to take advantage of continuing low short term interest rates available during 2012/13, the council has retained a relatively high level of short term borrowing during the year. This debt will be refinanced again into long term borrowing when it is prudent to do so.

The council currently has £445m of debt in the form of LOBOs, which equates to 30.6% 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 can be obtained at lower interest rates than fixed rate long term borrowing, but carry an element of cash flow interest rate risk. The council seeks to ensure that this risk in any one year from its LOBO portfolio is minimised, by ensuring that option dates are evenly spread over future years. Of the £445m LOBO debt at 31st March 2013, £130m was exposed to variable rates through lender options in 2013/14, and £110m in 2014/15.

#### Long term borrowing by date of maturity

<i>31/03/2012</i>	£000s	<i>31/03/2013</i>
23,218	Maturing in 1 – 2 years	
17,624	Maturing in 2 – 5 years	27,624
88,119	Maturing in 5 – 10 years	125,743
52,871	Maturing in 10 – 25 years	60,248
633,424	Maturing in more than 25 years	633,424
445,000	Variable (lender option borrower option)	445,000
<u>1,260,256</u>	Borrowing with more than one year to mature	<u>1,292,039</u>
26,436	Long-term borrowing maturing within one year	13,217
<u>1,286,692</u>	Total long-term borrowing	<u>1,305,256</u>

### *Long term financial assets*

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

#### *Sensitivity to market interest rates*

As explained above, changes in market interest rates affecting the fair value of financial assets and liabilities would have no impact on their carrying values, as the council currently has no financial liabilities or loans and receivables carried at fair value. However, the council is required

to disclose the impact that a hypothetical change in market interest rates during the year would have had on its recognised gains and losses. It should be noted that, had interest rates been higher, the council would in practice have taken different decisions in relation to rescheduling of debt, and to new borrowing and investments undertaken. The likely impact of such different decisions is not possible to quantify. However, the table below shows the extent to which the council's interest payable and interest receivable would have been different had market interest rates during the year been 1% higher than they actually were, calculated based on the actual new and variable rate loans and investments that the council held during the year.

#### Interest rate sensitivity

2011/12			£000s	2012/13		
Actual	With 1% rate increase	Difference		Actual	With 1% rate increase	Difference
<i>Recognised in Income and Expenditure Account</i>						
<i>Financial assets</i>						
1,388	1,594	206	Interest receivable on loans and receivables	1,050	1,184	134
<i>Financial liabilities</i>						
(98,037)	(99,556)	(1,519)	Interest payable	(93,412)	(94,327)	(915)
(96,649)	(97,962)	(1,313)		(92,362)	(93,143)	(781)

#### 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 2013 the council holds on its balance sheet £1,109k of long term investments relating to an assisted homebuy scheme under which the council takes an equity stake of up to 50% in the homes being purchased. This value of this long term investment is at risk from fluctuations in housing prices, however the investment was undertaken for policy reasons rather than as a financial investment.

## 17 Long term and contingent liabilities

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

### 17.1 Deferred liabilities

Deferred liabilities include amounts due in relation to assets acquired through Private Finance Initiative (PFI) schemes and under finance leases, returnable bonds and other long term liabilities. The council had the following deferred liabilities at 31st March 2013:

#### Deferred liabilities

31/03/2012	£000s		31/03/2013	notes
502,472		PFI scheme liabilities	489,626	i
10,574		Finance lease liabilities	8,072	
9,292		Other liabilities	8,847	
522,338			506,545	

i Further information on PFI schemes appears in Note 9

## 18 Capital accounting

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

### 18.1 Revaluation reserve

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

Revaluation reserve		
2011/12	£000s	2012/13
274,634	1 April	315,600
70,429	Revaluation of fixed assets	98,498
(20,648)	Accumulated revaluations on disposals	(18,914)
(8,815)	Depreciation adjustment	(9,727)
<hr/>		<hr/>
40,966		69,857
<hr/>		<hr/>
315,600	31 March	385,457
<hr/>		<hr/>

### 18.2 Capital adjustment account

The Capital Adjustment Account is used to reflect those capital accounting reserve entries required by the local authority capital accounting regime which are outside normal IFRS. It contains the amount of capital expenditure financed from revenue, capital receipts, capital grants and capital contributions. It also contains appropriations to the income and expenditure account where the total of depreciation and impairment exceeds the council's minimum revenue provision (MRP) for debt repayment. The account is used to write down revenue expenditure funded from capital under statute, long term debtors and investments. In addition, the carrying value of the fixed assets disposed of during the year is written off to the account, along with any accumulated revaluation gains that are transferred from the revaluation reserve.

### Capital adjustment account

2011/12	£000s		2012/13
1,098,921	1 April		991,812
	<i>Capital financing</i>		
10,156	Usable capital receipts		13,340
112,138	HRA self financing settlement		-
30,150	Capital grants and contributions funding REFCUS		13,907
83,282	Capital grants and contributions from capital grants unapplied		47,733
28,915	Transfer from Major Repairs Reserve		50,729
5,452	Revenue contributions		2,307
583	Donated Assets		-
<u>270,676</u>			<u>128,016</u>
	<i>Other movements</i>		
(223,069)	MRP less depreciation	(183,436)	
(144,507)	Disposal of fixed assets	(123,993)	
20,648	Accumulated revaluations on disposals	18,914	
(44,245)	Write-off of revenue expenditure funded from capital under statute	(32,425)	
8,815	Depreciation above historic cost	9,727	
(50)	Disposal of long term investments	-	
3,000	HRA voluntary set aside	1,500	
1,676	HRA PFI and finance lease principal repayment	3,319	
(53)	Write-down of long term debtors	(754)	
<u>(377,785)</u>			<u>(307,148)</u>
<u>991,812</u>	31 March		<u>812,680</u>

#### 18.3 Deferred capital receipts reserve

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

#### 18.4 Available for sale reserve

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

#### 18.5 Usable capital receipts reserve

Income from the disposal of fixed assets is credited to the usable capital receipts reserve, where it is split between usable and reserved elements (see accounting policy 20). The reserved element is paid over to the government's national pool for redistribution back to local authorities. The usable element can be applied to the financing of new capital expenditure or remain in this account.

## Usable capital receipts

2011/12	£000s		2012/13	
-	1 April		4,258	
	Receipts in year			
142,444	HRA self financing settlement		-	i
14,587	Usable capital receipts		12,498	
5,078	Housing Revenue Account pooled receipts		4,087	
162,109			16,585	
	Applied			
(112,138)	To fund HRA self financing debt repayment		-	i
(30,306)	To fund premiums on HRA debt repayment		-	i
-	To repay HRA debt		(1,753)	
(10,156)	To fund credit arrangements		(11,587)	
-	To fund new capital expenditure		-	
(5,078)	Transfer to Revenue - HRA pooled receipts		(4,087)	
(170)	Transfer to Revenue - to fund disposal costs		-	
(3)	Transfer to Revenue - finance lease income		(3)	
(157,851)			(17,430)	
4,258	31 March		3,413	

i The council accounted for a £142.4m notional capital receipt in 2011/12 relating to the government's HRA self financing settlement. Please see explanatory note H1 on page 78 for further details.

### 18.6 Capital grants unapplied

Capital grants and contributions received by the council are credited to the capital grants unapplied account when there is an expectation that any conditions related to the grants will be met. These grants and contributions are then used to fund the related capital expenditure when it is incurred. The following table shows the transactions on the reserve during 2012/13:

#### Capital grants unapplied

31/03/2012	£000s		31/03/2013
93,707	1 April		85,997
75,572	Grants received		68,676
(83,282)	Grants applied to fund capital expenditure		(47,733)
85,997	31 March		106,940

## 19 Capital financing

### 19.1 Capital expenditure and funding

Total capital expenditure in 2012/13 was £237.1m (£255.4 in 2011/12). 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

2011/12	£000s	2012/13
211,155	Fixed assets	203,621
44,245	Revenue expenditure funded from capital under statute	32,425
-	Other	1,066
<u>255,400</u>		<u>237,112</u>

## Capital financing

2011/12	£000s	2012/13
106,114	Borrowing	122,436
113,432	Grants and contributions	61,640
-	Capital receipts	-
28,915	Major Repairs Allowance	50,729
5,452	Revenue contributions to capital	2,307
1,287	PFI deferred liabilities	-
200	Finance lease deferred liabilities	-
<u>255,400</u>		<u>237,112</u>

The capital expenditure above includes the cost of any borrowing the council undertakes to fund expenditure on assets that take a substantial period of time to complete. The total of these borrowing costs in 2012/13 was £2.2m (£1.6m in 2011/12), using the council's average external borrowing rate of 4.02%.

Significant schemes within the council's capital programme include continuing improvements to the council's housing stock; a continuing programme of investments in the schools estate through the Schools Capital Maintenance programme and the Basic Need programme (to increase the number of school places across the city); major transport and infrastructure schemes such as the Inner Ring Road Tunnels works, New Generation Transport (to develop a modern trolleybus network for Leeds) and the Leeds Flood Alleviation Scheme; capital investment in Leeds City Region schemes to support the local economy including the Revolving Investment Fund and Superfast Broadband; Sustainable Communities Investment Programme, (to support the sustainability of the Cross Green and Neville's neighbourhoods immediately adjacent to the Aire Valley employment area); continued investment through the highways programme to reduce the level of backlog maintenance; investment in improved facilities for adults with disabilities; and continuing investment in Changing the Workplace and Information Technology projects.

In addition to the capital expenditure in the table above, the council is contractually committed to further expenditure of £118.6m in future financial years. The projected phasing of these commitments is for £100.5m in 2013/14, £13.2m in 2014/15, £4.8m in 2015/16 and £0.1m in 16 onwards.

### 19.2 Capital Financing Requirement

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

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

£000s	<i>Financed by borrowing</i>	<i>Financed by PFI liabilities</i>	<i>Financed by finance leases</i>	<i>Total Capital Financing Requirement</i>
01 April 12	1,650,296	502,472	10,574	2,163,342
New borrowing	122,436	-	-	122,436
Repayments	(38,522)	(12,846)	(2,460)	(53,828)
31 March 13	1,734,210	489,626	8,114	2,231,950

## 20 Unusable statutory revenue reserves

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

### 20.1 Financial instruments adjustment account

The financial instruments adjustment account reflects the cumulative difference between the amounts relating to financial instruments chargeable to the Comprehensive Income and Expenditure Account under IFRS, and the amount chargeable to the General Fund Reserve under statutory requirements.

The balance on the authority's financial instruments adjustments account relates entirely to premiums and discounts on the rescheduling of borrowing carried out in previous years. The Code requires all new premiums and discounts to be reflected in the Comprehensive Income and Expenditure Account as they arise. However, statutory regulations allow premiums to be amortised to the General Fund Reserve over the lifetime of either the repaid loan or any replacement loan, whichever is the greater. Discounts must be amortised over the lesser of the remaining lifetime of the repaid loan and 10 years. The balance on the financial instruments adjustment account represents the net value of past premiums and discounts which have not yet been charged to the General Fund or the Housing Revenue Account.

### 20.2 Accumulated absences account

Under IFRS, authorities are required to recognise liabilities in their accounts for the estimated value of accrued leave and flexitime which staff carry forward to take in the following financial year. So that this does not adversely impact on Council Tax payers and housing tenants, the government has introduced statutory regulations to require the impact to be transferred to an Accumulated Absences Account shown within Unusable statutory revenue reserves in the balance sheet.

### 20.3 Collection fund adjustment account

Under statute, the council tax income which an authority is required to credit to its General Fund for the year is its budgeted precept. 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 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 precept 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.

## 20.4 Equal pay back pay account

The Equal pay back pay account is a statutory reserve which authorities can use to transfer the impact of provisions raised for those equal pay claims which the authority expects to settle from revenue resources, but has not yet settled. This has the effect of delaying the impact of equal pay costs on Council Tax payers and housing tenants until actual payments are made.

## 21 Exceptional items and prior period adjustments

The council has not accounted for any exceptional or prior period items in 2012/13.

## 22 Excepted items

There are certain topics that councils have to report on but that do not affect Leeds City Council's accounts for 2012/13. This note lists those topics.

- a Discontinued operations: no significant operations or services were discontinued during the year.
- b Agency arrangements: under a number of statutory powers, the council is permitted to undertake work on behalf of other bodies. Under such arrangements all expenditure, including administration costs, would be reimbursed by the entity concerned. The council currently has no material agency arrangements in place.
- c Transport Act 2000: under the provisions of the Transport Act 2000, details of any scheme of road user charging or work place parking levy should be notified. For 2012/13, no such activities have been entered into by Leeds City Council.

## 23 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 ten PFI schemes under the requirements of the Code and concluded that all but one of the assets provided under them should be recognised on its balance sheet as its assets. Please see note 9 above for details of this judgement.

### b Inclusion in the investment properties classification

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

### c Equal pay liabilities

In accounting for liabilities relating to equal pay, the council has had to judge which of the possible future liabilities it faces are sufficiently certain to be accounted for as a provision and which should be contingent liabilities. The council has taken the view that where it has received claims from individuals covering circumstances which it has accepted may give rise to a valid claim, a provision for the estimated settlement value should be raised. Where the council is aware that there is a potential for future claims but none have yet been received, it



has judged these possible liabilities to be sufficiently uncertain and unquantifiable to be classified as contingent liabilities.

## 24 **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 which carry a significant risk of resulting in 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 (please see note 4 for details of the assumptions made). The council's actuaries have advised that a 0.5% increase in the discount rate would result in a decrease in the WYPF pensions liability of £312.4m. During 2012/13, the council accounted for a decrease of £4.8m in net pensions liabilities as a result of estimates being corrected as a result of experience, and an increase of £264.4m due to the updating of assumptions.

### b Values of fixed assets

The council carries out a 5 year rolling programme to revalue its fixed assets. For those assets held at current value and not revalued in a particular year, the council uses appropriate indices to apply an estimated revaluation for the year. For 2012/13 it has applied indexation of 1.3% to assets valued at depreciated replacement cost, resulting in a total increase in carrying values of £8.5m, and indexation of nil to assets carried at market value.

## 25 **Events after the reporting date**

The Statement of Accounts was approved and authorised for issue by the Director of Resources on 25<sup>th</sup> June 2013. Events happening between the balance sheet date and the date the accounts were authorised for issue have been considered under the council's accounting policy for events after the reporting date (please see accounting policy number 23).

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

- The council has made the decision to wind up the three Arms Length Management companies (ALMOs) which currently manage its housing stock, and to carry out the housing management function directly within the HRA. This change is expected to be implemented in time for the 2014/15 financial year.

## 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.

Revisions to IAS19 Employee Benefits, affecting accounting for pensions, are expected to apply to local authorities' accounts for 2013/14. The effect will be to change the components recognised within the overall gain or loss in the value of net pensions liabilities for defined benefit pension schemes. If these were adopted for the period ending 31<sup>st</sup> March 2013 there would be an increase in the expenses recognised within the surplus or deficit on the provision of services of £46.3m, and a corresponding decrease in the actuarial loss. There would be no impact on the overall value of net pensions liabilities recognised on the balance sheet.

In addition, revisions to IAS1 Presentation of Financial Statements will require some presentational changes to the Comprehensive Income and Expenditure account.

## The Housing Revenue Income and Expenditure Account

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

<u>2011/12</u>	£000s	<u>2012/13</u>	<i>notes</i>
	<i>Income</i>		
(179,640)	Dwelling rents	(191,027)	
(2,686)	Non-dwelling rent	(2,793)	
(8,692)	Charges for services and facilities	(9,153)	
1,641	HRA subsidy receivable (including major repairs element)	(6,180)	H1
(6)	Contributions towards expenditure	(53)	
(142,444)	Self financing settlement grant	-	H1
(331,827)		(209,206)	
	<i>Expenditure</i>		
60,606	Supervision and management	62,324	H2
44,296	Repairs and maintenance	44,084	H2
2,193	Rents, rates, taxes and other charges	2,750	H2
101,982	Depreciation and impairments of non-current assets	105,833	H3.1
376	Provision for doubtful debts	188	
929	Revenue Expenditure Funded from Capital under Statute	213	H3.2
210,382		215,392	
(121,445)	Net cost of HRA services as in the Income and Expenditure Account	6,186	
1,908	HRA share of Corporate and Democratic Core	1,718	
(119,537)	Net cost of HRA services	7,904	
	<i>HRA share of operating income and expenditure included in the authority's Income and Expenditure Account</i>		
(533)	(Gain) or loss on disposal of non current assets	380	
32,383	Interest payable and similar charges	32,520	H4.1
30,306	Premium and discounts on repayment of borrowing	-	H4.2, H1
(50)	Pension interest cost and expected return on pension assets	23	
(118)	Interest and investment income	(130)	
(18,566)	Capital grants and contributions	(6,291)	
(76,115)	(Surplus) or deficit for year on HRA services	34,406	

## Statement of Movement on the Housing Revenue Account Reserve

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

2011/12	£000s	2012/13	notes
	<i>Increase or decrease in the HRA reserve comprising:</i>		
(76,115)	(Surplus) or deficit on the HRA Income and Expenditure Account	34,406	
	<i>Adjustments between accounting basis and funding basis under the HRA legislative framework</i>		
288	Difference between amortisation of premiums and discounts under accounting standards and in accordance with statute	511	H4.2
(67,280)	Impairment of non current assets	(70,947)	H3.1
(929)	Write-off revenue expenditure funded from capital under statute	(213)	H3.2
473	HRA share of contributions to / (from) the Pension Reserve	407	
112,138	Net transfer to/(from) UCR relating to self financing settlement	-	H1
3,338	Capital expenditure funded by the HRA	7	H7.1
-	HRA voluntary provision for the repayment of principle	1,500	
2,101	Transfer to / (from) MRR	24,246	H8
18,566	Transfer to / (from) capital grants unapplied	6,291	
1,678	Difference between accounting regulation and Statute	3,318	
533	Net gain / (loss) on sale of non current assets	(380)	
70,906		(35,260)	
(5,209)	(Increase) / decrease in Housing Revenue Account Balance	(854)	
20,076	Housing Revenue Account Reserve balance brought forward	25,285	
5,209	Increase / (decrease) for the year	854	H5
25,285	Housing Revenue Account Reserve balance carried forward	26,139	

# Explanatory notes to the Housing Revenue Account

## H1 The Housing Revenue Account self financing regime

From 2012/13, the government has ended the housing subsidy grant regime and replaced it with a system where local authority Housing Revenue Accounts must meet their costs from their own income. The only element of the previous subsidy system which has continued, is ongoing grant support for Private Finance Initiative schemes.

As part of this change, the government determined a sustainable level of debt for each housing authority based on its expected future income and spending needs, resulting in a settlement under which some authorities had some of their external debt repaid by the government, and others were required to make capital payments to the government. Payments to and from the government in relation to the self financing settlement took place at the end of the 2011/12 financial year. The overall aim of the settlement was to leave HRAs in approximately the same financial position as they would have been under the subsidy system if it had continued.

Under the settlement, Leeds had £112m of its loans from the Public Works Loans Board repaid by the government, together with the £30m of premiums arising from the premature redemption of these loans. In 2011/12 the council therefore accounted for a notional capital grant in its HRA Income and Expenditure account of £142m, and notional expenditure of £30m relating to premiums on the redeemed loans. In accordance with statutory regulations, the grant was treated as a capital receipt and transferred to the Usable Capital Receipts reserve (the UCR). The £30m relating to the premiums arising on the repayment was then transferred back to the HRA to fund the expenditure, giving a net transfer to the UCR of £112m. The remaining £112m capital receipt relating to the principle repayment was transferred from the UCR to the Capital Adjustment account, to fund the repayment of the debt.

In summary, the council's 2011/12 HRA Income and Expenditure account showed additional net income of £112m as a result of the settlement transactions. However there was no impact on the HRA revenue reserve, as the net income was reversed by transfers within the Statement of Movement on the HRA Reserve.

The following table analyses the HRA subsidy payable by the council for 2011/12 in comparison to the ongoing grant received in 2012/13 for its PFI scheme:

### HRA subsidy grant

2011/12	£000s	2012/13
66,064	Allowance for maintenance	-
36,803	Allowance for major repairs	-
35,785	Allowance for management	-
-	Allowance for Arms Length Management Organisations	-
6,097	Allowance for Private Finance Initiatives	6,180
31,349	Charges for capital	-
(14)	Other income	-
176,084		6,180
(177,926)	Guideline rent	-
201	Adjustment in respect of previous years	-
-	Rent Rebate Subsidy limitation	-
(177,725)		-
(1,641)		6,180

## H2 **Arms Length Management Organisations (ALMOs) management fees**

The council paid a management fee of £82.0m to its three ALMOs for the management of its housing stock (£79.6m in 2011/12). In order to comply with proper accounting practice this management fee has been split between

- repairs and maintenance,
- supervision and management, and
- rent, rates, taxes and other charges

ALMO management fees represent the major part of these elements on the face of the Housing Revenue Income and Expenditure Account. The fees have been allocated to these headings based on the original agreed contractual split and any subsequent agreed amendments to the fee. This contractual fee is consolidated out of the Group Account statements and replaced by the ALMOs' actual spending and contribution to reserves.

## H3 **Charges for HRA use of assets**

### H3.1 **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 2012/13 the breakdown of these charges was £34.8m depreciation and £71.0m impairment.

However, within the Statement of Movement on the HRA Reserve a number of adjustments are made in accordance with statute. For dwellings, the depreciation charge is reversed and replaced with the annual amount deemed to be needed in order to carry out major repair work to maintain the properties. This amount is transferred to the Major Repairs Reserve and used to fund capital expenditure (see note H8 below). Impairment charges for dwellings are also reversed within the Statement of Movement on the HRA Reserve. However, depreciation and impairment charges for non-dwellings are not reversed, but remain as a bottom line charge to the HRA reserve.

### H3.2 **Revenue expenditure funded from capital under statute**

The amount of revenue expenditure funded from capital under statute in 2012/13 is £213k. The charges relate mainly to statutory home loss payments. A person is entitled to this when they are displaced from their dwelling by a compulsory purchase order.

## H4 **Charges relating to the finance costs of borrowing for HRA capital expenditure**

### H4.1 **Interest**

From 2012/13, under the requirements of the new 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 authority'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.

### H4.2 **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 2012/13, the statutory amortisation charge for premiums and discounts was £511k (£288k in 2011/12).

The charge of £30.3m included in the HRA I&E account for 2011/12 relates entirely to premiums arising from the repayment of debt under the HRA 2012/13 self financing settlement. This charge was funded by government grant – please see note H1 for further details.

## H5 HRA revenue reserves

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

### HRA reserves

£000s	01/04/2012	net movements	31/03/2013	notes
General reserve	5,878	1,155	7,033	
Swarcliffe PFI	12,465	258	12,723	i
Swarcliffe Access Refusals	517	(242)	275	ii
Environmental works	150	(25)	125	iii
Underoccupancy pilot	98	(98)	-	iv
Early Leavers Initiative	428	(93)	335	v
Holdsworth Place - land purchase	64	-	64	vi
Decanting and demolition costs	185	(7)	178	vii
Insurance Claims to be Incurred	335	(125)	210	viii
Welfare Reform	2,165	1,000	3,165	ix
Self-Financing	3,000	(969)	2,031	x
	25,285	854	26,139	

- i Swarcliffe Private Finance Initiative contract.
- ii The future costs of access refusals for repairs to Swarcliffe PFI properties
- iii Environmental works in the Swarcliffe PFI area.
- iv To fund the downsizing of lone tenants to widen the pool of suitable properties available for families.
- v Funds to support the Early Leavers' Initiative.
- vi To fund the purchase of land at Holdsworth Place.
- vii Contribution to decanting and demolition costs.
- viii To fund any future large insurance claims not within the scope of existing cover.
- ix To fund future pressures associated with the Government's Welfare Reform Bill.
- x To support the move from the current Housing Subsidy System to the new HRA Self-Financing regime.

## H6 HRA assets

### H6.1 Fixed assets

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

## HRA fixed asset movements

<i>Fixed assets</i> £000s	<i>Council dwellings</i>	<i>Other land &amp; buildings</i>	<i>Vehicles, plant, eqpt</i>	<i>Investment Property</i>	<i>Assets held for Sale</i>	<i>Total fixed assets</i>
Cost or valuation	1,404,349	30,568	42,322	3,067	1,051	1,481,357
Accumulated depreciation and impairment	(9,141)	(564)	(19,404)	-	-	(29,109)
Balance sheet value as at 1 April 2012	1,395,208	30,004	22,918	3,067	1,051	1,452,248
Depreciation	(28,496)	(2,321)	(4,023)	-	-	(34,840)
Additions	53,467	229	3,115	-	-	56,811
Impairments (CI&ES)	(1,103)	-	-	-	-	(1,103)
Impairments (revaluation reserve)	-	-	-	-	-	-
Revaluations (CI&ES)	(70,402)	513	-	-	-	(69,889)
Revaluations (revaluation reserve)	8,039	5,166	-	-	-	13,205
Disposals	(8,604)	-	-	-	(756)	(9,360)
Changes in classification	(3,508)	(121)	-	-	4,023	394
Cost or valuation	1,347,160	34,034	45,437	3,067	4,318	1,434,016
Accumulated depreciation and impairment	(2,559)	(564)	(23,427)	-	-	(26,550)
Balance sheet value as at 31 March 2013	1,344,601	33,470	22,010	3,067	4,318	1,407,466

### H6.2 Vacant possession values

In accordance with government guidance, council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. This adjustment factor is 31% in 2012/13 (31% in 2011/12). As a consequence the council recognises council dwellings at a value of £1,345m on the balance sheet. At vacant possession the same dwellings would have a value of £4,255m therefore recognising an economic cost to the government of providing council housing at less than open market rents of £2,910m.

### H7 HRA capital accounting

#### H7.1 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

2011/12	£000s	2012/13
51,608	Fixed Assets	56,811
-	Long term debtors	4
931	Revenue expenditure funded from capital under statute	213
<u>52,539</u>		<u>57,028</u>

## HRA capital funding

2011/12	£000s	2012/13
28,915	Major Repairs Reserve	50,729
1,718	Borrowing	-
3,338	Revenue contributions	7
-	PFI Deferred Liabilities	-
18,568	Grants and contributions	6,292
-	Useable capital receipts	-
<u>52,539</u>		<u>57,028</u>

## H7.2 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 (£4.1m in 2012/13) 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

2011/12	£000s	2012/13
7,568	Council houses	8,800
172	Land	130
308	Other property	-
<u>8,048</u>		<u>8,930</u>

## H8 Major Repairs Reserve

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

### Major Repairs Reserve

2011/12	£000s	2012/13
-	1 April	4,888
34,702	Transfer to the reserve	34,840
(28,915)	Capital expenditure charged to the reserve	(50,729)
(3,000)	Voluntary set-aside	-
2,101	Transfer from the reserve	24,246
<u>(29,814)</u>		<u>8,357</u>
4,888	31 March	13,245



## H9 **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 2012/13. 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 to the council's three ALMOs.
- 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.

2011/12	Summary income and expenditure account £000s	2012/13	<i>notes</i>
	<i>Income</i>		
(259,141)	Council tax	(261,661)	
(54,737)	Council tax benefits	(55,090)	
17	Transitional relief	7	
(313,861)		(316,744)	
(325,922)	National non-domestic rates	(342,237)	C2
(639,783)		(658,981)	
	<i>Expenditure</i>		
	Payments to precepting authorities:		
268,615	Leeds City Council	269,768	
31,034	West Yorkshire Police Authority	31,170	
12,463	West Yorkshire Fire and Civil Defence Authority	12,518	
312,112		313,456	C3
1,865	Provision for uncollectable amounts and write-offs:		
	Council tax		2,534
	National non-domestic rates:		
324,691	Payment to national pool	341,011	
1,231	Costs of collection	1,226	C2
327,787		342,237	C2
	Adjustments to previous years:		
-	Community charge		-
116	(Surplus) / deficit	(754)	
<hr/>			
2011/12	Collection Fund balances £000s	2012/13	
(855)	1 April	(971)	
(116)	Surplus / (deficit) for the year	754	
(971)	31 March	(217)	

# 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 2012/13 there were an estimated 338,317 residential properties in Leeds which were placed in one of eight valuation bands depending upon their capital value by the Listing Officer of the government's Valuation Office Agency. The totals for each band are converted by use of appropriate multipliers and expressed in terms of a number of Band D properties to give a tax base. In 2012/13 the tax base for Leeds was 240,051 properties and this was used to calculate the Band D council tax of £1,306.40, sufficient to generate the income required to cover the net expenditure of the three authorities that precept on the Collection Fund. The table below shows the number of properties in each band and the number of Band D equivalent properties (the tax base).

### Council tax base

<i>Band</i>	<i>number of properties in the band</i>	<i>less exempt properties</i>	<i>chargeable dwellings</i>	<i>adjusted chargeable dwellings (i)</i>	<i>proportion of Band D council tax</i>	<i>Band D equivalent dwellings</i>
A (ii)	133,973	(9,926)	124,047	107,065	6 / 9	71,336
B	71,735	(6,064)	65,671	59,355	7 / 9	46,165
C	64,827	(3,210)	61,617	56,825	8 / 9	50,511
D	32,014	(1,671)	30,343	28,362	1	28,362
E	19,435	(550)	18,885	17,944	11 / 9	21,932
F	9,264	(200)	9,064	8,643	13 / 9	12,484
G	6,440	(140)	6,300	6,038	15 / 9	10,064
H	629	(25)	604	565	18 / 9	1,130
	<b>338,317</b>	<b>(21,787)</b>	<b>316,530</b>	<b>284,797</b>		<b>241,984</b>
						Allowance for non-collection (1,936)
						Defence-exempt properties 3
						<b>Base for calculating Leeds City Council 2012/13 council tax 240,051</b>

- i Adjustments for disabled relief, appeals on bandings, single person discounts etc.
- ii Includes dwellings that pay 5/9 of Band D by virtue of adjustments for disabled relief.

## C2 Non-domestic rates

Leeds City Council collects national non-domestic rates (NNDR) for its area on behalf of central government. These rates are based on rateable values for properties set by the Valuation Office Agency, part of HM Revenues and Customs, which are multiplied by a uniform business rate set by central government. The uniform business rate was set at 45.8p in the pound for 2012/13 (43.3 p for 2011/12). Small business rate relief was set at 45.0p in the pound for 2012/13 (42.6p for 2011/12). The rateable value at 31st March 2013 was £921,560k (£927,126k at 31st March 2012). The total amount due, after adjusting for certain reliefs and other deductions, is paid into a central pool managed by central government. The government redistributes the sums paid into the pool back to local authorities in proportion to population. Leeds' share of the pool for 2012/13, paid directly to the Income and Expenditure Account, amounted to £289,173k.

The amounts included in the Collection Fund account under these arrangements are shown below.

#### National non-domestic rates

2011/12	£000s	2012/13
396,568	Gross rates and empty rates due	416,967
	<i>Allowances and adjustments</i>	
(20,497)	Exemptions and allowances	(23,087)
(13,589)	Net variations in rateable value assessments	(16,144)
(25,888)	Mandatory and discretionary relief	(31,270)
(4,964)	Write-offs, provision for bad and doubtful debts	(5,502)
(196)	Interest paid on refunds of rates	(129)
(5,512)	Transitional adjustments	1,402
(70,646)		(74,730)
325,922	Income due from business ratepayers	342,237
(1,231)	Cost of collecting national non-domestic rates	(1,226)
324,691	Contribution to national pool	341,011

### C3 Council tax used to support expenditure on services

The following table analyses council tax payments out of the collection fund.

#### Precepts and demands

2011/12	£000s	2012/13
	Leeds City Council	
269,115	Annual precept	271,127
(500)	Payment of council tax surplus	(1,359)
268,615		269,768
	West Yorkshire Police Authority	
31,092	Annual precept	31,327
(58)	Payment of council tax surplus	(157)
31,034		31,170
	West Yorkshire Fire and Civil Defence Authority	
12,486	Annual precept	12,581
(23)	Payment of council tax surplus	(63)
12,463		12,518
312,112		313,456

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.



# The Group Accounts

## GA1 Introduction

Leeds City Council has established a number of bodies to carry out activities on its behalf. This means that the council's own financial statements may not fully reflect the authority's activities.

The aim of the Group Accounts is to give an overall picture of the activities of the authority and the resources used to carry out those activities. The Group Accounts also provide further information on the material financial risks and benefits of all entities over which the authority exercises control, significant influence or joint control.

## GA2 Inclusion within the group accounts

The authority has relationships with a number of entities over which it has varying degrees of control or influence. The Code for local authority accounts requires these to be classified into the categories of subsidiaries, associates and joint ventures. The meanings of these are outlined below –

- a **Subsidiary:** “An entity, including an unincorporated entity such as a partnership that is controlled by another entity.” Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

The following entities are classified as subsidiaries of Leeds City Council –

- The authority's three Arms Length Management Organisations for Housing (ALMOs) which currently manage the authority's housing stock.
- Leeds Grand Theatre and Opera House Ltd
- Craft Centre and Design Gallery Ltd
- Education Leeds Ltd (currently in the process of being wound up)

In addition, the council has identified that five of the trust funds for which it acts as sole or majority trustee should be accounted for as subsidiaries, where the nature of the trust's activities provides a service benefit to the council.

These draft group accounts do not include 2012/13 figures for Leeds Grand Theatre and Opera House Ltd, as its draft accounts were not yet available for inclusion at the date that these accounts were authorised for issue.

Following a recent review, the council has decided to move from the current arrangements where the management of its housing stock is carried out by its three ALMOs, to an in-house management service within its HRA. It is anticipated that this change will take place during 2013/14.

- b **Associate:** “An entity, including an unincorporated entity such as a partnership, over which the reporting authority has significant influence and that is neither a subsidiary nor an interest in a joint venture.”

The following entities are classified as associates of Leeds City Council –

- Belle Isle Tenant Management Organisation Ltd (BITMO)
- Green Leeds Ltd
- The Leeds Groundwork Trust
- Leeds and Partners Ltd (formerly known as Marketing Leeds Ltd)
- Leeds Apprenticeship Training Agency Ltd

- c Joint Venture: “An entity in which the reporting authority has an interest on a long term basis and which is jointly controlled by the reporting authority and one or more other entities under a contractual or other binding arrangement.”

In January 2009 the authority entered into a partnership with Bellway Homes to form Easel Leeds Limited to develop land for housing in the south east Leeds area. However, due to the downturn in the housing market work did not commence and there have been no transactions in the accounts. The company is currently dormant.

In February 2012 the authority entered into a partnership with NPS Property Consultants Ltd to form NPS Leeds Ltd. The joint venture company has a financial year ending 31st January. Transactions occurring during February and March 2012 were not sufficiently material to require inclusion in the 2011/12 group accounts, and the authority intends to include the NPS Leeds accounts for the year to 1st January 2013 in its 2012/13 group accounts, but these were not yet available at the date that these draft accounts were authorised for issue.

More detailed information regarding the individual subsidiaries, associates and joint ventures of Leeds City Council are included in notes G4 and G5.

### **GA3 Accounting policies used in preparing the group financial statements**

Individual entities within the group have properly adopted different accounting policies, consistent with their different circumstances. In order to ensure consistency of accounting treatment across the group, the accounts of each group entity have been realigned to the group accounting policies where necessary. The accounting policies used in preparing the group accounts are generally those of Leeds City Council (see the main Accounting Policies section), but to align them more closely to some aspects of the Group entity's own accounting policies (UK Generally Accepted Accounting Practices), they differ in the following respects:

#### **GA3.1 Fixed assets**

Fixed assets held by group entities which fall within the asset categories covered by the authority's own accounting policies are revalued in line with the authority's accounting policies where material. Fixed assets held by group entities which are sufficiently specialist in nature not to fall within the scope of the authority's accounting policies are valued in accordance with the accounting policies of the individual entities.

#### **GA3.2 Consolidation**

- a Subsidiaries have been consolidated on a line by line basis.
- b Associates have been consolidated using the equity method.

### **GA4 Combinations**

During 2012/13 there were no new combinations within the group, either as mergers (where the combination is based on the legal transfer of stock) or as acquisitions (where stock is purchased).

# Group Comprehensive Income and Expenditure Statement

This statement sets out the income and expenditure relating to the council and its subsidiaries and associates as a whole, together with any appropriations to reserves.

2011/12 net expenditure	£000s	2012/13			notes
		gross expenditure	gross income	net expenditure	
195,608	Adult Social Care	264,500	66,829	197,671	
16,445	Central Services	65,975	52,903	13,072	
244,787	Children's and Education Services	768,583	548,207	220,376	
70,408	Cultural and Related Services	97,852	23,616	74,236	
64,448	Environmental and Regulatory Services	76,558	10,958	65,600	
14,981	Planning Services	32,829	17,168	15,661	
73,507	Highways and Transport Services	95,930	18,380	77,550	
41,907	Housing	221,789	207,176	14,613	
43,285	Other Housing Services	329,223	292,302	36,921	
114	Exceptional item – equal pay provision	14,928	-	14,928	
14,843	Corporate and democratic core	2,395	-	2,395	
16,900	Non distributable costs	-	-	-	
797,233	Net cost of services	1,970,562	1,237,539	733,023	
126,041	(Gain) or loss on disposal of fixed assets			109,089	
-	Net liabilities transferred from subsidiary			-	
1,448	Parish Council precepts			1,433	
(2,250)	(Surpluses) / deficits on trading undertakings			(3,002)	
5,078	Amounts payable into the Housing Capital Receipts Pool			4,087	
927,550	Net Operating Expenditure			844,630	
126,273	Interest payable and similar charges			90,776	
(3,969)	Pension interest costs and expected return on assets			8,881	G1
773	Gain or loss on investment properties			(178)	
(1,961)	Interest and investment income			(1,466)	
1,048,666	Net Expenditure after financing and investment			942,643	
(268,515)	Council Tax Income			(270,791)	
(240,669)	Non-Domestic Rate			(289,172)	
(389,995)	Non-Ringfenced Government Grants			(171,910)	
149,487	(Surplus) / deficit on provision of services			210,770	
(24)	Share of the (Surplus) / deficit on the provision of services by associates			125	
149	Tax expenses of subsidiaries			98	
149,612	Group (Surplus) / deficit			210,993	
(70,752)	(Surplus) / deficit on revaluation of fixed assets			(98,632)	
(2)	(Surplus) / deficit on revaluation of available-for-sale assets			11	
382,334	Actuarial (gains) / losses on pension fund			128,770	
164	Share of other comprehensive income and expenditure of associates and joint ventures			4	
311,744	Other Comprehensive Income and expenditure			30,153	
461,356	Total Comprehensive Income and Expenditure			241,146	

## Reconciliation of the Single Entity surplus/deficit for the year to the Group surplus/deficit

2011/12	£000s	2012/13
457,892	(Surplus) or deficit on authority's single entity Income and Expenditure account	233,408
	add: (surplus) or deficit arising from group entities:	
4,996	subsidiaries	7,273
140	associates	129
(1,672)	trust funds	336
461,356	Group surplus or deficit for year	241,146



# Group Movement in Reserves Statement

This statement shows the movements in year on the different reserves held by the group, analysed

## 2012/13

	Council Useable reserves					Council Unuseable reserves	Total Council reserves	Total Group Entities Reserves	Total Reserves
	General Fund Reserve	HRA Reserve	Earmarked GF revenue reserves	Useable capital reserves	Total useable reserves				
Balance brought forward 1st April 2012	25,440	25,285	60,302	95,143	206,170	91,170	297,340	5,436	302,776
Surplus / (deficit) on provision of services	(170,646)	(34,405)	-	-	(205,051)	-	(205,051)	(5,941)	(210,992)
Other comprehensive income and expenditure	-	-	-	-	-	(28,357)	(28,357)	(1,796)	(30,153)
Total comprehensive income and expenditure	(170,646)	(34,405)	-	-	(205,051)	(28,357)	(233,408)	(7,737)	(241,145)
Statutory adjustments between accounting basis and funding basis	163,572	35,259	-	103,646	302,477	(302,477)	-	-	-
Statutory capital adjustments	-	-	-	36,611	36,611	(36,611)	-	-	-
Increase / (decrease) before transfers	(7,074)	854	-	140,257	134,037	(367,445)	(233,408)	(7,737)	(241,145)
Transfers to/(from) earmarked revenue reserves	4,720	-	(4,720)	-	-	-	-	-	-
Transfers to fund capital expenditure	-	-	-	(111,802)	(111,802)	111,802	-	-	-
Increase / (decrease) during year	(2,354)	854	(4,720)	28,455	22,235	(255,643)	(233,408)	(7,737)	(241,145)
Balance carried forward 31st March 2013	23,086	26,139	55,582	123,598	228,405	(164,473)	63,932	(2,301)	61,631

between usable reserves and unusable reserves.

## 2011/12

	Council Useable reserves					Council Unuseable reserves	Total Council reserves	Total Group Entities Reserves	Total Reserves
	General Fund Reserve	HRA Reserve	Earmarked GF revenue reserves	Useable capital reserves	Total useable reserves				
Balance brought forward 1st April 2011	29,563	20,076	55,892	93,707	199,238	555,994	755,232	8,900	764,132
Surplus / (deficit) on provision of services	(239,116)	76,115	-	-	(163,001)	-	(163,001)	13,389	(149,612)
Other comprehensive income and expenditure	-	-	-	-	-	(294,891)	(294,891)	(16,853)	(311,744)
Total comprehensive income and expenditure	(239,116)	76,115	-	-	(163,001)	(294,891)	(457,892)	(3,464)	(461,356)
Statutory adjustments between accounting basis and funding basis	239,403	(70,906)	-	203,192	371,689	(371,689)	-	-	-
Statutory capital adjustments	-	-	-	35,735	35,735	(35,735)	-	-	-
Increase / (decrease) before transfers	287	5,209	-	238,927	244,423	(702,315)	(457,892)	(3,464)	(461,356)
Transfers to/(from) earmarked revenue reserves	(4,410)	-	4,410	-	-	-	-	-	-
Transfers to fund capital expenditure	-	-	-	(237,491)	(237,491)	237,491	-	-	-
Increase / (decrease) during year	(4,123)	5,209	4,410	1,436	6,932	(464,824)	(457,892)	(3,464)	(461,356)
Balance carried forward 31st March 2012	25,440	25,285	60,302	95,143	206,170	91,170	297,340	5,436	302,776

# Group Balance Sheet

The Group Balance Sheet summarises the financial position of the council and its subsidiaries and associates as a whole. It shows the value of the group assets and liabilities at the end of the financial year.

31 March 2012	£000s	31 March 2013	notes
	<i>Long term assets</i>		
3,368,666	Property, Plant & Equipment	3,319,578	
50,785	Heritage Assets	58,426	
36,745	Investment Property	33,885	
3,680	Intangible fixed assets	2,180	
6,942	Long-term investments	2,802	
17,755	Long-term debtors	16,119	
<u>3,484,573</u>		<u>3,432,990</u>	
	<i>Current assets</i>		
109,088	Debtors	115,408	
20,067	Investments	5,025	
2,926	Inventories	3,246	
1,823	Assets held for sale	6,747	
33	Landfill allowances	19	
62,814	Cash and cash equivalents	45,666	G8
<u>196,751</u>		<u>176,111</u>	
	<i>Current liabilities</i>		
(216,558)	Creditors	(205,783)	
(172,081)	Borrowing repayable on demand or within one year	(193,320)	
(31,826)	Provisions for current liabilities	(24,600)	
<u>(420,465)</u>		<u>(423,703)</u>	
3,260,859	Total assets less current liabilities	3,185,398	
	<i>Long term liabilities</i>		
(1,260,256)	Long-term borrowing	(1,292,039)	
(1,169,502)	Net pensions liability	(1,318,506)	G1
(522,338)	Deferred Liabilities	(506,545)	
(1,784)	Capital grants receipts in advance	(1,029)	
(4,203)	Provisions for long term liabilities	(5,648)	
<u>(2,958,083)</u>		<u>(3,123,767)</u>	
<u>302,776</u>	Total assets less liabilities	<u>61,631</u>	
	Financed by		
	<i>Unusable Capital accounting balances</i>		
315,749	Revaluation Reserve	385,606	
991,812	Capital Adjustment Account	812,680	
8,080	Deferred capital receipts	7,288	
117	Available for sale reserve	106	
<u>1,315,758</u>		<u>1,205,680</u>	
	<i>Usable capital funding reserve</i>		
4,258	Usable capital receipts reserve	3,413	
85,997	Capital grants unapplied	106,940	
4,888	Major Repairs Reserve	13,245	
<u>95,143</u>		<u>123,598</u>	
	<i>Unusable statutory revenue reserves</i>		
(1,140,769)	Authority pensions reserve	(1,287,228)	G1
(71,641)	Financial instruments adjustment account	(71,971)	
(28,733)	Subsidiary companies' pensions reserves	(31,278)	G1
(11,080)	Accumulated absences account	(10,510)	
(835)	Collection fund adjustment account	(193)	
(114)	Equal pay back pay account	(102)	
<u>(1,253,172)</u>		<u>(1,401,282)</u>	
	<i>Usable revenue reserves</i>		
25,440	General Fund Reserve	23,086	
25,285	Housing Revenue Account Reserve	26,139	
60,302	Other earmarked reserves	55,582	
34,020	Group companies general reserves	28,828	G2
<u>145,047</u>		<u>133,635</u>	
<u>302,776</u>	Total reserves and balances	<u>61,631</u>	

# Group Cash Flow Statement

The Group Cash Flow Statement summarises the cash flows of the council and its subsidiaries and associates during the year.

2011/12	£000s	2012/13	notes
(149,487)	Net surplus or (deficit) on the provision of services	(210,770)	
203,848	Adjustments to the net surplus or deficit on the provision of services for non-cash movements and/or investing and financing activities	273,489	
54,361	Net cash flow from operating activities		62,719
-	Dividends from associates and joint ventures:		
-	Dividends received		-
	Capital and financial investment activities:		
	<i>Cash outflows</i>		
(202,138)	Purchase of fixed assets	(211,485)	
-	Other capital cash payments	-	
-	Purchase of treasury investments	-	
(10,000)	Long term loans and service investments	(1,066)	
	<i>Cash inflows</i>		
75,549	Capital grants received	67,921	
18,579	Sale of fixed assets	14,813	
73	Net decrease in short term deposits	-	
10,000	Sale of treasury investments	20,000	
1,086	Sale of service loans and investments	1,772	
2,774	Other capital cash receipts	638	
-	Repayment of long-term debtors	-	
(104,077)			(107,407)
(49,716)	Net cash inflow / (outflow) before financing		(44,688)
	Financing:		
	<i>Cash outflows</i>		
(858,570)	Short-term loans repaid	(854,265)	
(13,788)	Loans repaid	(26,752)	
(15,180)	Finance lease and PFI scheme principal repayments	(15,348)	
	<i>Cash inflows</i>		
834,387	New short-term loans raised	868,905	
90,000	New loans raised	55,000	
36,849			27,540
(12,867)	Increase / (decrease) in cash and cash equivalents		(17,148)
75,681	Balance of cash and cash equivalents brought forward		62,814
(12,867)	Increase / (decrease) for the year		(17,148)
62,814	Balance of cash and cash equivalents carried forward		45,666
			G8

# Explanatory Notes to the Group Accounts

Where figures in the group accounts differ materially from the authority's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the authority's accounts.

## G1 IAS 19 pension assets and liabilities

The purpose of IAS 19 is to ensure that the authority'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. This means that IAS 19 based pensions assets and liabilities are included in the Group Comprehensive Income and Expenditure Account and in the Group Balance Sheet. Group subsidiaries contribute to two pension schemes: the West Yorkshire Pension Fund (WYPF) and Teachers' Discretionary Pensions. The inclusion of the group entities' figures for the West Yorkshire Pension Fund have a material impact on the required explanatory notes. The Teachers Discretionary Pensions note is unaffected in the group accounts. The table below gives a summary of the IAS 19 transactions within the group accounts:

### Summary of IAS19 pensions reserve transactions

2011/12				2012/13		
WYPF	Teachers	Total		WYPF	Teachers	Total
692,857	90,514	783,371	1st April	1,072,727	96,775	1,169,502
			<i>In Surplus/(Deficit) on the provision of services; transferred to reserves as a statutory adjustment</i>			
13,722	(5,955)	7,767	Service expenditure less actual contributions	17,774	(6,422)	11,352
(8,787)	4,817	(3,970)	Interest cost and expected return on assets	4,575	4,306	8,881
			<i>In Other Comprehensive Income &amp; Expenditure</i>			
374,935	7,399	382,334	Actuarial gains and losses	122,221	6,550	128,771
1,072,727	96,775	1,169,502	31st March	1,217,297	101,209	1,318,506

The last full actuarial valuation for the WYPF was carried out as at 31st March 2010. An interim actuarial review was carried out in order to calculate the figures required under IAS 19. In calculating the authority and the group entities' 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 actuarial assumptions used in the evaluation of other group entities' assets and liabilities relating to the WYPF did not differ from those used for the council's pensions assets and liabilities. These can be found in explanatory Note 8 to the council's single entity statements.

At 31st March 2013, the fund's actuaries estimated that the group had the following assets and liabilities for pension's payable through the West Yorkshire Pension Fund.

### WYPF – assets and liabilities

31/03/2012	£000s	31/03/2013
(3,251,230)	Estimated present value of liabilities	(3,694,153)
2,178,503	Fair value of assets	2,476,856
(1,072,727)	Net asset / (liability)	(1,217,297)

WYPF – movement in net pension asset / (liability)

£000s	2012/13		
	<i>liabilities</i>	<i>assets</i>	<i>net</i>
1 April	(3,251,230)	2,178,503	(1,072,727)
<i>Actuarial gains and losses</i>			
Asset gain / (loss)	-	151,767	
Liability gain / (loss)	11,254	-	
Change in assumptions	(285,242)	-	
	(273,988)	151,767	(122,221)
<i>Service Expenditure</i>			
Current service cost	(79,307)	-	
Past service cost	(1,874)	-	
Curtailement cost	-	-	
Settlement costs	-	-	
Employer contributions	-	63,407	
	(81,181)	63,407	(17,774)
<i>Finance gains and losses</i>			
Expected return on assets	-	151,490	
Interest on pension liabilities	(156,065)	-	
	(156,065)	151,490	(4,575)
<i>Other movements</i>			
Benefits paid	91,870	(91,870)	
Employee contributions	(23,559)	23,559	
Transfers in/out	-	-	
	68,311	(68,311)	-
31 March 2013	(3,694,153)	2,476,856	(1,217,297)

WYPF – Actuarial Gains and Losses

	<i>gain / (loss)</i>	
	<i>£000s</i>	<i>percentage</i>
Difference between expected and actual return on assets	11,254	6.13% of assets
Difference between expected and actual gains and losses on liabilities	151,767	0% of liabilities

## G2 Summary of movement in general reserves

£000s	31/03/2012	net movements	31/03/2013
<i>Subsidiary companies</i>			
Education Leeds Ltd	-	-	-
Aire Valley Homes	8,591	764	9,355
West North West Homes Leeds	10,733	(3,208)	7,525
East North East Homes Leeds	9,377	(2,277)	7,100
The Craft Centre and Design Gallery Ltd	48	(6)	42
Leeds Grand Theatre and Opera House Ltd	494	-	494
	29,243	(4,727)	24,516
<i>Directly managed funds</i>			
St Aidan's Trust	2,398	(61)	2,337
Fulford Endowment	102	3	105
Green Home for Older People (McDonald Bequest)	73	1	74
Hurst Bequest	1,576	(278)	1,298
Seigen Manor Day Centre Bequest	12	(1)	11
	4,161	(336)	3,825
<i>LCC share in Associate companies</i>			
Belle Isle Tenant Management Organisation	165	65	230
Green Leeds Ltd	76	(20)	56
Leeds and Partners	287	(121)	166
The Leeds Groundwork Trust	88	(28)	60
Leeds Apprenticeship Training Agency	-	(26)	(26)
	616	(129)	487
Total group companies general reserves	34,020	(5,192)	28,828

The subsidiary companies have been consolidated using the line by line method and therefore the net movements above exclude any IAS 19 effects, which are shown as a separate item in the group balance sheet. A summary of the subsidiaries operating results, which include the IAS 19 surplus/ (deficit) amounts, can be viewed in more detail in note G3.

## G3 Group subsidiary company performance

There are six entities which are classified as subsidiaries of the authority in accordance with the Code. These are:

- The three Arms Length Management Organisations for Housing (ALMOs)
- The Craft Centre & Design Gallery Ltd
- Leeds Grand Theatre & Opera House Ltd
- Education Leeds Ltd (currently in the process of being wound up)

The dominant relationship that Leeds City Council exerts over these entities results in this classification. Due to this relationship, the group financial statements treat the financial information of the authority and its subsidiaries as a single economic entity to show the resources controlled by the group, the obligations of the group and the results the group achieves with its resources.

Further information regarding these subsidiaries is outlined on the following pages. The financial accounts for all subsidiaries can be obtained from the Director of Resources, Leeds City Council.



and commission of good design. The company is also registered with the Charity Commission (513457).

b Relationship with the authority

The company has no share capital and is wholly owned by the authority. In the event of winding up, once all debts and liabilities had been satisfied, the authority would be entitled to any remaining assets for the benefit of Leeds Art Gallery.

Leeds City Council controls the board of management. The City Council owns the Art Gallery premises used by the charity and provides administrative support it. All six board members are nominated by the authority.

c Financial Performance

In 2012/13 the net movement in the funds of the company was an increase of £6k (decrease of £30k in 2011/12).

On 31st March 2013 it had net assets of £6k (net assets of £0 at 31st March 2012).

**G3.3 Leeds Grand Theatre & Opera House Ltd (Companies House registration number 4155758)**

a Nature of the business

The company was established to promote, maintain, improve and advance education, particularly by the production of educational plays and encouragement of the arts. And to receive, educate and train students in drama, dancing, music and other arts.

b Relationship with the authority

The company has no share capital. The board of governors consists of no more than 9 members of whom at least 5 must be members of the authority. In the event of the company being wound up, the authority would have no rights to any residual assets.

All 9 of the current board members are members of the authority.

c Financial Performance

The net movement in funds of the company for 2012/13 and its net liabilities as at 31<sup>st</sup> March 2013 are not yet available. The company had a decrease in funds of £554k in 2011/12, and net assets of £432k at 31st March 2012.

**G3.4 Education Leeds Ltd (Companies House registration number 4155758)**

a Nature of the business

The company was established by the authority to promote the raising of educational standards in Leeds through the delivery to schools, pupils and parents of high quality and timely education support and administrative services. A contract agreement existed between the authority and Education Leeds. The contract came to an end on 31 March 2011 and the majority of the company's assets and liabilities were transferred to the council during 2011/12, leaving only sufficient resources to meet its estimated closing tax liability. This liability was settled during 2012/13.



b Relationship with the authority

The company has no share capital and is wholly owned by the authority. The authority is entitled to all of Education Leeds' assets in the event of winding up, once all debts and liabilities had been satisfied.

The authority holds 40% of the voting rights. The company has five members: two from the authority, two from Capita Business Services Limited and an independent Chair, each agreeing to contribute £1 if the company is wound up.

c Financial performance

The only transactions undertaken by the company during 2012/13 were to settle its outstanding liabilities.

#### G4 Associates and joint ventures

The authority has five associates to include in the group accounts:

- Belle Isle Tenant Management Organisation Ltd
- Marketing Leeds Ltd
- Green Leeds Ltd
- The Leeds Groundwork Trust
- Leeds Apprenticeship Training Agency Ltd

In January 2009 the authority entered into a joint venture, Easel Leeds Limited, with Bellway plc, and in February 2012 it entered into a joint venture with NPS Property Consultants Ltd, to form NPS Leeds Ltd. Further details of these companies appear below. The financial accounts for all associates and joint ventures can be obtained from the Director of Resources, Leeds City Council.

##### G4.1 Belle Isle Tenant Management Organisation Ltd

a Nature of the business

Belle Isle Tenant Management Organisation Ltd (BITMO) was established in 2004 and delivers housing and estate management services, on behalf of Leeds City Council, to the Belle Isle neighbourhood in South Leeds.

b Relationship with the authority

Belle Isle Tenant Management Organisation Ltd is an independent body constituted as an Industrial and Provident Society. It is autonomous and not a subsidiary company of the Council like the ALMOs. The Board of management is tenant led. The contractual relationship between the Council and the TMO is governed by a statutory modular management agreement through which the Council has delegated a range of housing management functions. The agreement allows the Council to nominate one or more persons, as the TMO requests, to the Board. The two local ward councillors are the current nominees and the option selected gives these nominees voting rights. The TMO is non asset holding with the Council retaining ownership of the stock and remaining landlord.

Leeds City Council has two board members and the remaining eight board members are tenants, giving the authority 20% of the voting rights. The authority has therefore recognised a 20% share of BITMO within its group accounts

c Financial Performance

In 2012/13 the company as a whole made a surplus of £347k (surplus of £355k in 2011/12). Only the authority's 20% share of this is recognised in the group accounts.

On 31st March 2013 it had net assets of £1,151k (net assets of £824k at 31st March 2012).

**G4.2 Leeds and Partners Ltd (formerly Marketing Leeds Ltd) (Companies House registration number 5113663)**

a Nature of the business

Leeds and Partners Ltd is the city's strategic marketing organisation. It aims to raise the regional, national and international profile of Leeds as a vibrant, dynamic, internationally competitive city region and as the gateway to Yorkshire and the UK.

Leeds and Partners Ltd works in partnership with existing organisations wherever possible, collaborating to create the greatest impact on the widest audience, ensuring that external perceptions reflect the high quality of the city region's offer.

b Relationship with the authority

Leeds and Partners Ltd receives grant funding from Leeds City Council. The company has two shareholders; these are Leeds City Council and Leeds, York and North Yorkshire Chamber of Commerce.

Leeds City Council has the right to appoint board members with a maximum of 49% of the voting rights. Currently two of the nine board members are from the authority. The authority has therefore recognised a 49% share of Leeds and Partners Ltd within its group accounts.

c Financial Performance

In 2012/13 the company as a whole made a deficit of £245k (surplus of £158k in 2011/12). Only the authority's 49% share of this is recognised in the group accounts.

On 31st March 2013 it had net assets of £340k (net assets of £585k at 31st March 2012).

**G4.3 Green Leeds Ltd (Companies House registration number 3438238)**

a Nature of the business

Green Leeds Ltd is a company, registered charity and partnership between Leeds City Council and The Leeds Groundwork Trust. It was established in September 1997 for the purpose of receiving and administering landfill tax credits in Leeds. Landfill tax funding must be spent on projects fulfilling Entrust objectives. This includes reclamation, reduction in pollution, environmental improvement and environmental protection, and enabling public access to land where environmental works have been carried out. The company is also registered with the Charity Commission (1076669).

b Relationship with the authority

Members of the company are Leeds City Council and The Leeds Groundwork Trust.

Leeds City Council has 50% of the voting rights. The maximum number of Directors is eight. Leeds City Council is entitled to appoint up to four persons to be council Directors of the company. Four are nominated by Leeds Groundwork Trust.

The authority has therefore recognised a 50% share of Green Leeds Ltd within its group accounts.

c Financial Performance

In 2012/13 the net movement in funds of the company as a whole was a decrease of £40k (decrease of £122k in 2011/12). Only the authority's 50% share of this is recognised in the group accounts.

On 31st March 2013 it had net assets of £111k (net assets of £152k at 31st March 2012).

**G4.4 The Leeds Groundwork Trust (Companies House registration number 2064992)**

a Nature of the business

The company was established to:

- promote the conservation, protection, and improvement of the physical, natural and social environment in the Leeds area.
- provide facilities in the interests of social welfare for recreation and leisure time occupation with the objective of improving the conditions of life for those living, working or resorting to the Leeds area.
- advance public education in environmental matters.

The company is also registered with the Charity Commission (518154).

b Relationship with the authority

Members of the company are the Groundwork Foundation, the Countryside Commission and Leeds City Council. Leeds City Council has 46% of the voting rights. Of the thirteen board members, six are nominated by Leeds City Council, two by the Countryside Commission/ Federation of Groundwork Trusts and five are co-opted trustees. The authority has therefore recognised a 46% share of the Leeds Groundwork Trust within its group accounts.

c Financial Performance

In 2012/13 the company as a whole made an operating deficit of £61k (deficit of £342k in 2011/12). Only the authority's 46% share of this is recognised in the group accounts.

On 31st March 2013 it had net assets of £454k (net assets of £516k at 31st March 2012).

**G4.5 Leeds Apprenticeship Training Agency Limited (Companies House Registration Number 08310738)**

a Nature of the business

The principal activity of the company is to act as an apprenticeship service for micro, small and medium sized businesses in the Council's area, including (but not by way of limitation) such businesses engaged in finance and other business services, manufacturing, engineering, retail, hospitality, catering and construction.

b Relationship with the authority

The authority holds a 50% share in the company, and the other 50% is held by Leeds City College.

c Financial Performance

In 2012/13 the company as a whole made an operating deficit of £51k (nil in 2011/12). Only the authority's 50% share of this is recognised in the group accounts.

On 31st March 2013 it had net liabilities of £51k (nil as at 31<sup>st</sup> March 2012).

**G4.6 Easel Leeds Ltd (Companies House registration number 06785866)**

a Nature of the business

The principal activity of the company is to implement the delivery of the EASEL regeneration project, procuring regeneration and development projects to improve the social, economic and environmental well being of the east and south east Leeds area.

b Relationship with the authority

The authority holds a 50% share in the company, and the other 50% is held by Bellway plc. Each shareholder is entitled to appoint two directors, and there is also an independent director.

Easel Leeds Ltd is a limited company and the authority has no liability to meet any accumulated deficits or losses.

**G4.7 NPS Leeds Ltd (Companies House registration number 07627163)**

a Nature of the business

The principle activity of the company is to provide property design services in the Leeds area, primarily to the council.

b Relationship with the authority

The authority holds a 50% share in the company, and the other 50% is held by NPS Property Consultants Ltd, which is part of a group of companies ultimately owned by Norfolk County Council.

NPS Leeds Ltd is a limited company and the authority has no liability to meet any accumulated deficits or losses.

**G5 Controlled trust funds accounted for as subsidiaries**

At the 31st March 2013 the authority was responsible for and the sole trustee of various trust funds. Of these, five trusts meet the criteria of directly managed funds and have been consolidated in their entirety into the group accounts.

- The purpose of the St Aidan's Trust is to fund the environmental restoration works on completion of mining at the St Aidan's site, and make the trust land available in the interests of social welfare for public recreation and leisure time occupation for those living, working in, or visiting the South Leeds area. In 2012/13 the net movement in funds of the charity was a decrease of £62k (decrease of £18k in 2011/12). On 31st March 2013 it had net assets of £2,337k (£2,399k at 31st March 2012).
- The Fulford Endowment is a trust fund set up for the enrichment of the Temple Newsam Estate, a historic building and parklands owned by the authority. The trust has been used to fund part of the restoration cost of the house and to contribute to the purchase of items and security of the house. In 2012/13 the net movement in funds balances was an increase of £3k (an increase of £28k in 2011/12). On 31st March 2013 it had net assets of £105k (£102k at 31st March 2012).

- The Hurst bequest was a sum of money bequeathed to Leeds City Art Gallery back in August 2011 from an individual, absolutely for the purpose of purchasing an object of beauty such as a period piece of solid silver in memory of that individual and their spouse. In 2012/13 the net movement in funds balances was a decrease of £278k (increase of £1,576k in 2011/12). On 31st March 2013 it had net assets of £1,298k (£1,576k as at 31st March 2012).
- The McDonald bequest was a sum of money bequeathed to The Green Home for Old People back in October 2011 from an individual, for the purpose of any renovation, rebuilding or maintenance of the care home. In 2012/13 the net movement in funds balances was an increase of £1k (increase of £73k in 2011/12). On 31st March 2013 it had net assets of £74k (£73k as at 31st March 2012).
- The Seigan Manor bequest was a sum of money bequeathed to the Seigan Manor day centre from a former resident, for the purpose of funding any occupational activity, outings, entertainment and seasonal activity at the home. In 2012/13, the net movement in funds was a decrease of £1k (increase of £12k in 2011/12). On 31st March 2013 it had net assets of £11k (£12k as at 31st March 2012).

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