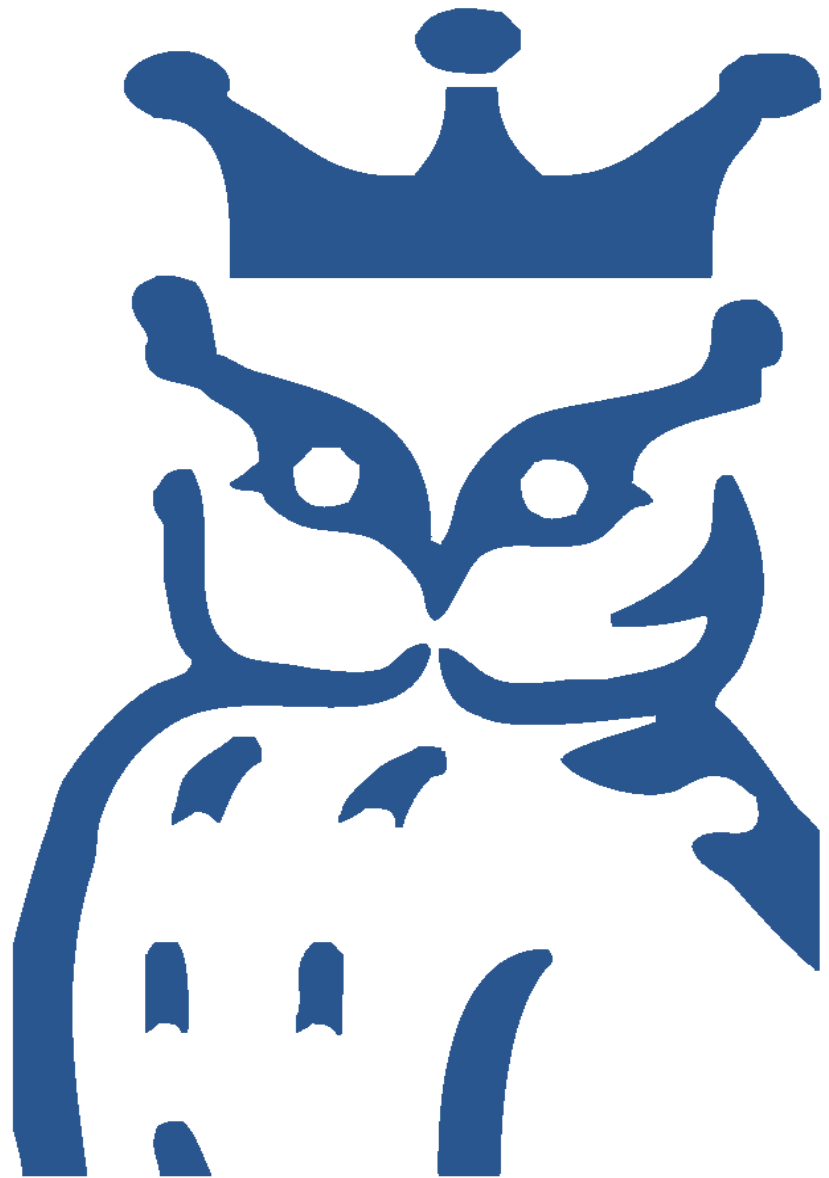


# Statement of Accounts 2014/15

Corporate Governance and Audit Committee -  
Figures as at 10th September 2015



Corporate Financial Management





# Statement of Accounts 2014/15

Draft figures as at  
10 September 2015

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# Foreword

## by the Deputy Chief Executive

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of such a large and diverse organisation as Leeds City Council are by their nature both technical and complex and so this foreword explains some of the statements and provides a summary of the council's financial performance for 2014/15 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 two further sections:

- the Housing Revenue Account reports on the council's activities as a social landlord, which are consolidated into the main statements; and
- the Collection Fund statement reports on the collection of local taxes and their distribution;

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

### 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 of 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. Information on the council's priorities, strategy and performance for the services it delivers can be found in documents such as the Best Council Plan, available on the council's website ([www.leeds.gov.uk](http://www.leeds.gov.uk)).

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 National Audit Office publication *Council accounts – a guide to your rights* and the external audit reports, e-mail me with any comments or questions you have about the accounts, or click through to the other documents mentioned above.

## 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

### 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 17<sup>th</sup> June 2015 (a copy of the report is available on the council's website). This report identified an underspend of £0.7m on the £565.8m budget for service expenditure. As the 2014/15 budget was supported by the agreed usage of £4.4m of general reserves, this underspend reduced the required amount of reserves to fund the budget to £3.7m.

The 2014/15 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 £1.7m (a £504.0m surplus in 2013/14). This deficit represents the amount that the council's net worth has decreased over the year. This is shown on the Balance Sheet as a decrease in net assets less liabilities between 31st March 2014 and 31st March 2015. In addition to the in year usage of reserves of £3.7m, there are the main factors which have contributed to this decrease in the net worth of the council:

- i) For 2014/15 the council's net pensions liability has increased, resulting in a £191m debit to the reported bottom line of the CI&E a/c. Although the pension fund assets have grown at a faster rate than expected, there has been a significant increase in the actuarial valuation of the fund's future liabilities. The pension liabilities are discounted at a rate based on corporate bonds, and the strengthening global equity market has led to reduced yields on such bonds, resulting in a higher current valuation for the pension liabilities. For consideration of how this compares with the latest actuarial review of the pension fund see section b (Financial Health as at 31st March 2015) 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 2014/15 this amounted to a cost of £141m (£121m in 2013/14).
- iii) The CI&E a/c also records unrealised gains or losses arising from the revaluation of fixed assets. In 2014/15 these amounted to gains of £170m.
- iv) 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 2014/15, £121.7m of income from capital grants was recognised.
- v) The CI&E a/c also recognises any gains or losses on disposal of fixed assets. For 2014/15 this amounted to a loss of £34m (£24m in 2013/14), mainly reflecting the fact that a number of schools have transferred to become academies. The council has no choice in whether to transfer these assets and does not receive any consideration for their transfer.

- vi) Whilst the precept relating to business rates credited to the General Fund each year is fixed when the budget is set, the CI&E account reflects the actual council tax income received during the year. For 2014/15, an increase in retrospective appeals against business rates has meant that the income recognised was £19.6m lower than the precept for the year.

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

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 £3.7m deficit which has the immediate impact on taxpayers and dictates the level of available General Fund reserves.

The 2014/15 budget was set in the context of the first year of the Comprehensive Spending Review 2013, which continued the trend set in the 2010 Comprehensive Spending Review of annual reductions in government funding. This again presented a major financial challenge for the council, as continuing reductions in government grant together with pressures on spending resulted in the council needing to identify significant savings. The budget included some difficult and challenging decisions and the demand-led budgets within both Adult Social Care and Children's services have continued to be under pressure. However other savings have been identified and additional income secured. The main issues contributing to the final outturn position were as follows:

- Staffing – The 2014/15 budget assumed that 177 full time equivalent staff would leave the Council, mainly through the Early Leavers scheme. By the 31st March 2015, 473 full time equivalent staff had left under the scheme. A £2m reserve was established in 2014/15 to meet the cost of severance payments due under the Early Leavers Initiative. During 2014/15 the council incurred £8.2m of pension strain costs, which will enable staffing savings in the region of £53m over the next 5-years and will contribute to the 2015/16 budget and the continuing financial challenges faced by the Council.
- Adult Social Care – significant pressures on demand-led community care budgets have continued, particularly in respect of residential and nursing placement budgets for people with mental health needs and also in relation to home care budgets and the learning disability pooled budget. These pressures were offset in part by savings on the direct payments budget as fewer people than budgeted chose to receive a cash payment to arrange their own care package. Within the £1.2m overspend, £0.9m related to general activities and £0.3m arose from a Supreme Court legal judgement around people lacking mental capacity which significantly increased the number of Best Interest Assessments.
- Children's Services –the 2014/15 budget strategy recognised the continuing need to reduce the number of children in care, with budgeted savings of £5.8m in respect of safely reducing the placement numbers and mix of placement provision. At outturn, there was an overspend of £5m on these demand-led budgets. The 2014/15 budget also included £4.6m of anticipated savings around policy and provision changes in respect of home to school/college transport. Slippage on the delivery of these action plans coupled with demand pressures have resulted in an overspend of £2.5m.

- Debt financing costs - the continuation of low interest rates and decisions to delay some planned capital programme spending through the capital programme review produced debt savings of £0.5m.
- The Council received a one-off payment in settlement of a dispute in relation to its Street Lighting PFI contract. After commitments to meet existing budget assumptions and contribute to investment in the street lighting programme, a sum of £4.3m was available to contribute to general reserves.
- Under the new business rates retention scheme, the Council's local share of business rates is exposed to risks from both collection and reductions in rateable values. During 2014/15 two trends became clear; firstly that gradual economic recovery is not resulting in significant volumes of new-builds in Leeds and secondly that growth that does occur is being largely offset by the effect of successful appeals and other reductions to the rating list; either through closure or Valuation Office reviews. Business rates income is therefore a significant risk, however, as in the case of Council Tax, any losses greater than those assumed in setting the 2015/16 budget will materialise through the Collection Fund and will impact in future financial years.

The Council's contribution to the Leeds City Region Business Rates Pool is determined by the amount of Business Rates growth achieved during the year. For 2014/15 the amount payable was reduced by £2m reflecting a reduction in growth following the level of successful appeals made during the year.

- Insurance – savings of £1.5m were achieved in the year through the renegotiation of several external insurance policies.

#### **b Financial health as at 31st March 2015**

As identified in the CI&E a/c, the council's assets net of liabilities have fallen by £1.7m and now stand at £788.6m. Whilst section (a) i) – v) above identifies the main reasons for this increase, the council's balance sheet also contains other transactions, mainly relating to capital, which impact on the council's financial standing. The following section analyses the main issues impacting on the council's balance sheet as at 31st March 2015:

- The council's overall pension deficit has risen to £1,108m, 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 2015 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in their full actuarial review of the pension fund, carried out as at 31st March 2013. Whilst 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 96% funded, with a predicted deficit for the whole of the West Yorkshire Pension Fund of £454m. Based on the actuarial review, the council has established appropriate employer contribution rates in order to move the fund towards a fully funded position over a 22 year recovery period. This position excludes any potential impact of the Government's changes to the pension scheme, and will be subject to regular review through the triennial review of the fund.



- Overall the value of the council's tangible and intangible fixed assets have risen by £215m. There are a number of factors affecting the value of our assets but as outlined in section a (ii) and (v) above the largest impacts are due to the depreciation, revaluations and the disposal of assets, including the transfer of a number of schools to become Academies. The other major factor impacting on the carrying value of our assets is additional capital spend in year of £286m.

It is also worth noting that the overall market value of the council's assets is considerably higher than the balance sheet value, which reflects existing use for operational assets. In particular the market value of our housing stock is around £4.4bn (current social value £1.4bn) and our infrastructure assets are currently only recognised at depreciated historic cost (£642m) when their market value would run into billions of pounds.

- Debtors have risen by £13.8m. The two most significant factors in this increase are a £15m debtor relating to agreed funding to be provided by the NHS for joint health and social care initiatives, and a debtor reflecting a £9.9m cash prepayment to the government in respect of business rates income, due to the unanticipated deficit position on the business rates element of the Collection Fund. These have been partially offset by the fact that the 2013/14 figures included £15.9m one-off debtors arising from the winding up of the council's Arms-length Management Organisations which ceased trading on the 30<sup>th</sup> September 2013.
- Overall the council's usable reserves have risen from £326m in 2013/14 to £390m in 2014/15, an increase of £64m. The majority of these £390m of useable reserves are ring fenced (£335m) and are not available to support general expenditure. The main ring fenced reserves as at 31st March 2015 are:
  - School based reserves £45m;
  - Revenue and capital grants received in advance of planned expenditure £161m;
  - Housing Revenue Account reserves £54m, statutorily ring fenced to the provision of local authority housing;
  - Major repairs reserve £50m, ring fenced to major repairs to council houses;
  - Useable Capital Receipts reserve £24m, to finance capital expenditure, partly ring fenced to council houses.

The remaining £55m of reserves is made up of the £22m General Fund reserve and £33m of earmarked reserves.

- Overall debt net of treasury management investments stands at £1,979m (£1,936m in 2013/14) made up of long term borrowing £1,358m (£1,347m in 2013/14), borrowing repayable on demand or within one year of £99m (£83m in 2013/14), credit arrangements under Private Finance Initiative (PFI) schemes of £550m (£517m in 2013/14) and finance lease liabilities of £3m (£6m in 2013/14). Treasury management investments were £30m (£15m in 2013/14)

The level of overall net debt has increased by £43m from 2013/14. The main movements in respect of this debt position are:

- An increase of £33m in PFI liabilities reflecting £55m new liabilities on a scheme within the HRA to provide new social housing, less repayments during the year of £22m;
- An increase of £12m in borrowing net of investments, reflecting the extent to which new capital expenditure financed by borrowing has not been funded from increased reserves and balances.

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

- Short and long term provisions have reduced by £0.4m. However within this figure there has been an increase of £9m in the provision for outstanding appeals against business rates valuations, offset by reductions in the level of other provisions including a reduction of £6.6m relating to outstanding equal pay claims.

## 2.2 Ring-fenced accounts

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

### i The Housing Revenue Account (HRA)

The HRA Income & Expenditure Account shows a surplus for the year of £56.7m. This surplus is then adjusted to reflect any statutory overrides to accounting practice in order to produce a reported financial position which directly impacts on council house rent payers. For 2014/15 the statutory overrides amounted to a debit to the HRA of £38.6m, resulting in a financial surplus for the HRA of £18.1m (compared to a surplus of £12.1m in 2013/14). The main statutory override impacting on the HRA in 2014/15 is a £18m transfer to the Major Repairs Reserve to fund council house repairs and repay debt.

The surplus of £18.1m was transferred to HRA earmarked reserves as approved by the Executive Board on 17<sup>th</sup> June 2015.

Overall the HRA reserves stand at £54.4m as at 31st March 2015 (£36.2m as at 31st March 2014). £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 £47.3m HRA reserve represents amounts identified as necessary to fund specific future costs, £35.9m of which is being held to fund the future costs of Housing PFI schemes. Full details of the purpose of the remaining balance of the HRA reserve are shown in the explanatory note H4.

### ii Collection Fund

The Collection Fund for 2014/15 generated a deficit of £44.0m (a £13.4m deficit in 2013/14). This leaves the Collection Fund with negative reserves of £57.6m as at 31st March 2015 (as at the 31st March 2014 the fund had negative reserves of £13.6m). The deficit at 31<sup>st</sup> March 2015 is made up of a £1.6m surplus on council tax (a £4.3m surplus at 31<sup>st</sup> March 2014) and a £59.2m deficit on business rates (a £17.9m deficit at 31<sup>st</sup> March 2014). In respect of council tax this surplus arose because of differences between estimated and actual amounts of total council tax bills. This surplus 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. The deficit on business rates relates partly to the creation of a provision for the estimated costs of valuation appeals relating to Non Domestic Rates income received before the local retention scheme was introduced on 1<sup>st</sup> April 2013. The government has allowed local authorities to spread an element of this cost (the element which was known when the 2014/15 precept was set) over 5 years in their calculation of the precept transfer to the General Fund, so that the cost which is permitted to be deferred (£15.5m at 31<sup>st</sup> March 2015) remains in the Collection Fund. The remaining deficit on business rates has arisen

due to further reductions in rateable values, coupled with slower than expected growth in new commercial properties within Leeds.

The percentage of local taxation collected in year was 95.7% for council tax (95.7% in 2013/14) and 97.3% for national non-domestic rates (97.1% in 2013/14).

### **2.3 Leeds City Council's group**

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

The council has two remaining subsidiary charitable companies, Leeds Grand Theatre Ltd and the Craft Centre and Design Gallery Ltd. It also has four associates - Belle Isle Tenant Management Organisation Ltd, Green Leeds Ltd, The Leeds Groundwork Trust and Leeds Apprenticeship Training Agency Ltd, and one joint venture (NPS Leeds Ltd). There have been no financial issues affecting any of these organisations which materially impact on the council's financial position in 2014/15

From 2014/15 the Code has been amended to require local authority maintained schools to be treated as part of a local authority's group, but to be included within its single entity financial statements. This has meant that the council has been required to recognise on its balance sheet any school properties which are deemed to be assets of the individual school governing bodies. This change in accounting policy has led to the council restating its prior period accounts to recognise an additional £235m of assets at 1<sup>st</sup> April 2013 and the reversal of a further £73m of disposals of trust schools during 2013/14. However it should be noted that these assets are the assets of the school governing bodies, and are not available to the council for any other purpose than providing a school. In addition, £10.9m of voluntary controlled school assets which are not deemed to be the assets of the council or of their governing bodies have been de-recognised at 1<sup>st</sup> April 2013.

## **3 Current accounting practice and new developments**

### **3.1 Changes to accounting practice**

As noted in paragraph 2.3 above, there have been significant changes in accounting for local authority maintained schools for 2014/15. There are no major changes to accounting policies expected for 2015/16, but from 2016/17 local authorities will be required to recognise their highways and other infrastructure assets at current value rather than holding them at historic cost. It is expected that this will significantly increase the value of local authority assets.

## **4 Looking forward**

The financial year 2015/16 is the second year of the period covered by the Government's 2013 Spending Review (CSR) and again presents a significant financial challenge to the council. The 2015/16 budget will require the Council to deliver significant savings and it is also clear that an even greater level of savings will be required in 2016/17 and beyond as part of the new Government's deficit reduction plans. In addition, the level of appeals against business rates valuations also represents a significant ongoing risk to the Council's funding.

In the period since the CSR of 2010, the Council has faced very significant reductions in its funding from Government, whilst at the same time facing continuing growth in demands for many services and increases in costs. In light of further Government spending reductions for 2016/17 it is important that the Council has a robust financial strategy in place to cover 2016/17 and 2017/18.

The Council will need to place greater focus on outcomes and encourage innovation. The Council will continue to work with its partners to consider funding across the City as a whole, so

that collectively we can achieve more with less. The Best Council Plan shows the contribution the Council will make to achieving outcomes within the funding envelope it has and to achieve the required savings. However it also means that the financial strategy needs to address the contribution which can be made through working in partnership with others, in particular, the health service, the Leeds City Region LEP and the West Yorkshire Combined Authority, and the Third sector.

An overall framework for the financial strategy has been established and detailed proposals are currently being developed which will deliver the necessary financial outcomes.

# Statement of Responsibilities

## 1 The City Council's responsibilities

The City Council is required to:

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

## 2 The Deputy Chief Executive's responsibilities

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

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

The Deputy Chief Executive has also:

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

## 3 Certification of the accounts

I certify that the Statement of Accounts gives a true and fair view of the position of Leeds City Council at 31st March 2015 and its income and expenditure for the year ended 31st March 2015.

Alan T Gay CPFA  
Deputy Chief Executive  
18<sup>th</sup> September 2015

## 4 Approval of the accounts

I certify that the Statement of Accounts has been approved by a resolution of the Corporate Governance and Audit Committee of Leeds City Council in accordance with the Accounts and Audit (England) Regulations 2011.

Councillor Ghulam Hussain  
Chair, Corporate Governance and Audit Committee  
18<sup>th</sup> September 2015

# 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 2014/15 (the Code). The Code constitutes a “proper accounting practice” under the terms of section 21(2) of the Local Government Act 2003. The Code is based on approved accounting standards, except where these conflict with specific statutory accounting requirements, so that the authority’s accounts present a ‘true and fair’ view of the financial position and transactions of the authority.

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

## 1 Fundamental accounting concepts

### 1.1 Qualitative characteristics of financial information

#### a Relevance

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

#### b Reliability

The financial information is 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 Service Reporting Code of Practice. This code establishes proper practice with regard to consistent financial reporting below the statement of accounts level and therefore aids comparability with other local authorities.

#### d Understandability

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

### 1.2 Materiality

As allowed under the Code the concept of materiality has been utilised in preparing 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, having regard to statutory guidance. The MRP is charged to the general fund as a transfer in the Statement of Movement in Reserves. This adjustment is made by way of an appropriation to or from the capital adjustment account.
- iii The Collection Fund account reflects the statutory requirement of section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992).
- iv The Housing Revenue Account is compiled following proper practice as defined in section 74(1) of the Local Government and Housing Act 1989 and section 21 of the 2003 Act.

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

## 2 Accounting policies and estimation techniques

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

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

## 2.1 Accruals of income and expenditure

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

## 2.2 Provisions and contingencies

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

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

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



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

### **3 Revenue expenditure funded from capital under statute**

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

### **4 Grants and contributions**

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

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

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

### **5 Employee Benefits**

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

Paragraph 10 below covers accounting for pensions.

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

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

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

interest at the balance sheet date is included within the value of the relevant financial assets rather than being shown as a separate debtor.

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

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

## **7 Leases**

### **7.1 Finance leases**

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

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

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

### **7.2 Operating leases**

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

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

## **8 Overheads**

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

revenue accounts but are classified separately in the Comprehensive Income and Expenditure Account.

## 9 Reserves

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

The exceptions allowed by the code and by statute are:

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

## 10 Pensions

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

### 10.1 Defined benefit schemes

For those schemes treated as defined benefit schemes, pension fund assets are accounted for at fair value (that is, market value for investments and properties). Pension liabilities are measured on an actuarial basis using the projected unit method. This requires the use of various assumptions about future events. Details of the assumptions used can be found in explanatory note 8.

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

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

The pension costs shown within the Housing Revenue Account (HRA) reflect the current service costs relating to HRA staff. The HRA's apportioned share of the net interest cost has been included in net operating expenditure. The impact of these adjustments is reversed by an

appropriation to the Pensions Reserve, so that the pension cost fundable from rents equates to the actual pensions related payments for the year.

## 10.2 **Defined contribution schemes**

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

## 11 **Cash and cash equivalents**

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

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

### 12.1 **Inventories**

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

### 12.2 **Long term contracts**

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

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

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

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

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

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

## 15 Intangible assets

### 15.1 Measurement

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

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

### 15.2 Basis for charging for intangible assets

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

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

### 15.3 Disposal

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

## 16 Tangible long-term assets

### 16.1 Recognition

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

### 16.2 Measurement

Operational land and properties are valued on the basis of current value in existing use, unless 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. Individual remaining asset lives are assessed having regard to the structural condition of the building, to age and state of repair, condition of the mechanical and electrical services, compliance with current legislation and suitability for its existing use. Once completed, depreciation is calculated based on the individual remaining asset life. However, where remaining lives are not available for individual assets, a range for remaining asset lives has been determined for a variety of asset categories. The midpoint has then been used as the estimated remaining asset life. The categories and ranges of remaining asset lives used in the estimation are as follows:

- vehicles, plant and equipment between 3 and 7 years

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

## 16.5 Componentisation of fixed assets

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

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

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

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

## 17 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value. 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. For General Fund schemes, a Minimum Revenue Provision (MRP) charge is made to the General Fund Reserve for an amount equal to the amount by which the deferred liability has been written down, less the element of this debt repayment which has been funded by capital receipts. For HRA schemes, a statutory charge is made to the HRA revenue account equal to the repayment of the deferred liability. The net amount funded from either capital receipts or revenue charges in year is therefore equal to the unitary charge payment for the year.

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

## 25 Local Taxation

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



# Comprehensive Income and Expenditure Statement

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

<u>2013/14</u>		<u>2014/15</u>			notes
<i>net</i> expenditure	£000s	<i>gross</i> expenditure	<i>gross</i> income	<i>net</i> expenditure	
216,038	Adult Social Care	283,926	73,829	210,097	
14,113	Central Services	36,768	20,792	15,976	
173,986	Children's and Education Services	764,355	558,526	205,829	
71,949	Cultural and Related Services	103,879	29,616	74,263	
67,861	Environmental and Regulatory Services	77,250	11,264	65,986	
61,936	Planning Services	54,576	24,970	29,606	
76,192	Highways and Transport Services	97,129	23,309	73,820	
(62,491)	Housing Revenue Account	155,726	245,725	(89,999)	5.6
21,275	Other Housing Services	320,532	300,436	20,096	
75	Public Health	41,661	42,606	(945)	
14,469	Corporate and Democratic Core	12,125	-	12,125	
3,392	Non-distributable costs	3,684	-	3,684	
658,795	Net cost of services	1,951,611	1,331,073	620,538	
23,633	(Gain) or loss on disposal of fixed assets			33,738	5.7
1,524	Parish Council precepts			1,490	
(3,249)	(Surpluses) / deficits on trading undertakings			(5,765)	
4,714	Amounts payable into the Housing Capital Receipts Pool			5,144	
685,417	Net Operating Expenditure			655,145	
92,938	Interest payable and similar charges			98,467	
55,175	Net accrued interest on the net pension liability			37,723	3
9,999	(Gain) or loss on investment properties			2,761	
8	(Gain) or loss on disposal of available for sale assets			-	
(930)	Interest and investment income			(1,136)	
842,607	Net Expenditure after financing and investment			792,960	
(238,599)	Council Tax Income			(244,306)	
(133,549)	Non-Domestic Rates Income and Expenditure			(130,865)	
(365,129)	Non-Ringfenced Government Grants			(386,641)	6
105,330	(Surplus) / deficit on provision of services			31,148	
(135,574)	(Surplus) / deficit on revaluation of fixed assets			(170,105)	
11	(Surplus) / deficit on revaluation of available-for-sale assets			(29)	
(473,795)	Remeasurements of the net pension liability			140,712	
(504,028)	Total Comprehensive Income and Expenditure			1,726	

## 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.

### 2014/15

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

### 2013/14

	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 2013	23,086	24,139	55,582	123,598	226,405	(1,370,004)	1,429,874	286,275	
Surplus / (deficit) on provision of services	(153,807)	48,477			(105,330)			(105,330)	
Other comprehensive income and expenditure					-	473,795	135,563	609,358	11.1
Total comprehensive income and expenditure	(153,807)	48,477	-	-	(105,330)	473,795	135,563	504,028	
Statutory adjustments between accounting basis and funding basis	168,716	(36,387)	-	157,420	289,749	(109,189)	(180,560)	-	11.2
Statutory capital adjustments	-	-	-	37,002	37,002	-	(37,002)	-	11.3
Increase / (decrease) before transfers	14,909	12,090	-	194,422	221,421	364,606	(81,999)	504,028	
Transfers to/(from) earmarked revenue reserves	(11,973)	-	11,973	-	-	-	-	-	
Transfers to fund capital expenditure	-	-	-	(121,831)	(121,831)	-	121,831	-	11.4
Increase / (decrease) during year	2,936	12,090	11,973	72,591	99,590	364,606	39,832	504,028	
Balance carried forward 31st March 2014	26,022	36,229	67,555	196,189	325,995	(1,005,398)	1,469,706	790,303	

The balance brought forward figures for 1<sup>st</sup> April 2013 which are shown above have been restated as a result of a change in accounting policy required by the Code, to include the recognition of an additional £235m of school properties which are deemed to be assets of their governing bodies, and the derecognition of £10.9m of voluntary controlled schools which are no longer deemed to be assets of the council or of their governing bodies. This increase in net worth of £224m is shown within the Capital accounting balances column. Please see Explanatory note 28 for further details of the change.

# 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 2014</u>	£000s	<u>31 March 2015</u>	notes
	<i>Long-term assets</i>		
3,644,441	Property, plant and equipment	3,854,811	1, 13.1
68,542	Heritage assets	69,137	1, 13.2
22,012	Investment property	18,803	1
680	Intangible fixed assets	12	1
3,284	Long-term investments	3,298	
15,428	Long-term debtors	18,559	13.3
3,754,387		3,964,620	
	<i>Current assets</i>		
136,536	Debtors	150,315	14.1
15,116	Investments	30,099	2
4,027	Inventories	3,802	
8,597	Assets held for sale	16,520	
-	Landfill allowances	-	
3,765	Cash and cash equivalents	2,852	
168,041		203,588	
	<i>Current liabilities</i>		
(213,742)	Creditors	(212,945)	15.1
(82,966)	Borrowing repayable on demand or within one year	(99,324)	2, 16
(32,002)	Provisions for current liabilities	(34,690)	4
(328,710)		(346,959)	
3,593,718	Total assets less current liabilities	3,821,249	
	<i>Long-term liabilities</i>		
(1,347,039)	Long-term borrowing	(1,358,227)	2, 16
(917,696)	Net pensions liability	(1,108,376)	3
(531,426)	Deferred liabilities	(561,745)	17.1
(6,796)	Provisions for long term liabilities	(3,663)	4
(458)	Capital grants receipts in advance	(661)	
(2,803,415)		(3,032,672)	
790,303	Total assets less liabilities	788,577	
	Financed by		
	<i>Unusable capital accounting balances</i>		
505,355	Revaluation Reserve	644,353	18.1
957,914	Capital Adjustment Account	967,860	18.2
6,354	Deferred Capital Receipts	5,451	18.3
83	Available for Sale Reserve	111	18.4
1,469,706		1,617,775	
	<i>Usable capital funding reserves</i>		
14,968	Usable Capital Receipts Reserve	24,409	18.5
132,330	Capital grants unapplied	153,362	18.6
48,891	Major Repairs Reserve	50,365	H8
196,189		228,136	
	<i>Unusable statutory revenue reserves</i>		
(917,696)	Pensions Reserve	(1,108,376)	3
(72,300)	Financial Instruments Adjustment Account	(72,771)	20.1
(10,239)	Accumulated Absences Account	(10,664)	20.2
(5,163)	Collection Fund Adjustment Account	(27,640)	20.3
(1,005,398)		(1,219,451)	
	<i>Usable revenue reserves</i>		
26,022	General Fund Reserve	22,341	
36,229	Housing Revenue Account Reserve	54,379	
67,555	Other earmarked reserves	85,397	12
129,806		162,117	
790,303	Total reserves and balances	788,577	

# 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.

2013/14	£000s	2014/15
	Operating activities :	
	<i>Cash outflows</i>	
(802,687)	Cash paid to and on behalf of employees	(809,037)
(794,251)	Other operating cash payments	(817,059)
(158,938)	Housing Benefit paid out	(162,189)
(5,232)	Payments to the Capital Receipts Pool	(5,025)
(23,994)	Revenue expenditure funded by capital under statute	(30,500)
(1,524)	Precepts paid	(1,490)
(56,532)	Interest paid	(56,979)
(37,359)	Finance lease and PFI scheme interest paid	(41,437)
(1,880,517)		(1,923,716)
	<i>Cash inflows</i>	
1,121,177	Government revenue grants	1,124,296
234,631	Income from council tax	239,828
179,173	Income from Business Rates collected	176,242
163,430	Cash received for goods and services	181,447
220,605	Rents (after rebates)	227,738
73,105	Other operating cash receipts	40,622
12,674	Grants funding expenditure capitalised under statute	18,008
935	Interest and dividends received	1,136
2,005,730		2,009,317
125,213	Net cash flow from operating activities	85,601
	Capital and financial investment activities:	
	<i>Cash outflows</i>	
(176,583)	Purchase of fixed assets	(232,400)
(50,600)	Purchase of treasury investments	(330,400)
(1,346)	Purchase of service loans and investments	-
	<i>Cash inflows</i>	
85,687	Capital grants received	106,272
37,493	Disposal of fixed assets	33,844
1,460	Disposal of service loans and investments	617
40,600	Disposal of treasury investments	315,400
-	Other capital cash receipts	17,820
(63,289)	Net cash flow from investing activities	(88,847)
61,924	Net cash inflow / (outflow) before financing	(3,246)
	Financing:	
	<i>Cash outflows</i>	
(722,280)	Short term loans repaid	(1,014,730)
(13,524)	Loans repaid	(293)
(16,009)	Finance lease and PFI scheme principal repayments	(24,874)
	<i>Cash inflows</i>	
634,380	New short term loans raised	1,022,230
55,000	New loans raised	20,000
(62,433)		2,333
(509)	Increase / (decrease) in cash and cash equivalents	(913)
4,274	Balance of cash and cash equivalents brought forward	3,765
(509)	Increase / (decrease) for the year	(913)
3,765	Balance of cash and cash equivalents carried forward	2,852

# 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 :

<i>31/03/2014</i>	£000s	<u><i>31/03/2015</i></u>
3,644,441	Property, plant and equipment	3,854,811
68,542	Heritage assets	69,137
22,012	Investment property	18,803
8,597	Assets held for sale	16,520
3,743,592	Total land, buildings and equipment	3,959,271
680	Intangible fixed assets	12
3,744,272		3,959,283



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

31/03/2014	£000s	31/03/2015
3,716,867	1 April	3,744,272
212,986	Capital expenditure on acquisitions	285,520
	<i>Gains / (losses) recognised in Surplus/(Deficit) on the provision of services</i>	
(120,955)	Depreciation and amortisation	(140,522)
(11,676)	Impairment	(12,638)
(55,184)	Revaluations	(19,737)
890	Donations	-
(134,134)	Disposals	(67,663)
(321,059)		(240,560)
	<i>Gains / (losses) recognised in Other Comprehensive Income and Expenditure</i>	
136,983	Revaluations	172,730
(1,505)	Impairments charged to revaluation reserve	(2,679)
135,478		170,051
3,744,272	31 March	3,959,283

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

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

The Prudential Framework for Capital Finance in Local Authorities allows councils to finance some of their capital expenditure by borrowing, provided this is at a level that is prudent and affordable. The extent to which a council has decided to finance its capital expenditure by borrowing is reflected in the borrowing element of its Capital Financing Requirement (see note 19.2 on page 73). 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 :

31/03/2014	£000s	31/03/2015
	Borrowing	
(1,347,039)	Long term borrowing	(1,358,227)
(82,966)	Borrowing repayable on demand or within one year	(99,324)
	Investments made for treasury purposes	
-	Long term investments	-
15,116	Investments maturing on demand or within one year	30,099
1,392	Cash equivalents	1,772
(1,413,497)	Net borrowing	(1,425,680)
	Other debt financing of fixed assets	
(517,134)	Deferred liabilities - PFI schemes	(550,017)
(5,791)	Deferred liabilities - finance leases	(3,458)
(1,936,422)	Net debt	(1,979,155)

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 64.

### 3 Pensions liabilities

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

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

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

31/03/2014	£000s	31/03/2015
(747,501)	WYPF mainstream pensions	(932,804)
(70,804)	WYPF discretionary pensions	(73,007)
(818,305)		(1,005,811)
(99,391)	Teachers discretionary pensions	(102,565)
(917,696)	Net asset / (liability)	(1,108,376)

The £1,006m net liability relating to the WYPF represents the difference between the value of the council's pension fund assets at 31st March 2015 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 2015 would also have an impact on the capital value of the pension fund assets. The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in their most recent full actuarial review of the Pension Fund, carried out as at 31st March 2013. This concluded that the WYPF was 96% funded, and set contribution rates for the next three years which are designed to move the fund towards a fully funded position.

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

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

2013/14			£000s	2014/15		
WYPF	Teachers	Total		WYPF	Teachers	Total
1,186,019	101,209	1,287,228	1 April	818,305	99,391	917,696
			<i>In Surplus/(Deficit) on the provision of services</i>			
30,397	(6,702)	23,695	Adjustment for IAS19 based service expenditure	18,616	(6,372)	12,244
25,393	-	25,393	Net pensions liabilities for staff transferred	-	-	-
51,161	4,014	55,175	Interest cost and expected return on assets	33,682	4,042	37,724
			<i>In Other Comprehensive Income and Expenditure</i>			
(474,665)	870	(473,795)	Actuarial gains and losses	135,208	5,504	140,712
818,305	99,391	917,696	31 March	1,005,811	102,565	1,108,376

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	31/03/2014	Provisions raised	Provisions used	Provisions reversed	31/03/2015	notes
Equal pay compensation	10,556	(5,163)	-	(1,361)	4,032	i
Insurance liabilities	13,354	1,728	(9,401)	5,457	11,138	ii
Business rates appeals	11,317	28,798	(22,589)	2,796	20,322	iii
Other	3,571	455	(520)	(645)	2,861	
	38,798	25,818	(32,510)	6,247	38,353	
Short term provisions	32,002				34,690	
Long term provisions	6,796				3,663	
	38,798				38,353	

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 2015, 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 £1.9m (£1.3m at 31st March 2014) 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 £3,663k (£6,796k at 31st March 2014) and this amount has been shown in the balance sheet as a provision for long term liabilities.

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

iii Under the government's new arrangements for business rates from 2013/14, the council receives a fixed proportion of the business rates it collects, rather than collecting the business rates on behalf of the government in return for a share of the national business rates pool. This means that the council is required to include in its accounts its own share of the assets and liabilities arising from the collection of business rates. The provision for the estimated cost of appeals is £20,322k (£11,317k at 31<sup>st</sup> March 2014).

## 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 2015:

### a General

The council has a number of general litigious matters ongoing which could result in payments totalling £1.34m (£0.5m at 31st March 2014).

### b Specific

- i Insurance claims. The council has been advised by its actuaries that the value of outstanding legal liability claims against it is £23.7m (£31.6m at 31st March 2014). It is estimated that, if successful, less than £0.2m of these claims would be met by the council's external insurers (£0.6m at 31st March 2014) leaving a balance of £23.5m where any liabilities would be met by the council. A provision has been set aside on the Balance Sheet to the value of £11.1m (see note 4.1 above) for the estimated future settlement of these claims. The contingent liability value for insurance claims therefore stood at £12.4m at 31st March 2015 (£17.7m at 31st March 2014).
- ii Prior to 1992, the council's public liability and employer's liability insurance were supplied by Municipal Mutual Insurance Ltd. In 1992 the company ceased to accept new business and entered a run off period. In 1994, a Scheme of Arrangement under the Companies Act 1985 was put in place, under which if the company became at risk of insolvency, it would be able to claw back the necessary percentage of the claims it had paid out since the commencement of the Scheme of Agreement. Under this scheme the council was required to make a payment of £0.7m during 2013/14. The council has set aside a £0.5m reserve for future potential claims under the scheme of arrangement which may materialise following periodic reviews by the scheme administrator.
- iii Equal pay claims. Arising from the 1997 Single Status Agreement, the council has included in its accounts a provision for the estimated cost of compensation payments where a settlement offer has been made in relation to a specific group of outstanding equal pay claims (see note 4.1 for further details). However, the council recognises the potential that further equal pay claims may arise, some of which may lead to additional compensation agreements or to employees taking employment tribunal action. It is not possible to estimate with any certainty the likely financial impact in advance of such claims being made.
- iv In 1988 the council issued an undertaking regarding a potential structural defect to a number of former council houses. The undertaking given related to properties of a particular construction on one estate, and applied only if the specified defects became apparent. A small number of claims have been received, but to date there is no indication that the council is likely to incur a significant liability in relation to this undertaking.

# Further explanatory notes to the main financial statements

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

## 5 Additional information on reported income and expenditure

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

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

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

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

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

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

2013/14		2014/15			
<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>
63,055	City Development	154,743	(98,385)	(1,447)	54,911
73,138	Environment & Housing	120,694	(49,755)	(72)	70,867
136,288	Children's Services	292,297	(162,426)	(807)	129,064
23	Schools	536,433	(544,654)	8,217	(4)
199,288	Adult Social Care	270,050	(82,400)	10,203	197,853
57,290	Central and Corporate Functions	414,431	(350,870)	(1,122)	62,439
6,239	Civic Enterprise	115,388	(101,977)	-	13,411
817	Public Health	48,040	(49,145)	1,211	106
44,563	Central Accounts	110,188	(68,336)	1,659	43,511
580,701		2,062,264	(1,507,948)	17,842	572,158
(583,637)	RSG, Business Rates & Local Taxation	-	(568,477)	-	(568,477)
(2,936)	Total General Fund	2,062,264	(2,076,425)	17,842	3,681
(12,090)	Housing Revenue Account	213,807	(249,934)	17,977	(18,150)

## 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.

2013/14	£000s	2014/15
(2,936)	General fund outturn (surplus) / deficit	3,681
(12,090)	HRA outturn (surplus) /deficit	(18,150)
(15,026)	Overall outturn position	(14,469)
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Transfers to other usable revenue reserves</i>		
(11,973)	Transfers (to) / from earmarked reserves	(17,842)
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Statutory items relating to capital accounting and financing</i>		
203,108	Transfer impact of capital charges to capital reserves	185,538
(89,453)	Transfer capital grants received to usable capital reserves	(121,671)
(39,937)	General Fund Minimum Revenue Provision for debt redemption	(41,887)
(6,081)	HRA transfers to capital reserves for repayment of debt	(14,347)
(1,231)	Transfers to capital reserves to fund capital expenditure	(212)
23,643	Transfer net (gain) / loss on disposal of assets to capital reserves	33,742
(890)	Transfer gain on donated assets to reserves	-
4,714	Transfer from capital reserves to fund pooling of HRA capital receipts	5,144
(70,733)	Transfer HRA major repairs allowance to major repairs reserve	(56,189)
23,140		(9,882)
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Other statutory items</i>		
104,263	Transfer to / (from) Pensions reserve	49,968
329	Transfer to / (from) Financial instruments adjustment account	471
4,970	Transfer to / (from) Collection Fund adjustment account	22,477
(102)	Transfer to / (from) Equal pay back pay account	-
(271)	Transfer to / (from) Accumulated absences account	425
109,189		73,341
<i>Unrealised items of income and expenditure not affecting usable reserves and not reported within Outturn</i>		
(135,574)	(Surplus) / deficit on revaluation of fixed assets	(170,105)
11	(Surplus) / deficit on revaluation of available-for-sale assets	(29)
(473,795)	Remeasurements of the net defined benefit liability / (asset)	140,712
(609,358)		(29,422)
(504,028)	Total comprehensive income and expenditure (council)	1,726

### 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

2013/14	£000s	2014/15
	<i>Expenditure</i>	
61,813	Employee Expenses	62,315
86,234	Other Running Expenses	92,329
150	Agency Payments	151
2,174	Transfer Payments	(52)
150,371	Total Expenditure	154,743
	<i>Income</i>	
(17,439)	Government grants and contributions	(17,860)
(70,929)	Fees, charges and other service income	(80,525)
(11)	Interest and investment income	-
(88,379)	Total Income	(98,385)
	<i>Transfers to Reserves</i>	
1,063	Transfer to/(from) other earmarked reserves	(1,447)
1,063	Total transfers to reserves	(1,447)
63,055	Outturn position	54,911

#### b Environment & Neighbourhoods

2013/14	£000s	2014/15
	<i>Expenditure</i>	
55,261	Employee Expenses	56,619
57,109	Other Running Expenses	52,738
12,009	Agency Payments	11,332
-	Transfer Payments	5
124,379	Total Expenditure	120,694
	<i>Income</i>	
(999)	Government grants and contributions	(885)
(49,724)	Fees, charges and other service income	(48,860)
(14)	Interest and investment income	(10)
(50,737)	Total Income	(49,755)
	<i>Transfers to Reserves</i>	
(504)	Transfer to/(from) other earmarked reserves	(72)
(504)	Total transfers to reserves	(72)
73,138	Outturn position	70,867



c Children's Services

2013/14	£000s	2014/15
	<i>Expenditure</i>	
103,411	Employee Expenses	102,798
113,965	Other Running Expenses	106,461
77,184	Agency Payments	80,391
1,518	Transfer Payments	2,647
296,078	Total Expenditure	292,297
	<i>Income</i>	
(102,672)	Government grants and contributions	(107,628)
(56,657)	Fees, charges and other service income	(54,797)
(1)	Interest and investment income	(1)
(159,330)	Total Income	(162,426)
	<i>Transfers to Reserves</i>	
(460)	Transfer to/(from) other earmarked reserves	(807)
(460)	Total transfers to reserves	(807)
136,288	Outturn position	129,064

d Schools

2013/14	£000s	2014/15
	<i>Expenditure</i>	
338,593	Employee Expenses	343,231
169,901	Other Running Expenses	188,939
91	Agency Payments	6
5,691	Transfer Payments	4,257
514,276	Total Expenditure	536,433
	<i>Income</i>	
(433,274)	Government grants and contributions	(439,680)
(89,236)	Fees, charges and other service income	(104,972)
7	Interest and investment income	(2)
(522,503)	Total Income	(544,654)
	<i>Transfers to Reserves</i>	
4,671	Transfer to/(from) other earmarked reserves	1,462
3,579	School reserves	6,755
8,250	Total transfers to reserves	8,217
23	Outturn position	(4)

e Adult Social Care

2013/14	£000s	2014/15
	<i>Expenditure</i>	
78,999	Employee Expenses	76,170
25,507	Other Running Expenses	22,635
152,925	Agency Payments	161,902
8,828	Transfer Payments	9,343
266,259	Total Expenditure	270,050
	<i>Income</i>	
(5,373)	Government grants and contributions	(5,979)
(66,123)	Fees, charges and other service income	(76,421)
-	Interest and investment income	-
(71,496)	Total Income	(82,400)
	<i>Transfers to Reserves</i>	
4,525	Transfer to other earmarked reserves	10,203
4,525	Total transfers to reserves	10,203
199,288	Outturn position	197,853

f Central and Corporate Functions

2013/14	£000s	2014/15
	<i>Expenditure</i>	
83,426	Employee Expenses	86,881
37,501	Other Running Expenses	32,601
33	Agency Payments	536
289,273	Transfer Payments including benefits	294,413
410,233	Total Expenditure	414,431
	<i>Income</i>	
(296,838)	Government grants and contributions	(300,336)
(56,872)	Fees, charges and other service income	(50,536)
-	Interest and investment income	2
(353,710)	Total Income	(350,870)
	<i>Transfers to Reserves</i>	
(361)	Transfer to/(from) the Capital reserve	(1,108)
1,128	Transfer to/(from) other earmarked reserves	(14)
767	Total transfers to reserves	(1,122)
57,290	Outturn position	62,439

g Civic Enterprise

2013/14	£000s	2014/15
	<i>Expenditure</i>	
44,154	Employee Expenses	47,662
84,139	Other Running Expenses	67,664
71	Agency Payments	62
128,364	Total Expenditure	115,388
	<i>Income</i>	
(170)	Government grants and contributions	(177)
(121,899)	Fees, charges and other service income	(101,800)
-	Interest and investment income	
(122,069)	Total Income	(101,977)
	<i>Transfers to Reserves</i>	
(56)	Transfer to/(from) other earmarked reserves	-
(56)	Total transfers to reserves	-
6,239	Outturn position	13,411

h Public Health

	£000s	2014/15
	<i>Expenditure</i>	
4,604	Employee Expenses	4,375
2,159	Other Running Expenses	2,176
37,811	Agency Payments	41,489
44,574	Total Expenditure	48,040
	<i>Income</i>	
(36,529)	Government grants and contributions	(42,117)
(7,228)	Fees, charges and other service income	(7,028)
(43,757)	Total Income	(49,145)
	<i>Transfers to Reserves</i>	
-	Transfer to/(from) earmarked reserves	1,211
-	Total transfers to reserves	1,211
817	Outturn position	106

i Central Accounts

2013/14	£000s	2014/15
	<i>Expenditure</i>	
1,754	Employee Expenses	1,773
71,152	Other Running Expenses	70,734
37,236	Agency Payments	37,674
7	Transfer Payments	7
110,149	Total Expenditure	110,188
	<i>Income</i>	
(20,299)	Government grants and contributions	(21,604)
(42,758)	Fees, charges and other service income	(45,664)
(917)	Interest and investment income	(1,068)
(63,974)	Total Income	(68,336)
	<i>Transfers to Reserves</i>	
(1,914)	Transfer to/(from) the Capital reserve	(246)
302	Transfer to/(from) other earmarked reserves	1,905
(1,612)	Total transfers to reserves	1,659
44,563	Outturn position	43,511

j Housing Revenue Account

2013/14	£000s	2014/15
	<i>Expenditure</i>	
20,031	Employee Expenses	33,927
133,177	Other Running Expenses	176,625
72	Agency Payments	147
45,395	Transfer Payments	3,108
198,675	Total Expenditure	213,807
	<i>Income</i>	
(14,410)	Government grants and contributions	(21,385)
(231,456)	Fees, charges and other service income	(228,480)
(17)	Interest and investment income	(69)
(245,883)	Total Income	(249,934)
	<i>Transfers to Reserves</i>	
35,118	Transfer to/(from) Major Repairs Reserve	17,977
35,118	Total transfers to reserves	17,977
(12,090)	Outturn position	(18,150)

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.

2013/14 £000		2014/15	
(15,026)	Net reported Outturn position per segmental analysis	(14,469)	
	<i>Amounts included in Outturn reporting but not included in the Comprehensive Income and Expenditure Account</i>		
(11,973)	Transfers to other usable revenue reserves	(17,842)	
96,050	Statutory items relating to capital accounting and financing	(9,882)	i
109,189	Other statutory items	73,341	i
193,266		45,617	
	<i>Amounts included below Net cost of services in the Comprehensive Income and Expenditure Account</i>		
(99,532)	Other operating expenditure	(34,607)	ii
(157,190)	Financing and investment income and expenditure	(137,815)	ii
737,277	Local taxation and general government grant income	761,812	ii
480,555		589,390	
658,795	Net Cost of Services in Comprehensive Income and Expenditure Statement	620,538	

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

## 5.5 Subjective analysis comprehensive income and expenditure

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

2013/14	£000s	2014/15
	<i>Income</i>	
(441,933)	Fees, charges and other service income	(459,659)
(930)	Interest and investment income	(1,136)
(105,891)	Expected return on pension assets	(109,375)
(238,599)	Income from council tax	(244,306)
(166,457)	Non domestic rates income	(163,126)
(1,216,020)	Government Grants	(1,243,830)
(2,169,830)	Total Income	(2,221,432)
	<i>Expenditure</i>	
840,766	Employee expenses	828,452
948,352	Other service expenses	968,296
195,665	Depreciation, amortisation and impairment	172,897
92,690	Interest payments	98,468
1,524	Precepts and levies	1,490
4,714	Payments to Housing Capital Receipts Pool	5,144
23,633	Gain or loss on disposal of non-current assets	33,738
9,999	Gain or loss on investment properties	2,761
(3,249)	(Surplus)/deficit on trading activities	(5,765)
161,066	Pension interest costs	147,099
2,275,160	Total Expenditure	2,252,580
105,330	(Surplus)/ deficit	31,148

## 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 HRA reserves of £18.1m (a net increase of £12.1m in 2013/14) are shown as a separate column in the Movement in Reserves Statement.

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

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

The figures shown in the Comprehensive Income and Expenditure account for gains or losses on the disposal of fixed assets represents the difference between the carrying value of assets which have been disposed of and the proceeds of any sale, less any administrative costs of disposal. As well as the sale of surplus assets, the figure includes assets which the council has been required to transfer to other bodies at nil consideration. The most significant element of the loss recorded in both the current and previous financial year is the value of school buildings which have been handed over to other organisations to run them as academies. Transfers of schools led to a loss being recognised of £36.7m in 2014/15 (£27.1m in 2013/14). The table below gives a breakdown of the figures.

2013/14	£000s	2014/15
(37,591)	Receipts from sale of fixed assets	(33,925)
-	Receipts used to fund disposal costs	-
(37,591)		(33,925)
	<i>Value of fixed assets disposed of</i>	
27,121	Schools transferred to an Academy	36,671
-	Schools transferred to a Trust	-
34,103	Other fixed assets	30,992
61,224		67,663
23,633	Total (gain) or loss on disposal of fixed assets	33,738

## 6 General Government grants

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

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

## General Government Grants

<u>2013/14</u>	£000s	<u>2014/15</u>
	General Government Grants	
(208,044)	Revenue Support Grant (RSG)	(172,319)
(43,501)	Private Finance Initiative (PFI) grant	(45,109)
(89,453)	Capital Grants	(121,671)
(24,131)	Non-Ringfenced Government Grants	(47,542)
<u>(365,129)</u>		<u>(386,641)</u>
Government Grants included in Net cost of services		
(34)	Adult Social Care	(592)
(12,168)	Central Services	(2,881)
(498,729)	Children's & Education Services	(499,055)
(2,675)	Cultural and Related Services	(3,188)
(705)	Environmental and Regulatory Services	(519)
(669)	Planning Services	(378)
(658)	Highways and Transport Services	(75)
(14,410)	Housing Revenue Account	(21,385)
(284,314)	Other Housing Services	(286,999)
(36,529)	Public Health	(42,117)
<u>(850,891)</u>		<u>(857,189)</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 2014/15, the council generated £1,582k of income under such contracts, and incurred costs of £1,302k. The comparative figures for 2013/14 were £1,760k of income and £1,858k of costs.

## 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 2013. In calculating the council's assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future, meaning that the results of actuarial calculations are subject to uncertainties within a range of possible values. The following actuarial assumptions were made:

## WYPF – actuarial assumptions

31/03/2014		31/03/2015	
Financial assumptions			
3.4%	Rate of inflation (RPI)	2.9%	(i)
2.4%	Rate of inflation (CPI)	1.8%	(i)
3.9%	Rate of increase in salaries	3.3%	
2.4%	Rate of increase in pensions	1.8%	
4.3%	Discount rate	3.2%	
Mortality assumptions (years)			
22.5	Longevity at 65 for current male pensioners	22.6	
25.4	Longevity at 65 for current female pensioners	25.5	
24.7	Longevity at 65 for future male pensioners	24.8	
27.7	Longevity at 65 for future female pensioners	27.8	

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

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

## WYPF – sensitivity analysis of actuarial assumptions

Change in assumption	Impact on defined benefit obligation (funded)	
	%	£000s
Rate of increase in salaries (increase or decrease by 0.1%)	0.5	19,462
Rate of increase in pensions (increase or decrease by 0.1%)	1.4	53,124
Discount rate assumption (increase or decrease by 0.1%)	1.9	72,617
Mortality assumption (increase or decrease by 1 year)	2.7	99,928

## WYPF – assets and liabilities

At 31st March 2015, 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

31/03/2014		31/03/2015	
	£000s		
(3,297,650)	Estimated present value of liabilities (funded)	(3,767,622)	
(70,804)	Estimated present value of liabilities (unfunded)	(73,007)	
<u>(3,368,454)</u>			(3,840,629)
2,550,149	Fair value of assets		2,834,818
<u>(818,305)</u>	Net asset / (liability)		<u>(1,005,811)</u>

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



## WYPF – movement in pension assets and liabilities

£000s	<i>present value of defined benefit</i>		<i>net</i>
	<i>obligation</i>	<i>plan assets</i>	
1 April 2014	(3,368,454)	2,550,149	(818,305)
<i>Actuarial gains and losses</i>			
- change in financial assumptions	(345,551)		
- experience gains and losses	20,661		
- change in demographic assumptions	-		
Gain or loss on plan assets		189,682	
	(324,890)	189,682	(135,208)
<i>Service expenditure</i>			
Current service cost	(81,976)		
Past Service Cost	(4,209)		
Employer contributions		67,569	
	(86,185)	67,569	(18,616)
<i>Finance gains and losses</i>			
Interest income		109,375	
Interest on pension liabilities	(143,057)		
	(143,057)	109,375	(33,682)
<i>Other movements</i>			
Benefits paid	105,673	(105,673)	
Employee contributions	(24,898)	24,898	
Administration expenses	1,182	(1,182)	
Net transfers in/out	-	-	
	81,957	(81,957)	-
31 March 2015	(3,840,629)	2,834,818	(1,005,811)

The council's net pensions liability has increased by £187m since 31st March 2014. Although fund assets grew beyond the expected level, this was more than offset by an increase in the current value of the future liabilities, resulting from changes to the financial assumptions used. The largest factor in this increase was a fall in the discount rate, reflecting the strengthening equity market and corresponding lower yields from corporate bonds, on which the discount rate is based.

### a 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.

31/03/2014		31/03/2015		
		<i>quoted</i>	<i>unquoted</i>	<i>total</i>
75.3%	Equities	69.9%	6.3%	76.2%
10.5%	Government bonds	10.6%	0.0%	10.6%
5.4%	Other bonds	4.7%	0.0%	4.7%
3.2%	Property	4.3%	0.0%	4.3%
3.1%	Cash/liquidity	1.9%	0.0%	1.9%
2.5%	Other	0.0%	2.3%	2.3%

Further details on the nature and risks of these assets, and the investment policies of the fund can be found in the West Yorkshire Pension Fund Statement and Explanatory Notes in

Bradford Council's Statement of Accounts, that is available at [www.bradford.gov.uk](http://www.bradford.gov.uk), and the West Yorkshire Pension Fund Report and Accounts, that is available at [www.wyypf.org.uk](http://www.wyypf.org.uk)

b Expected contributions to the scheme for 2015/16

The council expects to make contributions of approximately £59,068k to WYPF in 2015/16.

## 8.2 Teachers' pensions

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

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the government uses a notional fund as the basis for calculating the employers' contribution rate. Valuations of the notional fund are undertaken every four years. The scheme has in excess of 3,700 participating employers and consequently the council is not able to identify its share of the liabilities, therefore it is accounted for as a defined contribution scheme. The council's contributions into the Teachers' Pension Scheme during 2014/15 equate to approximately 0.41% of the total contributions for the year.

The employer's contribution rate for the teachers' pension scheme during 2014/15 was 14.1% of pensionable pay. The actual amount payable to the teachers' pension scheme by the council for 2014/15 was £23,193k. The contribution rate is to increase to 16.4% of pensionable pay, effective from 1<sup>st</sup> September 2015. The council's contributions for 2015/16 are expected to be approximately £25m.

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

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

### Teachers' discretionary pensions – actuarial assumptions

31/03/2014		31/03/2015	
Financial assumptions			
2.2%	Rate of inflation (CPI)	1.8%	
2.2%	Rate of increase in pensions	1.8%	
4.2%	Discount rate	3.1%	
Mortality assumptions (years)			
22.5	Longevity at 65 for current male pensioners	22.6	
25.4	Longevity at 65 for current female pensioners	25.5	

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

### Teachers' discretionary pensions – assets and liabilities

31/03/2014	£000s	31/03/2015
(99,391)	Estimated present value of liabilities	(102,565)

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 2014	(99,391)
<i>Service expenditure</i>	
Employer contributions	6,923
Past service cost / curtailment cost / settlements	(551)
	6,372
<i>Finance gains and losses</i>	
Interest on pension liabilities	(4,042)
	(4,042)
<i>Actuarial gains and losses</i>	
Change in financial assumptions	(6,454)
Change in demographic assumptions	-
Experience gain / (loss)	950
	(5,504)
31 March 2015	(102,565)

The council expects to make payments of approximately £7,006k in relation to teachers discretionary pensions in 2015/16.

### 8.3 NHS pensions

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

In 2014/15 the council made contributions of £284k into the scheme (£357k in 2013/14) at a contribution rate of 14%. Contributions for 2015/16 are expected to be £279k.

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

## 9 Private Finance Initiative (PFI)

The council has twelve 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). There is one further contract which the council has entered into, for which service delivery has not yet commenced.

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 34). The notes below give more information on the nature of each scheme:

### a Leeds Seven Schools PFI Project

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

### b Leeds Primary Schools PFI Project

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

### c Leeds Combined Secondary Schools PFI Project

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

### d Swarcliffe PFI Project

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

### e Street Lighting PFI Project

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

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

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

g Independent Living

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

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

On 13th March 2008, the council entered into a further contract with Leeds LEP Ltd for the building of a new school for West Leeds and Wortley, which opened during 2009/10. 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 National Health Service bodies provide face to face customer services. Both of these buildings became operational during 2010/11. At the conclusion of the contract in 2035/36 the council will have the option to lease the Harehills JSC for the rest of its expected useful life, but it will have no further rights in relation to the Chapeltown JSC. The council has therefore recognised the Harehills JSC as its asset and is treating expenditure in relation to Chapeltown JSC as a revenue contract which includes an operating lease.

k Holt Park Wellbeing Centre

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

l Little London, Beeston and Holbeck Housing Project

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

m Residual Waste Treatment scheme

The council has entered into a contract for the provision of a treatment plant for the processing of residual waste. Service delivery under the contract is expected to commence in April 2016. The contract incorporates a number of option clauses which the council must determine whether or not to exercise prior to service commencement. The effect of these options would be to amend both the length of the contract and the proportion of the overall cost of the asset which would be met by income from the processing of waste from third parties, rather than by the council. The contract term will be for a minimum of 25 years, but may be extended to 40

years. The council has reviewed the contract and concluded that it will be required to recognise the waste treatment plant as an asset on its balance sheet irrespective of whether or not the option clauses are taken up.

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

#### Movement in PFI assets

£000s	01/04/2014	Acquisitions, lifecycle costs	Disposals	Reval'ns, depreciation, impairment	31/03/2015
Seven Schools	40,714	429		(401)	40,742
Primary Schools	30,826	485		(85)	31,226
Combined Secondary Schools	24,264	1,445		(1,672)	24,037
Swarcliffe Housing	-	510		(510)	-
Street Lighting	74,608			(2,870)	71,738
Building Schools for the Future (1)	44,372	508		7,512	52,392
Independent Living	13,261	268		1,914	15,443
Building Schools for the Future (2)	-	111		(111)	-
New Leaf Leisure Centres	24,613	49		(159)	24,503
Harehills JSC	853	36		(75)	814
Holt Park Wellbeing Centre	12,750	43		(4)	12,789
Little London, Beeston & Holbeck Housing	24,862	55,421		-	80,283
	291,123	59,305	-	3,539	353,967

The figures as at 1<sup>st</sup> April 2014 above have been restated to take account of the change in accounting policy required for schools accounting from 2014/15 (please see Explanatory note 28 for further details). As a result of this change, five trust schools (three within the Primary Schools scheme, one within the Combined Secondary Schools scheme and one within the Building Schools for the Future scheme) which had previously been treated as disposals have been re-recognised as they are deemed to be assets of their governing bodies.

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

#### Movement in PFI liabilities

£000s	01/04/2014	New liabilities	Amounts repaid	31/03/2015
Seven Schools	28,392		(1,363)	27,029
Primary Schools	29,638		(907)	28,731
Combined Secondary Schools	87,910		(2,500)	85,410
Swarcliffe Housing	37,001		(1,462)	35,539
Street Lighting	77,986		(2,457)	75,529
Building Schools for the Future (1)	98,499		(2,629)	95,870
Independent Living	54,210		(1,650)	52,560
Building Schools for the Future (2)	31,799		(907)	30,892
New Leaf Leisure Centres	25,610		(628)	24,982
Harehills JSC	5,053		(132)	4,921
Holt Park Wellbeing Centre	16,038		(305)	15,733
Little London, Beeston & Holbeck Housing	24,998	55,421	(7,598)	72,821
	517,134	55,421	(22,538)	550,017

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	1,322	3,946	8,362	12,518		881	27,029
Primary Schools	1,058	5,876	7,541	12,906	1,350		28,731
Combined Secondary Schools	2,670	11,938	16,072	26,662	28,068		85,410
Swarcliffe	1,035	4,189	5,453	9,016	15,846		35,539
Street Lighting	2,669	12,490	17,712	32,128	10,530		75,529
Building Schools for the Future (1)	2,691	12,858	20,477	27,068	32,776		95,870
Independent Living	1,780	5,295	8,574	11,030	19,244	6,637	52,560
Building Schools for the Future (2)	940	4,263	6,618	8,602	10,469		30,892
New Leaf Leisure Centres	682	2,827	4,690	6,671	9,670	442	24,982
Harehills JSC	128	605	1,016	1,289	1,750	133	4,921
Holt Park Wellbeing Centre	306	1,347	2,066	3,023	4,471	4,520	15,733
Little London, Beeston & Holbeck Housing	207	18,680	32,597	21,337			72,821
<b>Total Liabilities</b>	<b>15,488</b>	<b>84,314</b>	<b>131,178</b>	<b>172,250</b>	<b>135,055</b>	<b>11,732</b>	<b>550,017</b>

The following table shows the future interest costs expected to be incurred in relation to the above liabilities over the life of the schemes.

£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	1,948	7,084	6,384	2,313	0		17,729
Primary Schools	2,150	7,732	7,378	3,739	105		21,104
Combined Secondary Schools	6,099	22,030	22,662	14,815	2,615		68,221
Swarcliffe	2,865	10,619	11,423	8,258	2,910		36,075
Street Lighting	5,985	21,475	20,618	10,185	176		58,439
Building Schools for the Future (1)	6,129	22,451	22,566	14,617	3,853		69,617
Independent Living	3,799	13,969	15,100	11,254	5,295	604	50,021
Building Schools for the Future (2)	1,860	6,794	6,804	4,388	1,193		21,039
New Leaf Leisure Centres	1,924	7,144	7,463	5,126	1,865	35	23,557
Harehills JSC	270	999	1,011	688	235	8	3,211
Holt Park Wellbeing Centre	1,206	4,566	5,029	4,031	2,170	814	17,816
Little London, Beeston & Holbeck Housing	8,898	34,534	32,381	18,749	3,700		98,262
<b>Total</b>	<b>43,133</b>	<b>159,397</b>	<b>158,819</b>	<b>98,163</b>	<b>24,117</b>	<b>1,461</b>	<b>485,091</b>

Under PFI contracts, the operator provides annual revenue services in addition to providing the asset or assets. In future years, the council will pay the contractor for the services it provides during each year in accordance with the terms set out in the contract. The Code recommends the disclosure of an estimate of the level of the revenue costs that have not yet been incurred under the contracts. However it should be noted that by the nature and duration of these schemes and the number of factors which will affect both the services provided and their cost, this can only be a broad estimate. The figures below represent an indication of the potential future costs, and do not represent a contractual commitment by the council to pay the specific amounts disclosed. Future PFI scheme revenue costs represent a very small percentage of the Council's annual revenue expenditure over the 25 year period (£971m on Other service expenditure for 2014/15 - please see note 5.5).

£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	2,389	10,007	14,862	15,173	0		42,431
Primary Schools	1,720	7,337	10,436	12,296	3,929		35,719
Combined Secondary Schools	3,770	16,062	23,124	26,048	20,413		89,417
Swarcliffe	3,625	14,915	21,730	25,843	39,244		105,358
Street Lighting	4,914	22,016	31,190	40,573	11,685		110,378
Building Schools for the Future (1)	3,823	15,669	21,611	24,373	23,678		89,154
Independent Living	1,119	4,758	7,097	7,575	9,538	2,189	32,276
Building Schools for the Future (2)	915	3,898	5,455	6,145	6,093		22,507
New Leaf Leisure Centres	918	3,918	5,473	6,182	6,987	257	23,735
Harehills JSC	101	430	601	940	1,465	163	3,700
Holt Park Wellbeing Centre	657	2,783	3,859	4,338	4,888	3,736	20,261
Little London, Beeston & Holbeck Housing	2,116	12,358	18,711	21,393	17,706		72,284
<b>Total</b>	<b>26,067</b>	<b>114,151</b>	<b>164,149</b>	<b>190,879</b>	<b>145,626</b>	<b>6,345</b>	<b>647,220</b>

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

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

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

### 10.1 Dedicated Schools Grant

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

For 2014/15 the total available DSG funding was £440.8m, however it was agreed that £8.3m of the 2013/14 balance would be carried forward to 2015/16, leaving £432.5m available to be allocated in 2014/15.

#### Calculation of available DSG

2013/14	£000s	2014/15
523,727	Final DSG before Academy recoupmnt	536,399
(92,411)	Academy figure recouped in year	(106,100)
431,316	Total DSG after Academy recoupmnt	430,299
5,800	Brought Forward	10,471
(5,800)	Carry forward to 2015/16 agreed in advance	(8,318)
431,316	Total for distribution	432,452



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

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

2013/14				2014/15		
Central schools budget	Individual schools' budget	Total		Central schools budget	Individual schools' budget	Total
65,525	365,791	431,316	Agreed budgeted distribution	63,500	368,952	432,452
(1,282)	1,282	-	In year adjustments	960	(993)	(33)
64,243	367,073	431,316	Final budgeted distribution	64,460	367,959	432,419
59,572	-	59,572	Actual Central Expenditure	61,066	-	61,066
-	367,073	367,073	Actual ISB deployed to schools	-	367,959	367,959
-	-	-	Local Authority contribution	-	-	-
4,671	-	4,671	In year carry forward	3,394	-	3,394
-	5,800	5,800	Carry forward agreed in advance	-	8,318	8,318
4,671	5,800	10,471	Total to carry forward	3,394	8,318	11,712

The £3.4m in year carry forward will be added to the 2013/14 carry forward, giving a total of £11.7m DSG funding brought forward into 2015/16. 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

2013/14	£000s	2014/15
	<i>Funding</i>	
75,916	Leeds City Council	77,006
18,877	Clinical Commissioning Groups	20,209
94,793		97,215
	<i>Expenditure on services provided by</i>	
74,323	Independent sector	79,903
20,470	Leeds City Council	17,312
94,793		97,215

## b Leeds Community Equipment Services

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

### Leeds Community Equipment Services

2013/14	£000s	2014/15
	<i>Funding</i>	
487	Leeds City Council	2,607
870	NHS Leeds	-
-	Clinical Commissioning Group	3,217
<u>1,357</u>		<u>5,824</u>
	<i>Expenditure on services provided by</i>	
487	Leeds City Council	4,422
870	NHS Leeds	1,402
<u>1,357</u>		<u>5,824</u>
-	Balance to carry forward	-

## c South Leeds Independent Centre

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

The pooled budget is summarised below:

### South Leeds Independent Centre

£000s	2014/15
	<i>Funding</i>
	Leeds City Council
	440
	Clinical Commissioning Group
	1,631
	<u>2,071</u>
	<i>Expenditure on services provided by</i>
	NHS Leeds
	2,071
	<u>2,071</u>
	Balance to carry forward
	-

## 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>2013/14</b>				
Chief Executive (Tom Riordan )	1 April 2013 to 31 March 2014	176,367	25,573	201,940
Deputy Chief Executive (Alan Gay)	1 April 2013 to 31 March 2014	161,020	-	161,020
Assistant Chief Executive (Planning, Policy & Improvement) (James Rogers)	1 April 2013 to 31 March 2014	124,151	18,002	142,153
Director of Environment & Neighbourhoods (Neil Evans)	1 April 2013 to 31 March 2014	146,238	21,204	167,442
Director Adult Social Care (Sandie Keene)	1 April 2013 to 31 March 2014	146,592	-	146,592
Director of City Development (Martin Farrington)	1 April 2013 to 31 March 2014	143,270	20,773	164,043
Director of Children's Services (Nigel Richardson)	1 April 2013 to 31 March 2014	149,091	21,610	170,701
Director of Public Health (Ian Cameron)	1 April 2013 to 31 March 2014	154,044	18,229	172,273
City Solicitor (Catherine Witham)	1 April 2013 to 31 March 2014	98,438	14,228	112,666
<b>2014/15</b>				
Chief Executive (Tom Riordan )	1 April 2014 to 31 March 2015	176,367	25,573	201,940
Deputy Chief Executive (Alan Gay)	1 April 2014 to 31 March 2015	161,181	-	161,181
Assistant Chief Executive (Planning, Policy & Improvement) (James Rogers)	1 April 2014 to 31 March 2015	124,151	18,002	142,153
Director of Environment & Neighbourhoods (Neil Evans)	1 April 2014 to 31 March 2015	146,238	21,204	167,442
Director Adult Social Care (Sandie Keene)	1 April 2014 to 30 November 2014	97,609	-	97,609
Acting Director Adult Social Care (Dennis Holmes)	1 December 2014 to 31 March 2015	44,782	6,493	51,275
Director of City Development (Martin Farrington)	1 April 2014 to 31 March 2015	146,266	21,204	167,470
Director of Children's Services (Nigel Richardson)	1 April 2014 to 31 March 2015	149,038	21,610	170,648
Director of Public Health (Ian Cameron)	1 April 2014 to 31 March 2015	153,875	-	153,875
City Solicitor (Catherine Witham)	1 April 2014 to 31 March 2015	98,888	14,299	113,187

General notes

- No bonuses were paid during 2013/14 and 2014/15.
- No expense allowances were paid during 2013/14 and 2014/15.
- No additional benefits, either in cash or otherwise, were paid during 2013/14 and 2014/15.
- 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

2013/14		Total	Number of employees	2014/15		Total
Teachers	Other Staff			Teachers	Other Staff	
69	118	187	£50,000 to £54,999	69	167	236
65	49	114	£55,000 to £59,999	53	59	112
33	43	76	£60,000 to £64,999	37	61	98
25	41	66	£65,000 to £69,999	20	37	57
17	17	34	£70,000 to £74,999	20	20	40
11	11	22	£75,000 to £79,999	11	15	26
1	11	12	£80,000 to £84,999	5	13	18
1	9	10	£85,000 to £89,999	1	9	10
2	6	8	£90,000 to £94,999	2	8	10
3	6	9	£95,000 to £99,999	2	8	10
1	-	1	£100,000 to £104,999	1	3	4
1	4	5	£105,000 to £109,999	-	3	3
-	1	1	£110,000 to £114,999	-	-	-
1	2	3	£115,000 to £119,999	-	2	2
-	-	-	£120,000 to £124,999	1	1	2
-	-	-	£125,000 to £129,999	-	1	1
-	-	-	£130,000 to £134,999	-	-	-
-	-	-	£135,000 to £139,999	-	-	-
-	-	-	£140,000 to £144,999	-	-	-
-	-	-	£145,000 to £149,999	-	1	1
230	318	548		222	408	630

During 2014/15 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 2014/15, 5 teachers and 111 other staff have been added to this disclosure due to these one off payments. The equivalent figures for 2013/14 were 3 teachers and 21 other staff.

Also during 2014/15 a number of schools gained Trust or Academy status. As a result, 4 teachers are not included within the figures for 2014/15 because they are no longer employed by the council.

c Costs of compulsory redundancies and other leavers

The Code requires councils to disclose any costs it has incurred as a result of compulsory redundancies and of staff who have left for other reasons such as voluntary early retirement. The costs shown represent the total cost to the council rather than the amounts actually received by the employee. This includes pension strain payments paid to the West Yorkshire Pension Fund to cover the impact of voluntary early retirements. Since 2010/11 the council has adopted a policy of encouraging voluntary early retirements as the most cost effective means of reducing the size of its workforce. Staff have been allowed to retire early in cases where the additional pension cost will be recovered by the resulting salary savings within 5 years or less. During 2014/15 the council incurred £8.2m of pension strain costs, which are estimated to have resulted in an £53.6m salary saving over 5 years. The comparable figures for 2013/14 were £3.6m of pension strain costs, resulting in a £14.8m salary saving over 5 years.

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

Costs of leavers

2013/14			2014/15	
Number of packages	Total cost		Number of packages	Total cost
	£			£
<i>Compulsory redundancies</i>				
34	168,252	Up to £39,999	34	291,210
-	-	£60,000 to £99,999	2	158,807
<i>Other leavers</i>				
247	1,742,926	Up to £19,999	425	3,983,336
46	1,240,977	£20,000 to £39,999	108	2,955,829
17	807,787	£40,000 to £59,999	55	2,769,490
13	903,135	£60,000 to £79,999	26	1,760,488
10	914,437	£80,000 to £99,999	17	1,532,128
5	608,857	£100,000 to £149,999	15	1,737,841
4	721,429	£150,000 to £199,999	9	1,557,060
-	-	£200,000 to £299,999	2	456,358
<b>342</b>	<b>6,939,548</b>		<b>657</b>	<b>16,752,530</b>

10.4 **Related parties**

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

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

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

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

a Council members

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

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

In respect of the 2014/15 financial year a number of council members had a controlling interest in a company, partnership, trust or entity. The controlling interest was by way of ownership, or as a director, trustee, governor or partner of an organisation. The existence of the procedures described above ensure that the council is able to both identify where a member has an interest, and take action to ensure that there is no participation in any decisions relevant to their interest. All major decisions are available for public scrutiny and challenge as part of the council's constitutional arrangements

b Senior officers

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

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

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

c Other significant related parties

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

Related party transactions with National Health Service bodies amounted to income to the council of £19.4m in 2014/15 (£28.4m in 2013/14), including £16.6m accrued at 31st March 2015. This is mainly made up of the section 256 funding for social care expenditure. An additional £2.1m is held as receipts in advance at 31st March 2015. This income relates to

various schemes and includes funded nursing care for local authority funded residents, under Section 49 of the Health and Social Care Act 2001. Payments to NHS bodies amounted to £20.3m in 2014/15 (£20.3m in 2013/14), including £2.1m accrued at 31st March. These payments mainly relate to services commissioned by the Public Health service, which transferred to the council on 1st April 2013.

Related party transactions with WYCA (previously known as West Yorkshire Integrated Transport Authority) amounted to expenditure by the council of £36.6m in 2014/15 (£37.6m in 2013/14). £34m relates to the transport levy paid by the council, and the remainder is payments for transport services provided by the WYCA such as home to school transport.

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

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

Agency payments by way of grants made to voluntary organisations for undertaking certain statutory duties on behalf of the council amounted to £13.6m in 2014/15 (£13.5m in 2013/14).

## 10.5 Audit fees

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

### Audit fees

2013/14	£000s	2014/15	notes
308	General audit	308	i
29	Certification of grant claims and returns	27	ii
	Other		
4	International Film Festival Grant	-	
-	National Fraud Initiative	4	
<u>4</u>		<u>4</u>	
<u>341</u>		<u>339</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.

2013/14	£000s	2014/15
	<i>Gains / (losses) on Capital accounting balances</i>	
135,574	Surplus / (deficit) on revaluation of long term assets	170,105
(11)	Surplus / (deficit) on revaluation of available-for-sale assets	29
135,563		170,134
	<i>Gains / (losses) on Statutory revenue reserves</i>	
473,795	Actuarial gains / (losses) on pension fund	(140,712)
609,358	Total of other recognised gains and losses	29,422

### 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.



2013/14		2014/15	
Total	£000s	Total	notes
<i>Transfers to/(from) the Usable Capital Receipts Reserve</i>			
37,563	Net gain / (loss) on sale of fixed assets - capital receipts	33,840	
(4,714)	Transfer to I&E to fund payment of HRA pooled receipts	(5,144)	
32,849		28,696	
<i>Transfers to/(from) the Housing Major Repairs Reserve</i>			
35,118	Excess of depreciation charged to HRA over Major Repairs Allowance	17,977	
<i>Transfers to/(from) the Capital Grants Unapplied account</i>			
89,453	Capital grants received	121,671	
157,420	Total transfers to / (from) usable capital reserves	168,344	
<i>Transfers to/(from) General Fund and HRA reserves to Statutory revenue reserves</i>			
(104,263)	Transfer to / (from) the pensions reserve	(49,968)	i
(329)	Transfer to / (from) the financial instruments adjustment account	(471)	
(4,970)	Transfer to / (from) the collection fund adjustment account	(22,477)	
102	Transfer to / (from) the equal pay back pay account	-	
271	Transfer to / (from) the accumulated absences account	(425)	
(109,189)	Total transfers to / (from) statutory revenue reserves	(73,341)	
<i>Transfers to/(from) General Fund and HRA reserves to Capital accounting balances</i>			
(152,215)	Depreciation and impairment of fixed assets (excl depr'n on HRA assets)	(134,834)	
(23,994)	Capital expenditure defined under statute	(30,500)	
12,674	Grants and contributions for capital expenditure defined under statute	18,008	
(61,304)	Net gain / (loss) on sale of fixed assets - assets written out	(67,664)	
98	Deferral of capital receipts due	82	
39,937	Statutory provision for repayment of debt	41,887	
1,231	Capital expenditure funded from revenue	212	
890	Donated assets received	-	
3,000	HRA set aside to redeem debt	3,000	
3,081	Other statutory items within the HRA	11,347	
(176,602)	Total transfers to / (from) capital accounting balances	(158,462)	
(128,371)	Net additional amounts to be debited/(credited) to General Fund and HRA	(63,459)	

i A number of adjustments are required or permitted by statute, which have the effect of amending the rate at which certain items of income and expenditure are charged or credited to the General Fund and the Housing Revenue Account :

- The amount by which IAS19 pensions costs differ from the actual pension contributions payable for the year is transferred to or from the Pensions Reserve.
- Premiums and discounts on re-scheduled borrowing are amortised over a number of years from the Financial Instruments Adjustment Account (please see explanatory note 20.1 for further details).
- Differences between the council's Council Tax and Business Rates precepts for the year and its actual local tax income collected are transferred to or from the Collection Fund Adjustment Account (please see note 20.3).
- 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.
- 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 :

H7 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.

2013/14	£000s		2014/15	notes
35,615	Transfer to Housing Major Repairs Reserve - HRA depreciation		38,212	i
1,387	Transfers to Usable capital receipts reserve - long term capital debtors received and capital investments sold		1,603	ii
<u>37,002</u>			<u>39,815</u>	

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

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

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

2013/14	£000s		2014/15	notes
22,681	Transfer from Usable Capital Receipts Reserve		20,858	18.5
35,087	Transfer from the Major Repairs Reserve		54,715	H8
64,063	Transfer from Capital Grants Unapplied account		100,639	18.6
<u>121,831</u>			<u>176,212</u>	

## 12 Earmarked Revenue Reserves

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

### Earmarked revenue reserves

£000s	31/03/2014	net movements	31/03/2015	notes
Schools reserves	17,269	5,400	22,669	a
Central schools block	10,471	1,241	11,712	b
Extended schools	8,840	1,624	10,464	c
Other schools-related reserves	619	(619)	-	d
<b>Total schools reserves</b>	<b>37,199</b>	<b>7,646</b>	<b>44,845</b>	
Capital reserve	6,470	(1,354)	5,116	e
Government grants in advance	6,950	760	7,710	f
Early leavers initiative	-	2,000	2,000	g
Health and Social Care reserves	7,031	10,417	17,448	h
Other reserves	9,905	(1,627)	8,278	i
<b>Total earmarked revenue reserves</b>	<b>67,555</b>	<b>17,842</b>	<b>85,397</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 £5.4m in 2014/15, which partly reflects a £5.1m increase in aggregate school balances, borrowing from the reserves to fund initiatives on safeguarding and learning, and the repayment of previous borrowing from school reserves. At the close of 2014/15, net borrowing from schools reserves amounted to £5.3m. Thus the actual reserves available to schools are £28m. 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. The reserve was utilised in 2014/15 to fund in year school based insurance costs but it is planned to set aside further funds for this purpose in 2015/16.

e 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.

f 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.

g Early leavers initiative

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

h Health and Social Care reserves

Funds received from health partners relating specifically to agreements with the council have been set aside in four individual reserves. The purpose of these reserves is to support joint-working and fund 'spend to save' initiatives to deliver transformation, integration, and information management and technology developments that benefit both the health and social care economy. In 2014/15 £12.4m of new funding has been added to these reserves, whilst £2m has been spent during the year.

i Other reserves

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

- A £1.6m reserve to fund future repair and maintenance costs of a number of listed buildings which have been transferred to the council's care.
- A £0.5m 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), and a general insurance reserve of £3.1m to meet the costs of future insurance claims.
- A £0.8m reserve created from the fee received for awarding a large casino licence, which aims to support social inclusion objectives.
- A ring-fenced reserve for the taxi and private hire licensing service.

## 13 Assets

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

### 13.1 Property plant and equipment

a Balance sheet value

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

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

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

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

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

#### Balance sheet movements

<i>Property plant and equipment</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	1,354,412	1,728,470	828,609	215,885	50,330	40,336	4,218,042
Accumulated depreciation and impairment	(2,777)	(191,684)	(223,919)	(147,727)	(7,494)	-	(573,601)
Balance sheet value as at 1 April 2014	1,351,635	1,536,786	604,690	68,158	42,836	40,336	3,644,441
Depreciation	(29,450)	(60,777)	(25,985)	(22,573)	(1,069)		(139,854)
Additions	60,802	72,532	63,598	19,248	1,773	66,957	284,910
Donations	-	-	-				-
Impairments (charged to cost of services)	(607)	(11,261)	-				(11,868)
Impairments (charged to revaluation reserve)	(6)	(2,673)	-				(2,679)
Revaluations (charged to cost of services)	5,882	(23,648)	-				(17,766)
Revaluations (credited to revaluation reserve)	1,697	171,083	-				172,780
Disposals	(11,658)	(51,023)	-	(12)			(62,693)
classification	(12,230)	(463)	-		233		(12,460)
Balance sheet value as at 31 March 2015	1,366,065	1,630,556	642,303	64,821	43,773	107,293	3,854,811
Comprising:							
Cost or valuation	1,370,827	1,829,574	892,207	235,121	52,336	107,293	4,487,358
Accumulated depreciation and impairment	(4,762)	(199,018)	(249,904)	(170,300)	(8,563)	-	(632,547)

## b Nature of asset holding

This table shows whether assets recognised on the balance sheet at 31st March 2014 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>
Owned	1,366,065	1,400,273	570,565	64,551	42,153	27,009	3,470,616
Finance Lease	-	26,168	-	270	1,620	-	28,058
PFI	-	204,115	71,738	-	-	80,284	356,137
	1,366,065	1,630,556	642,303	64,821	43,773	107,293	3,854,811

## 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	-	-	642,303	64,821	43,773	107,293	858,190
Valued at current value in –							
2008/09	-	-	-	-	-	-	-
2009/10	-	-	-	-	-	-	-
2010/11	77	226,548	-	-	-	-	226,625
2011/12	-	133,236	-	-	-	-	133,236
2012/13	-	254,357	-	-	-	-	254,357
2013/14	53	374,873	-	-	-	-	374,926
2014/15	1,365,935	641,542	-	-	-	-	2,007,477
	1,366,065	1,630,556	642,303	64,821	43,773	107,293	3,854,811

## d Asset valuations

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

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

## 13.2 Heritage Assets

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

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

a Heritage assets included in the balance sheet

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

i Historic Buildings

The council recognises 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.

During 2013/14 the council also acquired custody of three listed Venetian Towers and an associated Engine House in the Holbeck area of the city. As these assets were transferred to the council at no cost their carrying value is currently nil. Any future work on these assets will be recognised at cost.

ii Museum exhibits and works of art – valuable items

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

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

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

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

## Heritage assets

£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 2014	3,387	5,805	9,192	59,350	68,542
Acquisitions and enhancements	575	70	645	-	645
Donations	-	-	-	-	-
Revaluations	-	-	-	(50)	(50)
As at 31 March 2015	3,962	5,875	9,837	59,300	69,137

### 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 £170m, meaning that the lesser valued items have been given a collective value of £110.7m. Items within the collection are diverse, ranging from scientific specimens, to period fashion garments, to antique furniture. The council has determined that it would not be practical within a justifiable level of cost to obtain individual valuations for its entire collection.

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

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

#### ii Civic Regalia

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

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

#### iii Historical records

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



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

iv Other local heritage sites

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

c Operational heritage assets

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

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

### 13.3 Long term debtors

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

Long term debtors

31/03/2014	£000s		31/03/2015	notes
9,683		Loans made	9,043	
1,514		Amounts due under finance leases	1,510	
4,231		Other debtors	8,006	i
<u>15,428</u>			<u>18,559</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 Revenue and Customs (HMRC) and a number of local authorities. Following the most recent decision in the First Tier Tax Tribunal, leave to appeal has been granted to the appellant by the Court of Appeal. The Court of Appeal hearing is scheduled for 2&3 December 2015.

If the Court of Appeal decision is in the appellant's favour, with the outcome being that local authorities, by not charging VAT for off street parking, do not distort competition, then local authorities will no longer account for VAT on such income.

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 lodged to date in relation to VAT on car parking is £17.9m, of which £0.7m is subject to a separate capping claim – see ii below.

Meanwhile the council has lodged a claim for VAT on the overpayment of tariffs at off street meters, following a court ruling that this should not bear VAT. HMRC has repaid £44k of the claim, but refused to repay the remaining £235k on the grounds that it is capped. The council has appealed this decision on the basis that this amount is part of the overall off-street parking claim, which is not capped. The council has applied to stand the appeal over pending the outcome of a similar case on the issue of whether a new claim has been made or an existing claim has been altered.

ii VAT capping claims

The council has lost its 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 £2.8m relates to trade waste, £0.7m relates to car parking, and £0.3m relates to other claims. The council has been granted leave by the Court of Appeal to appeal the decision of the Upper Tax Tribunal. The Court of Appeal hearing is scheduled for 8th and 9th December 2015.

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 via an appeal to VAT tribunal and has also lodged a number of compound interest claims in the High Court, which are stayed pending the final outcome of the lead cases in the matter.

HMRC have lost the lead case at the Court of Appeal. HMRC are believed to be applying for permission to appeal the Court of Appeal decision in the Supreme Court. Should HMRC lose the appeal in the Supreme Court, they are likely to prescribe the conditions in which compound interest would be paid. Some of the amounts claimed by the council may meet these criteria. The amount of the total claim is £59.7m.

## 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 2015.

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

31/03/2014	£000s	31/03/2015
	Government	
18,430	HM Revenue and Customs	19,140
11,487	Department of Communities and Local Government	23,802
10,694	Other departments	19,044
40,611		61,986
	Taxpayers	
25,649	Council Tax	29,143
6,756	Business rates	7,889
32,405		37,032
	Group entities	
15,869	Arms-length Management Organisations	26
1,117	Other group entities	583
16,986		609
	Public sector organisations	
5,577	Local authorities and other public bodies	7,718
	Other	
7,583	Housing rents	9,184
59,189	Other - Sundry Debtors	65,304
66,772		74,488
162,351		181,833
	Provisions for bad and doubtful debts	
(13,048)	Taxpayers	(14,932)
(3,489)	Housing rents	(4,444)
(9,278)	Other	(12,142)
(25,815)		(31,518)
136,536		150,315

The £65.3m of sundry debtors at the year end represents income due to be received from routine fees and charges.

## 15 Current liabilities

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

### 15.1 Creditors

Since the council's Balance Sheet represents the financial position at the end of the financial year, there are monies owed by the council at that date which have yet to be paid. There are also amounts which the council has received before the end of the financial year which relate to services which have not yet been provided, or are to fund schemes which have not yet taken place. This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31st March 2015.

Creditors			
31/03/2014	£000s		31/03/2015
	Government		
15,633	HM Revenue and Customs	15,267	
1,171	Department of Communities and Local Government	1,290	
6,184	Other departments	6,931	
22,988			23,488
	Group entities		
8,284	ALMOs	-	
8,284			-
	Public sector organisations		
20,645	Local authorities and other public bodies		24,800
	Taxpayers		
3,416	Council Tax	3,963	
5,558	Business Rates	7,854	
8,974			11,817
	Other		
5,586	Housing rents	5,106	
134,457	Sundry creditors	130,437	
140,043			135,543
192,649			195,648
21,093	Receipts in advance	17,297	
21,093			17,297
213,742			212,945

The figures above for 2014/15 sundry creditors include £25m of balances relating to the Leeds City Region Joint Committee (£33m in 2013/14), 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 2015 is included within the carrying value of the relevant financial instrument, rather than within debtors and creditors.

## Carrying values

<u>31/03/2014</u>	£000s	<u>31/03/2015</u>
	<i>Financial assets</i>	
	Loans and receivables	
15,116	Investments	30,099
68,672	Debtors	58,752
2,000	Long term investments	2,000
15,428	Long term debtors	18,559
	Available for sale	
1,283	Long term investments	1,298
<u>102,499</u>		<u>110,708</u>
	<i>Financial liabilities</i>	
	Financial liabilities at amortised cost	
(1,347,039)	Long term borrowing	(1,358,227)
(155,625)	Creditors	(155,321)
(82,966)	Borrowing repayable within one year	(99,324)
(529,815)	Deferred liabilities	(560,079)
<u>(2,115,445)</u>		<u>(2,172,951)</u>

## 16.2 Recognised gains and losses

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

### Recognised gains and losses

<u>31/03/2014</u>	£000s	<u>31/03/2015</u>
	<i>Recognised in Income and Expenditure on provision of services</i>	
	Financial assets	
(8)	Gains / (losses) on disposal of assets available for sale	(1)
1,072	Interest receivable on loans and receivables	1,083
(1,711)	Net movement in impairment of loans and receivables	(2,039)
-	Gains / (losses) on disposal of loans and receivables	-
	Financial liabilities	
(94,367)	Interest payable	(99,019)
-	Gains / (losses) on current year disposals	-
<u>(95,014)</u>		<u>(99,976)</u>
	<i>Recognised in Other comprehensive income and expenditure</i>	
	Financial assets	
(11)	Unrealised gains/(losses) on assets available for sale	(29)
12	Disposal of assets available for sale	1
	Financial liabilities	
-	Gains / (losses) on prior years disposals	-
<u>1</u>		<u>(28)</u>
<u>(95,013)</u>	Total recognised gain / (loss)	<u>(100,004)</u>

## 16.3 Fair value of items carried at amortised cost

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

## Fair values

31/03/2014		£000s	31/03/2015	
Carrying value	Fair value		Carrying value	Fair value
<i>Financial Assets</i>				
Loans and receivables				
1,514	1,514	Long term debtors - finance leases	1,510	1,510
13,914	15,090	Long term debtors - other	17,049	18,974
2,000	2,035	Long term investments	2,000	2,055
17,428	18,639		20,559	22,539
<i>Financial Liabilities</i>				
Financial liabilities at amortised cost				
(1,347,039)	(1,376,370)	Long term borrowing	(1,358,227)	(1,721,284)
(517,134)	(517,134)	Deferred liabilities - PFI schemes	(550,017)	(550,017)
(5,745)	(5,745)	Deferred liabilities - finance leases	(3,409)	(3,409)
(6,936)	(7,467)	Deferred liabilities - other	(6,653)	(8,672)
(1,876,854)	(1,906,716)		(1,918,306)	(2,283,382)

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 31st March 2015, which was the last working day of the 2014/15 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 2015. 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	31/03/2015		
	Gross value	Impairment value	Net value
Deposits with financial institutions	30,000	-	30,000
Accrued interest on deposits	99	-	99
Other investments	3,298	-	3,298
Long term loans	9,043	-	9,043
Other long term debtors	8,006	-	8,006
Trade debtors	67,316	(8,564)	58,752
	117,762	(8,564)	109,198

#### 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 2014/15. 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 2014/15, 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 31.5% 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 2015, £110m was exposed to variable rates through lender options in 2015/16, and £80m in 2016/17.

#### Long term borrowing by date of maturity

<u>31/03/2014</u>	£000s	<u>31/03/2015</u>
8,812	Maturing in 1 – 2 years	23,812
65,248	Maturing in 2 – 5 years	67,871
140,743	Maturing in 5 – 10 years	114,307
43,812	Maturing in 10 – 25 years	43,812
643,424	Maturing in more than 25 years	663,425
445,000	Variable (lender option borrower option)	445,000
1,347,039	Borrowing with more than one year to mature	1,358,227
-	Long-term borrowing maturing within one year	8,812
<u>1,347,039</u>	Total long-term borrowing	<u>1,367,039</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

2013/14			£000s	2014/15		
Actual	With 1% rate increase	Difference		Actual	With 1% rate increase	Difference
<i>Recognised in Income and Expenditure Account</i>						
Financial assets						
1,072	1,443	371	Interest receivable on loans and receivables	1,083	1,816	733
Financial liabilities						
(94,367)	(95,669)	(1,302)	Interest payable	(99,019)	(99,850)	(831)
(93,295)	(94,226)	(931)		(97,936)	(98,034)	(98)

#### 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 2015 the council holds on its balance sheet £1,025k of long term investments relating to an assisted homebuy scheme under which the council takes an equity stake of up to 50% in the homes being purchased. This value of this long term investment is at risk from fluctuations in housing prices, however the investment was undertaken for policy reasons rather than as a financial investment.

## 17 Long term liabilities

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

### 17.1 Deferred liabilities

Deferred liabilities include amounts due in relation to assets acquired through Private Finance Initiative (PFI) schemes and under finance leases, returnable bonds and other long term liabilities. The council had the following deferred liabilities at 31st March 2015:

#### Deferred liabilities

31/03/2014	£000s		31/03/2015	notes
517,134		PFI scheme liabilities	550,017	i
5,745		Finance lease liabilities	3,409	
8,547		Other liabilities	8,319	
531,426			561,745	

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

<i>2013/14</i>	£000s		<i>2014/15</i>
385,457	1 April		505,355
135,477	Revaluation of fixed assets	170,052	
(4,050)	Accumulated revaluations on disposals	(13,646)	
(11,529)	Depreciation adjustment	(17,408)	
<u>119,898</u>			<u>138,998</u>
<u>505,355</u>	31 March		<u>644,353</u>

### 18.2 Capital adjustment account

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

## Capital adjustment account

2013/14	£000s	2014/15
1,037,023	1 April	957,914
	<i>Capital financing</i>	
22,681	Usable capital receipts	20,858
12,674	Capital grants and contributions funding REFCUS	18,008
64,063	Capital grants and contributions from capital grants unapplied	100,639
35,087	Transfer from Major Repairs Reserve	54,715
1,231	Revenue contributions	212
890	Donated Assets	-
136,626		194,432
	<i>Other movements</i>	
(151,850)	MRP less depreciation	(131,159)
(61,224)	Disposal of fixed assets	(67,663)
4,050	Accumulated revaluations on disposals	13,646
(23,994)	Write-off of revenue expenditure funded from capital under statute	(30,500)
11,529	Depreciation above historic cost	17,408
-	Revaluation reserve of impairments	-
(69)	Disposal of long term investments	-
3,000	HRA voluntary set aside	3,000
3,081	HRA PFI and finance lease principal repayment	11,347
(258)	Write-down of long term debtors	(565)
(215,735)		(184,486)
957,914	31 March	967,860

### 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

2013/14	£000s	2014/15
3,413	1 April	14,968
	Receipts in year	
34,239	Usable capital receipts	30,302
4,714	Housing Revenue Account pooled receipts	5,144
38,953		35,446
	Applied	
-	To repay HRA debt	-
(12,681)	To fund credit arrangements	(13,479)
(10,000)	To fund new capital expenditure	(7,379)
(4,714)	Transfer to Revenue - HRA pooled receipts	(5,144)
(3)	Transfer to Revenue - finance lease income	(3)
(27,398)		(26,005)
14,968	31 March	24,409

### 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 2014/15:

#### Capital grants unapplied

31/03/2014	£000s	31/03/2015
106,940	1 April	132,330
89,453	Grants received	121,671
(64,063)	Grants applied to fund capital expenditure	(100,639)
132,330	31 March	153,362

## 19 Capital financing

### 19.1 Capital expenditure and funding

Total capital expenditure in 2014/15 was £316.1m (£242.3m in 2013/14). 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

2013/14	£000s	2014/15
212,986	Fixed assets	285,520
27,952	Revenue expenditure funded from capital under statute	30,500
1,347	Other	62
<u>242,285</u>		<u>316,082</u>

## Capital financing

2013/14	£000s	2014/15
78,176	Borrowing	79,707
76,737	Grants and contributions	118,647
10,000	Capital receipts	7,379
35,087	Major Repairs Allowance	54,716
1,231	Revenue contributions to capital	212
41,054	PFI deferred liabilities	55,421
<u>242,285</u>		<u>316,082</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 2014/15 was £0.1m (£1.0m in 2013/14), using the council's average external borrowing rate of 3.96%.

Significant schemes within the council's capital programme include the Council House Growth Programme, which will deliver a comprehensive programme of new build housing and bringing empties back into use, increasing investment to the council's housing stock; a continuing programme of investment to the schools estate through the Schools Capital Maintenance programme and the Basic Need programme (to increase the number of school places across the city); in Highways, major transport, infrastructure and priority maintenance schemes such as the Inner Ring Road Tunnel works, New Generation Transport (to develop a modern trolleybus network for Leeds), Cycle City Ambition Grant (a package of cycle infrastructure improvements across Leeds and Bradford), Kirkstall Forge Leeds Rail Growth, Leeds Flood Alleviation Scheme and progressing with the East Leeds Orbital Road business case; 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); improvements to Kirkgate Market; infrastructure works at Aire Valley East Enterprise Zone; continued investment through the highways programme to reduce the level of backlog maintenance; a Recycling Energy from Waste Facility (currently being constructed at Cross Green); 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 committed to further expenditure of £1,060m in future financial years. The projected phasing of these commitments is for £417m in 2015/16, £328m in 2016/17, £263m in 2017/18 and £52m in 2018/19.

### 19.2 Capital Financing Requirement

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

reduce the level of borrowing attributable to past General Fund capital expenditure. Repayments from the HRA to reduce borrowing are voluntary.

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

#### Capital financing requirement

£000s	<i>Financed by borrowing</i>	<i>Financed by PFI liabilities</i>	<i>Financed by finance leases</i>	<i>Total Capital Financing Requirement</i>
01 April 14	1,769,571	517,134	5,791	2,292,496
New borrowing	79,707	55,421	-	135,128
Repayments	(44,691)	(22,538)	(2,333)	(69,562)
31 March 15	1,804,587	550,017	3,458	2,358,062

## 20 Unusable statutory revenue reserves

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

### 20.1 Financial instruments adjustment account

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

### 20.2 Accumulated absences account

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

### 20.3 Collection fund adjustment account

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

## 21 **Exceptional items and prior period adjustments**

The council has not accounted for any exceptional or prior period items in 2014/15.

## 22 **Excepted items**

There are certain topics that councils have to report on but that do not affect Leeds City Council's accounts for 2014/15. This note lists those topics.

- a Discontinued operations: no significant operations or services were discontinued in 2014/15.
- b Agency arrangements: under a number of statutory powers, the council is permitted to undertake work on behalf of other bodies. However, the council currently has no material agency arrangements in place.
- c Transport Act 2000: under the provisions of the Transport Act 2000, details of any scheme of road user charging or work place parking levy should be notified. For 2014/15, no such activities have been entered into by Leeds City Council.

## 23 **The Council's Group**

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

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

From 2014/15 the Code has been amended to require local authority maintained schools to be treated as part of a local authority's group, but to be included within its single entity financial statements (see note 28 below for further details).

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

## 24 **Judgements made by management**

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

- a Private finance initiative (PFI) schemes

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

- b Inclusion in the investment properties classification

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

c Equal pay liabilities

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

25 **Assumptions and major sources of estimation uncertainty**

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

a Net pensions liabilities

In arriving at the figures for net liabilities relating to its obligations under defined benefit pension schemes, the council has to make assumptions about future events over a long period of time. Note 8 details the assumptions made, and the impact on the net liability of changes in the key assumptions. During 2014/15, the council accounted for a decrease of £22m in its pensions liabilities as a result of estimates being corrected as a result of experience, and an increase of £352m 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 2014/15 it has applied indexation of 2.2% to assets valued at depreciated replacement cost, resulting in a total increase in carrying values of £16.1m, and indexation of nil to assets carried at market value.

c Insurance claims

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

d Appeals against business rates valuations

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

26 **Events after the reporting date**

The Statement of Accounts was approved as presenting a true and fair view by the Corporate Governance and Audit Committee on 18<sup>th</sup> September 2015. 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 :

- One school has transferred to academy status, representing a disposal for nil consideration of assets with an estimated value of £14.9m at 31st March 2015.

## 27 **New accounting standards not yet implemented**

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

The 2015/16 Code will introduce IFRS 13 Fair Value Measurement to local authority accounts, with appropriate adaptations for the public sector context. The council has reviewed the planned changes to the Code and does not anticipate any material change in the carrying values of its assets and liabilities arising as a result. However it is anticipated that additional disclosure notes will be required.

It is also expected that IFRIC 21 Levies together with a number of minor changes to IFRS standards will apply to local authority accounts from 2015/16 . The council has reviewed these changes and does not anticipate that they will have any material effect on its accounting statements.

## 28 **Impact of changes in accounting policy for Schools**

The 2014/15 Code has introduced changes in respect of accounting for schools. Local authority maintained schools are now required to be treated as separate reporting entities which are within the control of local authorities. The income, expenditure, assets, liabilities and reserves of such schools are required to be included within the single entity statements of local authorities, rather than only being included in group accounts. The Code includes transition arrangements that, where local authorities are recognising additional assets as a result of the change in accounting policy, these can be recognised on 1<sup>st</sup> April 2013 with their value treated as a 'deemed cost' with the credit entry recognised in the Capital adjustment account.

The only material impact on the council's accounts as a result of this change in accounting policy has been from the recognition of properties which are deemed to be the assets of school governing bodies, and the derecognition of a smaller number of properties which are now deemed to be the assets of other bodies. As at 1<sup>st</sup> April 2013, 49 schools with a total carrying value of £235.2m have been recognised. In addition, the 2013/14 accounting statements have been amended for a further 17 schools which were originally treated as being disposed of during 2013/14, as a result of their transfer to trust status. The carrying value of these disposals which have now been reversed was £72.9m. In addition, 6 schools with a total value of £10.9m, which were previously included in the council's balance sheet on the basis of their status as voluntary controlled schools, have been derecognised as at 1<sup>st</sup> April 2013.

The Council's balance sheet as at 1<sup>st</sup> April 2013 has been restated and is shown overleaf. The 2013/14 financial statements and the comparator figures in explanatory notes 5.7, 18.1 and 18.2 have all been restated for the changes.

## Restated Opening Balance Sheet

£000s	<i>01 April 2013</i>
<i>Long-term assets</i>	
Property, plant and equipment	3,542,869
Heritage assets	58,276
Investment property	33,885
Intangible fixed assets	2,180
Long-term investments	2,166
Long-term debtors	16,119
	3,655,495
<i>Current assets</i>	
Debtors	107,322
Investments	5,025
Inventories	3,067
Assets held for sale	6,747
Landfill allowances	19
Cash and cash equivalents	4,274
	126,454
<i>Current liabilities</i>	
Creditors	(193,320)
Borrowing repayable on demand or within one year	(183,647)
Provisions for current liabilities	(26,218)
	(403,185)
Total assets less current liabilities	3,378,764
<i>Long-term liabilities</i>	
Long-term borrowing	(1,292,039)
Net pensions liability	(1,287,228)
Deferred liabilities	(506,545)
Capital grants receipts in advance	(1,029)
Provisions for long term liabilities	(5,648)
	(3,092,489)
Total assets less liabilities	286,275
<i>Financed by</i>	
<i>Unusable capital accounting balances</i>	
Revaluation Reserve	385,457
Capital Adjustment Account	1,037,023
Deferred Capital Receipts	7,288
Available for Sale Reserve	106
	1,429,874
<i>Usable capital funding reserves</i>	
Usable Capital Receipts Reserve	3,413
Capital grants unapplied	106,940
Major Repairs Reserve	13,245
	123,598
<i>Unusable statutory revenue reserves</i>	
Pensions Reserve	(1,287,228)
Financial Instruments Adjustment Account	(71,971)
Accumulated Absences Account	(10,510)
Collection Fund Adjustment Account	(193)
Equal Pay Back Pay Account	(102)
	(1,370,004)
<i>Usable revenue reserves</i>	
General Fund Reserve	23,086
Housing Revenue Account Reserve	24,139
Other earmarked reserves	55,582
	102,807
Total reserves and balances	286,275



## 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>2013/14</u>	£000s	<u>2014/15</u>	<i>notes</i>
	<i>Income</i>		
(201,578)	Dwelling rents	(211,950)	
(2,911)	Non-dwelling rent	(3,016)	
(9,302)	Charges for services and facilities	(9,374)	
(14,383)	HRA government grant support	(21,385)	
(26)	Contributions towards expenditure	-	
(12,869)	Transfer of ALMO net assets	-	H1
(241,069)		(245,725)	
	<i>Expenditure</i>		
95,968	Supervision and management	66,303	
45,020	Repairs and maintenance	49,849	
3,160	Rents, rates, taxes and other charges	3,974	
30,976	Depreciation and impairments of non-current assets	32,187	H2.1
1,362	Provision for doubtful debts	1,837	
520	Revenue Expenditure Funded from Capital under Statute	28	H2.2
177,006		154,178	
(64,063)	Net cost of HRA services as in the Income and Expenditure Account	(91,547)	
1,572	HRA share of Corporate and Democratic Core	1,548	
(62,491)	Net cost of HRA services	(89,999)	
	<i>HRA share of operating income and expenditure included in the authority's Income and Expenditure Account</i>		
(3,032)	(Gain) or loss on disposal of non current assets	(2,525)	
32,423	Interest payable and similar charges	36,940	H3.1
1,709	Interest on the net pension liability	1,938	
(17)	Interest and investment income	(70)	
(17,069)	Capital grants and contributions	(3,072)	
(48,477)	(Surplus) or deficit for year on HRA services	(56,788)	

## 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.

2013/14	£000s	2014/15	notes
	<i>Increase or decrease in the HRA reserve comprising:</i>		
(48,477)	(Surplus) or deficit on the HRA Income and Expenditure Account	(56,788)	
	<i>Adjustments between accounting basis and funding basis under the HRA legislative framework</i>		
(2,463)	Difference between amortisation of premiums and discounts under accounting standards and in accordance with statute	(2,396)	H3.2
4,625	Impairment of non current assets	5,876	H2.1
(520)	Write-off revenue expenditure funded from capital under statute	(28)	H2.2
(27,854)	HRA share of contributions to / (from) the Pension Reserve	(2,740)	
595	Capital expenditure funded by the HRA	0	H6.1
3,000	HRA voluntary provision for the repayment of principle	3,000	
35,118	Transfer to / (from) MRR	17,977	H7
17,069	Transfer to / (from) capital grants unapplied	3,072	
3,785	Difference between accounting regulation and Statute	11,352	
3,032	Net gain / (loss) on sale of non current assets	2,525	
36,387		38,638	
(12,090)	(Increase) / decrease in Housing Revenue Account Balance	(18,150)	
24,139	Housing Revenue Account Reserve balance brought forward	36,229	
12,090	Increase / (decrease) for the year	18,150	H4
36,229	Housing Revenue Account Reserve balance carried forward	54,379	

# Explanatory notes to the Housing Revenue Account

## H1 Closure of the council's Arms Length Management Organisations (ALMOs)

Until 30th September 2013, the council's housing stock was managed by its three Arms Length Management Organisation (ALMO) companies, which received a management fee for this work. From 1st October 2013, this arrangement ceased and the management of the council's housing stock was undertaken by the HRA itself. All of the ALMO company staff transferred to the council's employment at this date. The ALMO companies' residual assets and liabilities transferred to the council's ownership on 31st March 2014.

## H2 Charges for HRA use of assets

### H2.1 Depreciation and impairment

The HRA Income and Expenditure Account is charged with depreciation and impairment in order to reflect the full cost of housing at the net cost of service level. For 2014/15 the breakdown of these charges was £38.2m depreciation and £6.0m reversals of previous 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 H7 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.

### H2.2 Revenue expenditure funded from capital under statute

The amount of revenue expenditure funded from capital under statute in 2014/15 is £28k. The charges relate mainly to small grants for local community safety projects.

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

### H3.1 Interest

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

### H3.2 Premiums and discounts on premature repayment of borrowing

In accordance with the Code, the HRA Income and Expenditure account receives a debit or credit reflecting any premiums or discounts arising on repayment of its long term loans during the year. However, statute specifies that premiums and discounts attributable to the HRA should be amortised over a number of years to the ringfenced HRA Reserve. The Statement of Movement on the HRA Reserve therefore includes an adjustment reflecting the difference between the accounting charge and the amortisation charge. In 2014/15, the statutory amortisation charge for premiums and discounts was a net discount of £2,396k (£2,463k net discount in 2013/14).

#### H4 HRA revenue reserves

As there is a statutory requirement to account for the Housing Revenue Account separately from the rest of Leeds City Council, the accumulated HRA revenue reserve is also recognised separately. Given the significance of 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	01/04/2014	net movements	31/03/2015	notes
General reserve	7,033	-	7,033	
Swarcliffe PFI	12,016	405	12,421	i
Environmental works	76	(26)	50	ii
Early Leavers Initiative	189	(189)	-	iii
Holdsforth Place - land purchase	64	-	64	iv
Decanting and demolition costs	-	-	-	v
Insurance Claims to be Incurred	147	239	386	vi
Welfare Reform	3,303	-	3,303	vii
Self-Financing	-	-	-	viii
Little London, Beeston Hill & Holbeck PFI	10,395	13,046	23,441	ix
Environmental Works	3,006	-	3,006	x
Housing Advisory Panels (HAPs)	-	587	587	xi
Sheltered Works	-	4,088	4,088	xii
	36,229	18,150	54,379	

- i Swarcliffe Private Finance Initiative contract.
- ii Environmental works in the Swarcliffe PFI area.
- iii Funds to support the Early Leavers' Initiative.
- iv To fund the purchase of land at Holdsforth Place.
- v Contribution to decanting and demolition costs.
- vi To fund any future large insurance claims not within the scope of existing cover.
- vii To fund future pressures associated with the Government's Welfare Reform Bill.
- viii To support the move from the current Housing Subsidy System to the new HRA Self-Financing regime.
- ix To support affordability over the 20 year term of the contract.
- x To support environmental improvements
- xi To fund projects identified by Housing Advisory Panels (HAPs)
- xii To support improvements and enhancements to the sheltered housing stock

## H5 HRA assets

### H5.1 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>Assets under construction</i>	<i>Total fixed assets</i>
Cost or valuation	1,380,027	38,929	49,409	2,881	8,060	24,862	1,504,168
Accumulated depreciation and impairment	(30,943)	(3,473)	(27,749)	-	-	-	(62,165)
Balance sheet value as at 1 April 2014	1,349,084	35,456	21,660	2,881	8,060	24,862	1,442,003
Depreciation	(29,392)	(3,623)	(5,198)				(38,213)
Additions	59,462	3	665			60,329	120,459
Donations							-
Impairments (CI&ES)	(607)						(607)
Impairments (revaluation reserve)	(6)						(6)
Revaluations (CI&ES)	6,462	150			21		6,633
Revaluations (revaluation reserve)	829	4,847					5,676
Disposals	(10,647)	(31)			(3,829)		(14,507)
Changes in classification	(12,011)				12,268		257
Cost or valuation	1,423,509	43,898	50,074	2,881	16,520	85,191	1,622,073
Accumulated depreciation and impairment	(60,335)	(7,096)	(32,947)	-	-	-	(100,378)
Balance sheet value as at 31 March 2015	1,363,174	36,802	17,127	2,881	16,520	85,191	1,521,695

### H5.2 Vacant possession values

In accordance with government guidance, council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. This adjustment factor is 31% in 2014/15 (31% in 2013/14). As a consequence the council recognises council dwellings at a value of £1,363m on the balance sheet. At vacant possession the same dwellings would have a value of £4,400m therefore recognising an economic cost to the government of providing council housing at less than open market rents of £3,037m.

## H6 HRA capital accounting

### H6.1 Capital expenditure and funding

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



## HRA capital expenditure

2013/14	£000s	2014/15
77,102	Fixed Assets	120,559
-	Long term debtors	-
520	Revenue expenditure funded from capital under statute	28
<u>77,622</u>		<u>120,587</u>

## HRA capital funding

2013/14	£000s	2014/15
35,087	Major Repairs Reserve	54,716
595	Revenue contributions	-
24,862	PFI Deferred Liabilities	55,421
17,069	Grants and contributions	10,450
9	Borrowing	-
<u>77,622</u>		<u>120,587</u>

### H6.2 Capital receipts

The Local Government Act 2003 stipulates that income from the disposal of HRA assets must be split into usable and reserved elements. The reserved element is paid over to the national pool (£5.1m in 2014/15) 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

2013/14	£000s	2014/15
20,613	Council houses	16,282
1,480	Land	131
-	Other property	538
<u>22,093</u>		<u>16,951</u>

### H7 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

<i>2013/14</i>	£000s	<u><i>2014/15</i></u>
13,245	1 April	48,891
35,615	Statutory transfer to the reserve	38,213
(35,087)	Capital expenditure charged to the reserve	(54,716)
-	Voluntary set-aside charged to the reserve	-
35,118	Transfer to/(from) the reserve	<u>17,977</u>
<u>31</u>		<u>(36,739)</u>
48,891	31 March	<u>50,365</u>

### H8 **Excepted items**

There are certain topics that councils have to report on but that do not affect Leeds City Council's Housing Revenue Account for 2014/15. This note schedules those topics.

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



# The Collection Fund

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

2013/14	Summary income and expenditure account £000s	2014/15	notes
	<i>Income</i>		
(278,317)	Council tax	(288,826)	
571	Council tax benefits	181	C2
7	Transitional relief	1	
(277,739)		(288,644)	
(369,215)	Business rates	(359,855)	
1,279	Transitional protection payments	3,920	
(367,936)		(355,935)	
(645,675)		(644,579)	
	<i>Expenditure</i>		
	Council Tax - payments to precepting authorities:		
234,730	Leeds City Council	246,580	
28,132	West Yorkshire Police Authority	29,557	
11,920	West Yorkshire Fire and Civil Defence Authority	12,278	
274,782		288,415	C3
(1,562)	Council tax - provision for uncollectable amounts and write-offs	2,889	
	Business rates - payments to precepting bodies:		
178,724	Central Government share	186,373	
175,296	Leeds City Council	183,231	
3,577	West Yorkshire Fire and Civil Defence Authority	3,732	
1,234	Costs of collection	1,235	
358,831		374,571	
	Business rates - other expenditure:		
3,899	Provision for uncollectable amounts and write-offs	4,366	
23,095	Provisions for appeals against Business Rates valuations	18,378	
26,994		22,744	
13,370	(Surplus) / deficit	44,040	
2013/14	Collection Fund balances £000s	2014/15	
(217)	1 April	(13,587)	
(13,370)	Surplus / (deficit) for the year	(44,040)	C5
(13,587)	31 March	(57,627)	

# 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 2014/15 there were an estimated 341,506 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 2014/15 the tax base for Leeds was 211,767 properties and this was used to calculate the Band D council tax of £1,341.49, sufficient to generate the income required to cover the net expenditure of the three authorities that precept on the Collection Fund. The table below shows the number of properties in each band and the number of Band D equivalent properties (the tax base).

### Council tax base

<i>Band</i>	<i>number of properties in the band</i>	<i>less exempt properties</i>	<i>chargeable dwellings</i>	<i>adjusted chargeable dwellings (i)</i>	<i>proportion of Band D council tax</i>	<i>Band D equivalent dwellings</i>
A (ii)	134,698	(5,607)	129,091	75,037	6 / 9	49,993
B	72,582	(4,511)	68,071	52,956	7 / 9	41,188
C	65,499	(2,003)	63,496	54,269	8 / 9	48,239
D	32,525	(1,002)	31,523	28,405	1	28,405
E	19,649	(345)	19,304	17,978	11 / 9	21,973
F	9,389	(84)	9,305	8,772	13 / 9	12,670
G	6,536	(53)	6,483	6,159	15 / 9	10,265
H	628	(12)	616	586	18 / 9	1,172
	<u>341,506</u>	<u>(13,617)</u>	<u>327,889</u>	<u>244,162</u>		<u>213,905</u>
						Allowance for non-collection (2,139)
						Defence-exempt properties 1
						<u>211,767</u>

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

## C2 Council tax benefits

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

The figures shown in the Collection Fund for Council tax benefits for 2013/14 and 2014/15 relate to retrospective adjustments to previous years' benefit entitlement, where changes in circumstances have subsequently been identified.

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

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

<i>2013/14</i>	£000s	<u><i>2014/15</i></u>	
	Leeds City Council		
235,804	Annual precept	244,151	
(1,074)	Payment of council tax surplus	2,429	
234,730			246,580
	West Yorkshire Police Authority		
28,256	Annual precept	29,266	
(124)	Payment of council tax surplus	291	
28,132			29,557
	West Yorkshire Fire and Civil Defence Authority		
11,970	Annual precept	12,155	
(50)	Payment of council tax surplus	123	
11,920			12,278
274,782			288,415

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

### C4 Business rates tax base

The total rateable value for non-domestic properties within the authority at 31<sup>st</sup> March 2015 was £922,191k (£934,060k at 31<sup>st</sup> March 2014), and the national business rate multiplier for the year was set by the government at 48.0p in the pound for 2014/15 (47.1p in the pound for 2013/14).

### C5 Analysis of Collection Fund balances

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

<i>2013/14</i>		<i>2014/15</i>		
<i>Total</i>	£000s	<i>Council Tax</i>	<i>Business Rates</i>	<i>Total</i>
(217)	1 April	4,302	(17,889)	(13,587)
(13,370)	Surplus / (deficit) for the year	(2,660)	(41,380)	(44,040)
(13,587)	31 March	1,642	(59,269)	(57,627)

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



