



Leeds  
CITY COUNCIL

# Statement of Accounts 2018/19

Revised figures as at 25<sup>th</sup> July 2019







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# Narrative Foreword

## by the Chief Finance Officer

The information contained within the Council's Statement of 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 2018/19 and its financial outlook. The foreword also aims to set this financial performance in the context of the council's overall strategic objectives and its performance in delivering its services.

### 1 The Council's vision and ambitions for Leeds

Our vision is for Leeds to be the best city in the UK: one that is compassionate with a strong economy, which tackles poverty and reduces inequalities. We want Leeds to be a city that is distinctive, sustainable, ambitious, fun and creative for all, with a council that its residents can be proud of - the best council in the country.

Although Leeds is now experiencing strong economic growth, not everyone in the city is fully benefitting yet from this success. Leeds is a growing city with a population estimated at 785,000, and one where recent demographic change has seen the proportion of young people in our community increase significantly, and it is some of the most deprived communities which are the fastest growing and with the youngest age profile. In recent years Leeds has had one of the fastest rate of private sector jobs growth of any major UK city, with the largest concentration of financial and professional services and digital jobs in any UK city outside London. However there are still significant issues of poverty and deprivation within the city, and levels of health and wellbeing are inextricably linked with deprivation. These disparities drive our overall strategic focus of tackling poverty and reducing inequalities, and leads to the council's twin ambitions for the city and for itself as an organisation:

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

These overall aims feed into the council's planning and budget setting processes, ensuring that the available resources are aligned to best meet the council's strategic objectives.

#### 1.1 Where to find more information about the council

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

## **2 The council's organisation and governance**

### **2.1 Organisation**

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

Operationally, the council is divided into five directorates, covering particular areas of service provision. For 2018/19 these were Adults and Health, Children and Families, Resources and Housing, City Development, and Communities and Environment. The council's senior management team, known as Corporate Leadership Team, is made up of the Chief Executive and the five departmental directors. Working closely with the Corporate Leadership Team are three further senior officers who hold statutory responsibilities – the Director of Public Health, the City Solicitor and the Chief Financial Services Officer.

### **2.2 Corporate governance**

Like any organisation, the council's corporate governance arrangements are a key factor in ensuring that it can achieve its strategic objectives and secure economy, efficiency and effectiveness in delivering its services. Councils are required to carry out an annual review of the effectiveness of their corporate governance arrangements. The result of this review, the Annual Governance Statement, is published on the council's website alongside this statement of accounts.

## **3 The audit and public inspection of councils' accounts**

Local authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability the council is required to produce a set of accounts in order to inform you, as a stakeholder of the council that we have properly accounted for all of the public money we have received and spent, and that the financial standing of the council is on a secure basis. In order to provide assurance that the final published accounts can be relied upon, they must be audited by independent auditors who report on their conclusions. The council's auditors for 2018/19 are Grant Thornton UK LLP.

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

## **4 The council's financial performance and position**

### **4.1 What is included in the Statement of Accounts**

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

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

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

Each of the main statements is preceded by a short note describing its purpose, and they are followed by notes which give more information on some of the figures included in the statements. These include a note called the expenditure and funding analysis, which aims to show the differences at a directorate level between the net expenditure chargeable to general reserves and the net expenditure on a proper accounting basis as it appears in the income and expenditure account.

The main statements are supplemented by two further sections:

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

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

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

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

## 4.2 The council's financial performance for the year

As noted in section 4.1 above, the council is required to produce its Comprehensive Income and Expenditure Statement on the basis of accounting standards, but the net income or expenditure which affects its general fund and HRA reserves is then adjusted by statutory items. The council sets its budget for the year on the basis of the amounts chargeable to the general fund reserve and to HRA reserves. The council's financial performance against its budget for the year will be reported to the Executive Board on 26<sup>th</sup> June 2019 (a copy of the report will be available on the council's website). The overall outturn position is an underspend of £3.0m on the £510.9m

budget for service expenditure. As the 2018/19 budget incorporated an agreed contribution of £1.0m to general reserves and £1.7m was subsequently released from the general fund reserve during the year to support childrens' services, this underspend resulted in a contribution to the general fund reserve of £2.3m.

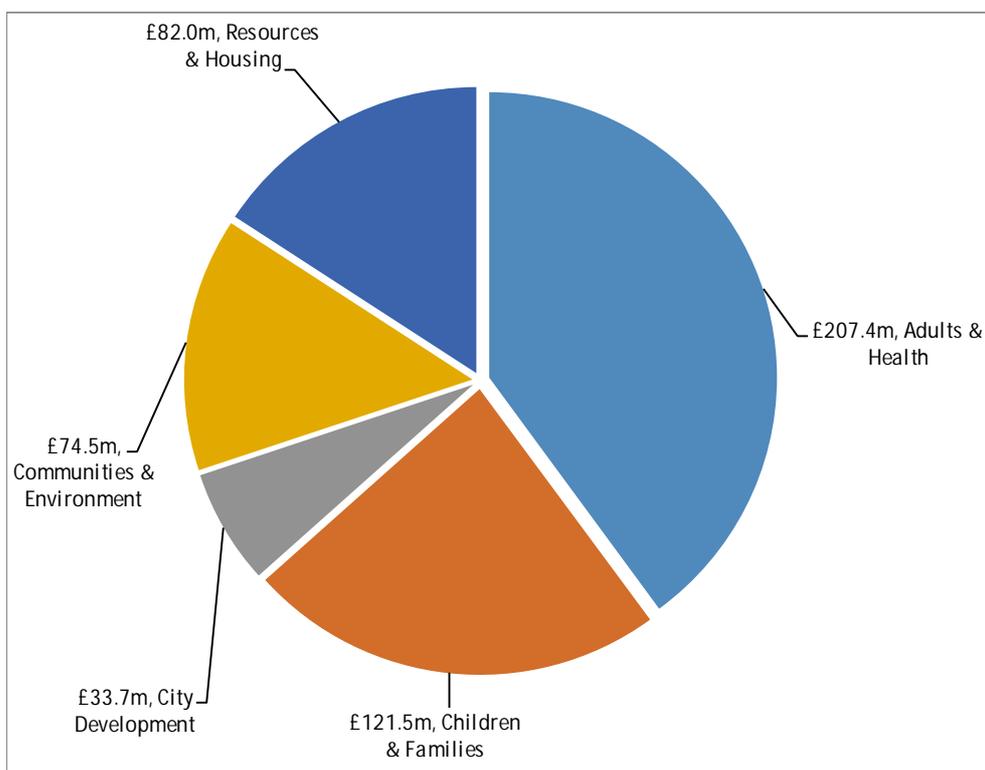
The 2018/19 Comprehensive Income and Expenditure Statement takes a wider and more long term view of the financial performance of the council, and shows a deficit for the year of £272.9m (a £436.7m surplus in 2017/18). This deficit represents the amount that the council's net worth has decreased over the year. This is shown on the Balance Sheet as a reduction in assets net of liabilities between 31st March 2018 and 31st March 2019.

#### a The 2018/19 budget

The 2018/19 budget was set in the context of continuing reductions in government funding together with inflationary and other pressures on spending, resulting in the council needing to identify significant savings. These ongoing factors were able to be partly offset in the 2018/19 budget by additional income which arose due to the Leeds City Region group of local authorities being successful in its bid to pilot a 100% business rates retention pool for the year. In addition, the council made use of a 2% Adults Social Care precept to help to address pressures and priorities within the adults social care budgets. Implementation of the Best Council Plan continues to inform, and be informed by, the total funding available to the council and staffing and other resources.

The ongoing need to make additional savings over successive years has again meant the council has had to make some difficult decisions around the level and quality of services, and this will continue into the future.

The pie chart below shows the breakdown of the council's budgeted net managed expenditure between directorates for 2018/19. Net managed expenditure represents the budgets under the control of individual directorates and excludes items such as capital charges and pensions adjustments. In 2018/19 the council spent 63.4% of its resources on Children's Services and Adult Social Care, which reflects our priority of supporting the most vulnerable across the city.



## **b Performance against budget for the year**

Whilst recognising that the Comprehensive Income and Expenditure Statement provides a number of important indicators of the financial health of the council, it is the £3.0m underspend and the resulting £2.3m surplus which has the immediate impact on local taxpayers and dictates the level of available General Fund reserves.

The most significant factor in the underspend of £3.0m was a saving of £7.9m in the debt budget within the Strategic and Central Accounts, largely as a result of funding capital expenditure on PFI lifecycle costs from borrowing rather than applying grant funding as has been done in previous years. At a directorate level, there were overspends of £2.4m in Children and Families where the major area of overspend was in the budget for Children Looked After, and £1.9m in City Development, where the return on the commercial asset portfolio did not increase to the extent which had been budgeted for. Of the remaining directorates, Adults and Health achieved a balanced position, with Resources and Housing recording a small overspend and Communities and Environment recording a small underspend.

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

In addition to the in-year contribution to £2.3m to the General Fund reserve, the other main factors which have contributed to the decrease in the net worth of the council are:

- i) The Comprehensive Income and Expenditure Statement receives impairment charges, which reflect where the value of assets has fallen either because of falls in prices or because of deterioration in the assets. Any reversals of impairments recognised in previous years are credited to the account. For 2018/19, net impairment amounted to £70m (in comparison to net credits of £36m in 2017/18). The impairment accounted for in 2018/19 reflects reductions in the values of assets held on a depreciated replacement cost basis, and the writing out of spend which does not increase the carrying value of assets. The 2017/18 net credit was largely attributable to a £20m gain for the reversal of previously recognised impairments to HRA dwellings, reflecting continuing rises in the market value of residential properties in Leeds.
- ii) The Comprehensive Income and Expenditure Statement also receives a charge for the depreciation of fixed assets. This charge is an indication of the cost the council will have to incur, through borrowing and its repairs and maintenance budgets, in order to maintain the standard of our buildings and other assets. For 2018/19 this amounted to a cost of £109m (£101m in 2018/19).
- iii) For 2018/19 the council's net pensions liability has increased, resulting in a £261m net debit to the reported bottom line of the Comprehensive Income and Expenditure Statement. Although there has been an increase in the council's pension fund assets, this has been more than offset by a significant increase in the actuarial valuation of the fund's future liabilities. The actuaries forecast assumptions for inflation and future rates of increase in pensions and salaries at the balance sheet date have resulted in a higher current valuation for the pension liabilities. Estimated liabilities of £47m have also been included for two issues where it is known that the Local Government Pension Scheme rules will need to be changed, but the exact nature of the change is not yet known. These two anticipated rule changes are to address age discrimination (following the 'McCloud ruling') and potential sex discrimination (in relation to Guaranteed Minimum Pensions accrued by individuals who were contracted out of the State Second Pension before April 1997). For consideration of how the net pensions liability compares with the latest actuarial review of the pension fund see section 4.2 (Financial Position as at 31st March 2019) below.

- iv) The Comprehensive Income and Expenditure Statement also records changes in the valuations of fixed assets. In 2018/19 these amounted to gains of £82.2m (gains of £516.3m in 2017/18). 2017/18 was an unusual year with significant revaluation gains being recognised, and the more modest revaluation gains for 2018/19 reflect a more usual pattern.
- v) Under International Financial Reporting Standards (IFRS) any grants for which any conditions imposed by the granting body have already been met, or where there is a reasonable expectation that the conditions will be met, must be recognised in the CI&E account. This means that capital grants received are recognised as income in the CI&E account, but due to statutory restrictions on how they can be spent they are then carried forward on the balance sheet as earmarked capital reserves to meet planned expenditure in future years. For 2018/19, £143.4m of income from capital grants was recognised.
- vi) The Comprehensive Income and Expenditure Statement also recognises any gains or losses on the disposal of fixed assets. For 2018/19 this amounted to a loss of £110.1m (£52.3m in 2017/18), and included a £118m loss arising from the transfer of a number of schools to become academies. The council has no choice in whether to transfer these assets and does not receive any consideration for their transfer.
- vii) Whilst the precepts relating to council tax and business rates credited to the General Fund each year are fixed when the budget is set, the Comprehensive Income and Expenditure Statement reflects the actual council tax and business rates income received during the year. For 2018/19, the income recognised from business rates was £3.7m lower than the precept set for the year, and council tax income recognised was £1.0m lower than the level of the precept. Further information on the performance of the Collection Fund for the year is given in section 4.4 (ii) below.

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

### 4.3 Financial position as at 31st March 2019

As identified in the CI&E a/c, the council's assets net of liabilities have fallen in value by £288.6m and now stand at £1,369.7m. Whilst section (c) above identifies the main reasons for this decrease, 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 2019:

- The council's overall net pensions liability has risen by £261m to £1,539m. The majority of the net liability relates to the council's share of the pension deficit on the West Yorkshire Pension Fund and represents the difference between the value of the council's pension fund assets at 31st March 2019 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 2016. Whilst the actuarial review is done on a forward looking basis, in contrast to the net

liability in the annual accounts which does not take into account expected future earnings from assets, it does provide a better indication of the future standing of the pension fund based on the fund's position at 31<sup>st</sup> March 2016. That actuarial review concluded that the pension fund was 94% funded, with a predicted deficit for the whole of the West Yorkshire Pension Fund of £743m. Based on the actuarial review, the council has established appropriate employer contribution rates in order to move the fund towards a fully funded position over a 22 year recovery period. The next actuarial review of the pension fund will be carried out as at 31<sup>st</sup> March 2019, and its outcome will impact on employer contribution rates from 2020/21 onwards.

- Overall the value of the council's tangible and intangible fixed assets have risen by £81m. There are a number of factors affecting the value of our assets but as outlined in section a (ii), (iv) and (vi) above the largest impacts are due to the depreciation, revaluations and the disposal of assets, 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 expenditure in year of £328m.

It is also worth noting that the overall market value of the council's assets is considerably higher than the balance sheet value, which reflects existing use for operational assets. In particular the market value of our housing stock is around £5.3bn (current social value £2.1bn) and our infrastructure assets are currently only recognised at depreciated historic cost (£820m) when their current value would run into billions of pounds.

- Creditors have increased by £38.2m, including an increase of £20.3m in income received in advance. This includes £9.8m held on behalf of the Leeds City Region Business rates Pool and an additional £2.7m held on behalf of the West Yorkshire Road Casualty Reduction Partnership.
- Debtors have increased by £19.2m. Within this figure there has been a £3.9m increase in reclaimed VAT due to the council, an increase of £7.2m in debtors from the West Yorkshire Combined Authority relating to agreed contributions to capital projects, and an increase of £5.6m in business rates debtors, which arises due to the 100% business rates pool. Under the 2018/19 pool, 99% of total business rates debtors are attributable to the council, rather than 49% as was the case in previous years.
- Overall the council's usable reserves have risen from £280m in 2017/18 to £312m in 2018/19, an increase of £32m. The majority of these £312m of useable reserves are ring fenced (£252m) and are not available to support general expenditure. The main ring fenced reserves as at 31<sup>st</sup> March 2019 are:
  - School based reserves £22m;
  - Revenue and capital grants received in advance of planned expenditure £142m;
  - Housing Revenue Account reserves £22m, statutorily ring fenced to the provision of local authority housing;
  - Major repairs reserve £24m, ring fenced to major repairs to council houses;
  - Useable Capital Receipts reserve £42m, to finance capital expenditure, partly ring fenced to council houses.

The remaining £59m of reserves is made up of the £28m General Fund reserve and £31m of earmarked reserves.

- Overall debt net of treasury management investments stands at £2,671m (£2,587m in 2017/18) made up of long term borrowing £1,747m (£1,554m in 2017/18), borrowing repayable on demand or within one year of £412m (£471m in 2017/18), credit arrangements under Private Finance Initiative (PFI) schemes of £588m (£612m in 2017/18) and finance lease liabilities of £0.02m (£0.02m in 2017/18). The council held

treasury management investments of £30.0m at the end of the financial year (£7.5m in 2017/18), and cash equivalents (consisting of deposits in instant access bank accounts) of £46.3m (£42.4m in 2017/18).

The level of overall net debt has increased by £84m from 2017/18. The main movements in respect of this debt position are:

- An increase of £108m 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;
- A decrease of £24m in PFI liabilities, reflecting repayments during the year.

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.

#### 4.4 Cash flows during the year

The cash flow statement shows how the above financial position has been reflected in cash movements during the year. Overall, there has been a small increase in the level of cash and cash equivalents held by the authority during the year. In terms of treasury management and financing activities, the turnover of short term borrowing and short term investments has remained similar to 2017/18, as the authority continues its approach of funding a proportion of its borrowing requirement from short term borrowing, and of using short term investments to maximise the benefits of short term cash surpluses during the year.

Within operational cashflows, the impact of the authority being a part of a 100% business rates retention pilot is reflected in cash inflows, with an increase in the cash received from business rates and a reduction in the cash received from government grants. There is also a significant increase in the figure for Other operating cash payments, reflecting the inclusion of a £54.6m lease premium for a 25 year operating lease.

#### 4.5 Ring-fenced accounts

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

##### i The Housing Revenue Account (HRA)

The HRA Income & Expenditure Account shows a surplus for the year of £54.7m. 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 2018/19 the statutory overrides amounted to a debit to the HRA of £56.9m, resulting in a net reduction in revenue reserves for the HRA of £2.2m (compared to a reduction of £4.0m in 2017/18). This movement largely relates to the planned use of reserves set aside in previous years.

The most significant factor in the difference between the accounting surplus of £54.7m shown on the HRA for 2018/19 and the reduction in revenue reserves of £2.2m is a transfer of £34.8m to the Major Repairs Reserve, setting aside money to fund future capital expenditure on council house repairs and to repay debt. The HRA Income and Expenditure account also includes an

£11.9m credit which reflects increases in the value of dwellings, reversing the impact of impairments charged in previous years. This credit is transferred to statutory capital reserves and does not impact on HRA reserves, as impairment on dwellings is not required to be funded by tenants.

Overall the HRA reserves stand at £21.9m as at 31st March 2019 (£24.1m as at 31st March 2018). £6.5m 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 £15.4m HRA reserve represents amounts identified as necessary to fund specific future costs, £9.7m 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 2018/19 shows a total surplus for the year of £22.1m (a surplus of £19.2m in 2017/18). This leaves the Collection Fund with negative reserves of £10.7m as at 31st March 2019 (as at the 31st March 2018 the fund had negative reserves of £32.8m). The deficit at 31<sup>st</sup> March 2019 is made up of a £1.5m deficit on council tax (in comparison to a negligible balance at 31<sup>st</sup> March 2018) and a £9.2m deficit on business rates (a £32.7m deficit at 31<sup>st</sup> March 2018).

In respect of council tax the closing deficit arose because of differences between estimated and actual levels of discounts and exemptions applied council tax bills. The in-year deficit will feed into the estimate of the Collection Fund position that is made in January 2020, and the estimated balance at that point in time will be taken into account when determining the council tax for the 2020/21.

The 2018/19 business rates precepts from the Collection Fund were set taking into account the £27m deficit projected for 2017/18, and thus the improved position on business rates for 2018/19 reflects this planned £27m contribution less an in-year deficit on income of £3.7m. This deficit has arisen due to the higher than expected cost of reliefs (£2.8m), particularly for small businesses, for which the Council receives partial compensation by way of grants into its General Fund, and reliefs for charities, for which no compensation is received. The cost of reductions in rateable values arising from appeals by ratepayers and other reductions initiated by the Valuation Office were also higher than expected (£4.2m). However these additional costs were partially offset by higher than expected business growth in the city (£1.2m) and the lower than expected costs of bad debts (£2.1m). The 2019/20 precept was set to recover a projected deficit at the end of 2018/19 of £3.4m. The element of the £9.2m 2018/19 actual deficit which will remain to be addressed by the end of 2019/20 is therefore £5.8m, of which the council will bear 99%.

The percentage of local taxation collected in year was 96.1% for council tax (96.1% in 2017/18) and 97.8% for business rates (98.0% in 2017/18).

## 4.6 Leeds City Council's group

Although the council has a number of subsidiaries and associates, these are small organisations and so do not give rise to a requirement to produce group accounts. The council has two subsidiary charitable companies, Leeds Grand Theatre Ltd and the Craft Centre and Design Gallery Ltd. It also has three associates - Belle Isle Tenant Management Organisation Ltd, Green Leeds Ltd, and The Leeds Groundwork Trust. There have been no financial issues affecting any of these organisations which materially impact on the council's financial position in 2018/19.

The council also has two joint ventures, NPS Leeds Ltd and Merrion House LLP. NPS Leeds Ltd is not material to the council's financial position, and Merrion House LLP is fully included in its

single entity financial statements at fair value and does not give rise to a requirement for group accounts as there would be no significant.

Since 2015/16 the Code has required local authority maintained schools to be treated as part of a local authority's group, but to be included within its single entity financial statements. This means that the council is required to recognise on its balance sheet any school properties which are deemed to be assets of the individual school governing bodies, as well as those which are its own assets. This requirement has led to the council recognising £401m of assets owned by school governing bodies on its balance sheet at 31<sup>st</sup> March 2019. 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.

## **5 The council's strategic objectives and performance**

### **5.1 The Best Council Plan for Leeds**

The Council's strategic objectives are set out in the Best Council Plan, which can be accessed via the council's website at <http://www.leeds.gov.uk/>. The documents available include our Best Council Plan 2018-19, which explains our priorities and proposed performance measures for the coming year, and a summary document which explains how the Best Council Plan is reflected in the 2018/19 Budget. The budget was developed in conjunction with the Best Council Plan, ensuring that the council's strategic objectives and its allocation of resources both inform and are informed by each other. This means that the annual budget and medium-term financial strategy represent the financial expression of the council's ambitions, policies and priorities.

### **5.2 Key performance indicators**

Progress on implementing the Best Council Plan is reported on via a set of key performance indicators known as our 'Best Council Plan Scorecard'. In 2018/19, a set of over 70 indicators are in place to help measure progress over time against our ambitions of 'A Strong Economy and a Compassionate City' and being 'An efficient and enterprising organisation'. The majority of the performance indicators were taken from the supporting council and partnership plans, facilitating a consistent view of performance. Other indicators are wider and required input from our partners within the city in order to achieve success.

The key performance indicator results along with supporting commentary and comparisons against other organisations (where available) were reported each quarter to the council's corporate leadership team. A summary of the performance indicator results is also published each quarter on our website. The results from May 2019 showed progress had been made against many of the indicators, although at the same time a smaller number reported a decline in performance.

Our annual report on the council's performance against its Best Council Plan objectives for 2018/19 will be published on the council's website in the autumn.

### **5.3 Risk Management**

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

- Safeguarding of children

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

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

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

## 6 Current accounting practice and new developments

The 2018/19 accounts saw the introduction of IFRS 9 Financial Instruments which made changes to accounting for financial assets, including changing the basis of impairment provisions to an expected loss one. The council did not experience any significant impact on its spendable reserves as a result of this change. In addition, the adoption of IFRS 15 on Revenue from Contracts with Customers has required additional disclosures relating to the nature of the council's income. At this stage there are no significant changes to accounting standards applicable to local authorities anticipated for 2019/20.

## 7 Looking forward – future financial challenges

Turning to the future, there is no indication that there will be any significant improvement in the financial climate facing local authorities, or indeed the public sector as a whole in the short and medium term. The environment in which we operate continues to be one which presents significant financial challenges, including some areas of uncertainty.

The ongoing uncertainty over when and how the 2016 Referendum decision for Britain to leave the European Union will be implemented is a significant factor. In addition to the potential impacts on the wider economy which are a factor for all organisations, the government's focus on this one issue has led to delays in the expected spending review and in other decisions which will affect future funding for local authorities.

2018/19 was the third year covered by the government's 2015 Spending Review, which set out plans for spending on public services by all government departments through to 2019/20. Funding for individual local authorities beyond this date will be subject to both the overall government spending review, and to its Fairer Funding review, which is considering the ways in which total local government funding is divided between local authorities.

On a more positive note, following the Leeds City Region Business Rates Pool's successful bid to pilot 100% business rates retention for 2018/19, a wider North and West Yorkshire Business Rates pool has been successful in bidding for a 75% business rates retention pilot for 2019/20. The council's participation in this wider pool is reflected in additional income within the council's 2019/20 budget than would otherwise be the case, although it does also increase the level of risk to income for councils. It is not yet clear whether the pilot arrangements will continue beyond 2019/20, or whether the government's current intention to introduce a 75% retention scheme for all councils will apply from 2020/21 onwards.

In addition to the reductions in our core funding, it is expected that the demand for many of our services, particularly for adults' and childrens' social care, will continue to grow. We can also expect to have to deal with the continuing effects of inflation on costs, and reductions in income from specific government grants and partner funding. The Council continues to make every effort to protect the front line delivery of services and to avoid large scale compulsory redundancies. Through targeting resources into preventative services the Council has ensured that the implications of demand and demographic pressures which have resulted in significant cost pressures in other local authorities have been contained within Leeds. Whilst we have been able to balance the budget each year since 2010 and continue to deliver a broad range of services despite declining income, it is clear that it will become increasingly difficult over the coming years to identify further financial savings without making significant changes in what the Council does and how it does it. In order to deliver the Council's ambitions of tackling poverty and reducing inequalities, consideration may have to be given to stopping, delivering differently or charging for those services that are no longer affordable and are a lesser priority than others. This will be explored through a continuing process of policy and service reviews across the Council's functions and ongoing consultation and engagement

# Statement of Responsibilities

## 1 The City Council's responsibilities

The City Council is required to:

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

## 2 The Chief Finance Officer responsibilities

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

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting;
- assessed and confirmed that the accounting concept of a 'going concern' continues to be an appropriate basis for the preparation of the council's accounts.

The Chief Finance Officer has also:

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

## 3 Certification of the accounts

I certify that the Statement of Accounts gives a true and fair view of the position of Leeds City Council at 31st March 2019 and its income and expenditure for the year ended 31st March 2019.

Victoria Bradshaw FCCA  
Chief Finance Officer  
26<sup>th</sup> July 2019

## 4 Approval of the accounts

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

Councillor Andrew Scopes  
Chair, Corporate Governance and Audit Committee  
26<sup>th</sup> July 2019

# 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 2018/19 (the Code). The Code constitutes a “proper accounting practice” under the terms of section 21(2) of the Local Government Act 2003. The Code is based on approved accounting standards, except where these conflict with specific statutory accounting requirements, so that the authority’s accounts present a ‘true and fair’ view of the financial position and transactions of the authority.

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

## 1 Fundamental accounting concepts

### 1.1 Qualitative characteristics of financial information

#### a Relevance

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

#### b Reliability

The financial information is a faithful representation, as it

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

#### c Comparability, verifiability, timeliness and understandability

These accounts are based on accounting concepts, treatments and terminology which require reasonable knowledge of accounting and local government. However, every effort has been made to use plain language and where technical terms are unavoidable they have been explained as they occur. Any estimates required are based on the best information available at the balance sheet date. The accounts are produced in compliance with the Code and in line with statutory timescales, enabling comparison with the financial position of other local authorities.

### 1.2 Materiality

As allowed under the Code, the concept of materiality has been utilised in preparing these accounts. Information is material if omitting or misstating it could influence the decisions that users may make on the basis of the accounts. The Code permits authorities not to comply with specific disclosure requirements or accounting principles where the information is not material to the ‘true and fair’ view of the financial position and financial performance of the authority, and to the understanding of users.

### 1.3 Pervasive accounting concepts

#### a Accruals

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

#### b Going concern

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

#### c Fair value

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

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

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

#### d Primacy of legislative requirements

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

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

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

## Accounting policies and estimation techniques

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

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

### 2 Accruals of income and expenditure

- a Employee costs are charged to the accounts of the period within which the employees worked. Accruals have been made for wages earned but unpaid at the year-end.
- b Interest payable on external borrowings and interest income is accrued and accounted for in the period to which it relates on a basis which reflects the overall economic effect of the borrowings. In accordance with the accounting requirements for financial instruments, accrued interest is added to the balance of the instrument to which it relates rather than being shown within short term debtors and creditors.
- c Expenditure on supplies and services is accrued and accounted for in the period during which they are consumed or received. Accruals have been made for all material sums unpaid at the year end for goods or services received or work completed.
- d Revenue from contracts is recognised when the authority satisfies a performance obligation under a contract, at the transaction price relating to that performance obligation. This means that revenue from the sale of goods is recognised when the purchaser obtains control of the goods from the authority. Similarly, revenue from the provision of one-off services is recognised when the service has been provided. Revenue from on-going services provided over time is recognised over time by measuring the progress towards complete satisfaction of a performance obligation, to the extent that the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- e Income from non-exchange transactions is recognised when the obligating event that triggers the payment to the authority has taken place and it is probable that the authority will receive the flow of economic benefits from the transaction, provided that the amount of revenue due can be measured reliably. Accruals are raised where such income should be recognised but has not yet been received.
- f For non-exchange transaction debtors, which are not financial instruments, the carrying amount has been adjusted by an impairment provision for doubtful debts, which should be provided for, and known uncollectable debts have been written off in full. For financial instrument debtors, the carrying amount is adjusted by an allowance for expected credit losses.

### **3 Provisions and contingencies**

- a Provisions have only been recognised in the accounts when there is a legal or constructive obligation to transfer economic benefits as a result of a past event, and where such an amount can be reliably estimated. Provisions are charged to the revenue account and are included in either long term or short term liabilities on the Balance Sheet as appropriate. When expenditure is incurred to which the provision relates, it is charged directly to the provision.
- b Where a material contingent loss cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included within the financial statements but is disclosed in explanatory note 4.
- c Where a material contingent gain is identified it is not accrued for within the accounting statements but is disclosed in section 13 of the explanatory notes.
- d The authority accounts for the estimated cost of settling self-insured risk by way of an insurance provision.

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

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

The only item which the council currently has within Other comprehensive income and expenditure which is reclassifiable to the Surplus or deficit on provision of services is Gains or losses on the revaluation of financial assets held at fair value in other comprehensive income. This is not currently sufficiently material to require a separate grouping.

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

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

### **6 Grants and contributions**

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

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

capital grants, which are credited to General government grants in the Comprehensive Income and Expenditure Statement.

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

## **7 Employee Benefits**

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

Paragraph 10 below covers accounting for pensions.

Potential liabilities arising in relation to unequal pay claims have been treated in accordance with the authority's policies on provisions and contingencies (see 3 above).

## **8 Financial instruments – financial assets**

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

Financial assets in the classification 'amortised cost' are valued on recognition at fair value (usually the cost of acquisition), and are subsequently valued at amortised cost less an allowance for expected credit losses. No allowance for expected credit losses is recognised where the counterparty is the government or another local authority. Assets held at amortised cost are included in the Balance Sheet within either long term debtors, long term investments, current debtors or current investments. Interest receivable on financial assets is credited to the income and expenditure account at the effective interest rate arising from the amortised cost calculation. Any accrual of interest at the balance sheet date is included within the value of the relevant financial assets rather than being shown as a separate debtor.

Where the authority makes a loan at less than the prevailing market interest rate (a 'soft loan'), the fair value on recognition is taken to be the estimated present value of all future cash receipts discounted using the prevailing market rate. The amount by which the value 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.

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

Financial assets classified or designated as held at fair value through other comprehensive income are valued in the Balance Sheet at fair value, and are included in the long term investments category. Where such assets are quoted in an active market, the quoted market price is taken as fair value. If no market price is available, then fair value is estimated using the best available information. Unrealised gains and losses arising as a result of changes to the fair value of assets held at fair value through other comprehensive income are recognised in the

Comprehensive Income and Expenditure Account but are transferred to the Financial Instruments Revaluation reserve and so do not impact on usable reserves. Impairments to the value of assets held at fair value through other comprehensive income recognised in the Comprehensive Income and Expenditure Account are also transferred to the Financial Instruments Restatement reserve where a balance is available, or are otherwise charged to usable reserves.

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

## **9 Leases**

### **9.1 Finance leases**

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

Rentals payable under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease. The amount of outstanding principal has been recognised on the balance sheet as a deferred liability with a corresponding entry into the appropriate category of long term assets to recognise the asset acquired under the lease. Assets recognised under finance leases are subsequently accounted for in accordance with the accounting policies of the relevant class of assets to which they belong – please see paragraphs 18 – 21 below.

The amount due from a lessee under a finance lease is recorded as a long-term debtor at the amount of the net investment. The lease payments under a finance lease are allocated to accounting periods to give a constant periodic rate of return to the net investment in the lease in each period. Assets which are subject to finance leases out are treated as disposals and derecognised from the balance sheet.

### **9.2 Operating leases**

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

Rental income from operating leases is recognised on a straight-line basis over the period of the lease. Assets held for use in operating leases are recorded as property plant and equipment or investment property on the balance sheet. Any initial direct costs incurred in arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

## **10 Overheads**

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

## 11 Reserves

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

The exceptions allowed by the code and by statute are:

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

## 12 Pensions

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

### 12.1 Defined benefit schemes

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

Within the Comprehensive Income and Expenditure Statement, service revenue accounts and trading services have been charged with their current service cost, which represents the extent to which pensions liabilities have increased as a result of employee service during the year. Past service costs, settlements and curtailments are included within the Central Accounts line in net cost of services. The net interest cost on the net pension liability has been included in financing and investment income and expenditure, and the remeasurement of the net pension liability is included within other comprehensive income and expenditure.

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

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

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

## 12.2 **Defined contribution schemes**

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

## 13 **Cash and cash equivalents**

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

## 14 **Inventories**

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

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

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

## 16 **Associated and subsidiary companies and joint ventures; group accounts**

The local authority group has been determined by reference to the definitions of subsidiaries, associates and joint ventures in the Code (see the preamble to this statement). These definitions are consistent with International Financial Reporting Standards. At the balance sheet date, the entities within the council's group are either not sufficiently material to require it to produce separate group accounts, or would show no material differences if shown on a group accounts basis.

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

## 17 **Intangible assets**

### 17.1 **Recognition and Measurement**

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

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

## **18 Property, plant and equipment**

### **18.1 Recognition**

All expenditure on the acquisition, construction or enhancement of property, plant and equipment, as defined by the Accounting Code of Practice, has been capitalised and classified as a long-term asset, where the asset brings benefit to the authority for a period of more than one year. This includes both economic benefit and benefits derived from service potential.

### **18.2 Measurement**

Operational land and properties are valued on the basis of current value in existing use, unless there is no market based evidence of their current value due to their specialist nature, in which case their current value is estimated on a depreciated replacement cost basis. In particular, and in accordance with Department for Communities and Local Government guidance, council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. Consequently council dwellings are included in the balance sheet at 41% of current value. Some council house valuations are a combination of current value in existing use (adjusted by the regional adjustment factor) and historic cost. These are new build or newly acquired properties, which are deemed to be operational but have yet to be given an existing use value. Given the volume of properties in this class of asset the council has determined it more efficient to value all such properties together on an annual basis as at 30<sup>th</sup> September. These properties will be valued the following 30<sup>th</sup> September when they will be given an existing use value.

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

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

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

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

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

### **18.3 Estimation**

In accordance with the Code, all valuations are subject to regular review, over a period of at most five years. The authority revalues all of its council houses and all of its assets held at

depreciated replacement cost on an annual basis. The remaining assets are revalued under a five year rolling programme.

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

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

For practical reasons, valuations are carried out as at 30<sup>th</sup> September and are reviewed at the balance sheet date to confirm that they are still appropriate.

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

#### 18.4 **Basis of charge for use of property, plant and equipment assets**

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

- i A depreciation charge for all property, plant and equipment other than non-depreciable land.

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

- vehicles, plant and equipment between 3 and 10 years
  - listed buildings 100 years
  - schools 60 years
  - libraries, administration offices and council houses 60 years
  - car parks 60 years
  - farms, golf clubs, cemeteries and markets 60 years
  - all other significant properties 60 years
  - infrastructure assets 30 years
  - Garages/Garage Plots 25 years
- ii Assets have been reviewed for any impairment loss in respect of consumption of economic benefit. Where an impairment loss has occurred, it has been firstly written down against any previous revaluation gains. Where there are no previous revaluation gains, such losses are charged to the service revenue account.
  - iii The basis for charging the external cost of capital financing to the Housing Revenue Account (HRA) is the Item 8 determination made under Part 6 of the Local Government

and Housing Act 1989. This requires long term loans to be allocated between the HRA and the General Fund, and for the HRA to receive an appropriate share of overall short term borrowing costs.

Authorities are also required, by the Accounts and Audit Regulations 2015, to establish and maintain the Major Repairs Reserve (MRR). The main credit to the MRR is an amount equivalent to the total depreciation charges for all HRA assets. The Item 8 determination allows that where depreciation charges for HRA dwellings are greater than or less than the specified amount deemed necessary to carry out major repairs to the properties for the year, an amount equal to the difference may be transferred between the HRA and the Major Repairs Reserve.

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

## 18.5 Componentisation of property assets

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

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

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

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

## 18.6 Derecognition of property, plant and equipment assets

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

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

## 19 Investment Property

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

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

## 20 **Assets held for sale**

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

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

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

## 21 **Heritage assets**

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

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

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

Operational heritage assets, i.e. those assets which have heritage characteristics but which are also used for operational purposes, are classified and accounted for as operational assets in accordance with accounting policy 17 or 18 as appropriate.

## 22 **Capital receipts**

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

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

## **23 Financial instruments – financial liabilities**

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

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

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

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

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

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

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

Any material events after the balance sheet date which provide additional evidence relating to conditions existing at the balance sheet date or indicate that application of the going concern concept may not be 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 31st May), the date on which the final accounts are authorised for publication (on or before 31st July), and the date on which an audit certificate is issued (if later).

## 26 Private Finance Initiatives (PFI)

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

Where the authority concludes that assets provided under PFI schemes should be recognised on its balance sheet, a corresponding deferred liability to pay for those assets is recognised. The asset provided and the corresponding liability are measured initially at the estimated cost which will be payable for the asset over the life of the PFI contract. Throughout the life of the scheme, an element of the unitary charge paid to the contractor is applied to write down the value of the deferred liability, and a further element of the unitary charge is treated as being interest payable on the outstanding deferred liability balance. For General Fund schemes, a Minimum Revenue Provision (MRP) charge is made to the General Fund Reserve, calculated on an annuity basis over the expected useful life of the assets acquired, allowing for the element of this debt repayment which has been funded by capital receipts. For HRA schemes, a statutory charge is made to the HRA revenue account equal to the repayment of the deferred liability.

Assets provided under PFI schemes which are recognised on the authority's balance sheet are subsequently accounted for in the same way as all other property, plant and equipment assets. Please see paragraphs 18.2 – 18.6 above.

## 27 Local Taxation

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

# Comprehensive Income and Expenditure Statement

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

2017/18				2018/19			notes
<i>gross expenditure</i>	<i>gross income</i>	<i>net expenditure</i>		<i>gross expenditure</i>	<i>gross income</i>	<i>net expenditure</i>	
			£000s				
129,896	54,351	75,545	City Development	150,334	52,208	98,126	
670,378	542,443	127,935	Children and Families	782,899	542,439	240,460	
328,448	128,412	200,036	Adults and Health	345,302	132,782	212,520	
126,936	14,896	112,040	Resources and Housing	119,247	15,488	103,759	5.6
143,107	245,661	(102,554)	Housing Revenue Account	161,138	243,000	(81,862)	
404,898	325,445	79,453	Communities and Environment	420,643	316,008	104,635	
44,188	14,511	29,677	Central Accounts	85,958	7,756	78,202	
<u>1,847,851</u>	<u>1,325,719</u>	<u>522,132</u>	Net cost of services	<u>2,065,521</u>	<u>1,309,681</u>	<u>755,840</u>	
		52,278	(Gain) / loss on disposal of fixed assets			110,084	5.7
		(63)	(Gain) / loss on disposal of financial assets			(130)	
		1,838	Parish Council precepts			1,923	
		6,112	Amounts payable to the Housing Capital Receipts Pool			6,175	
		<u>60,165</u>	Other Operating Expenditure			<u>118,052</u>	
		<u>582,297</u>	Net Operating Expenditure			<u>873,892</u>	
		112,044	Interest payable and similar charges			114,148	
		28,540	Net accrued interest on the net pension liability			32,152	3
		(519)	(Gain) or loss on investment properties			(17,072)	
		(1,295)	Interest and investment income			(2,306)	
		<u>138,770</u>	Financing and Investment Income and Expenditure			<u>126,922</u>	
		<u>721,067</u>	Net Expenditure after financing and investment			<u>1,000,814</u>	
		(285,528)	Council Tax Income			(299,163)	
		(152,035)	Non-Domestic Rates Income and Expenditure			(212,479)	
		(267,279)	Non-Ringfenced Government Grants			(265,166)	6
		<u>(704,842)</u>	Taxation and general government grant income and expenditure			<u>(776,808)</u>	
		16,225	(Surplus) / deficit on provision of services			224,006	
		(516,325)	(Surplus) / deficit on revaluation of fixed assets			(82,186)	
		(7,798)	(Surplus) / deficit on revaluation of financial assets			(1,029)	
		71,222	Remeasurements of the net pension liability			132,111	
		<u>(452,901)</u>	Other Comprehensive Income and Expenditure			<u>48,896</u>	
		<u>(436,676)</u>	Total Comprehensive Income and Expenditure			<u>272,902</u>	

## 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.

### 2018/19

	Usable reserves							Unusable reserves			notes
	General Fund Reserve	Earmarked GF revenue reserves	HRA Reserve	Usable Capital Receipts Reserve	Capital Grant Unapplied	Major Repairs Reserve	Total usable reserves	Statutory revenue reserves	Capital accounting balances	Total reserves	
£000s											
Balance as at 31st March 2018	25,677	50,625	24,069	38,738	110,228	31,470	280,807	(1,376,736)	2,754,251	1,658,322	
Surplus / (deficit) on provision of services	(278,738)		54,732				(224,006)			(224,006)	
Other comprehensive income and expenditure								(132,111)	83,215	(48,896)	11.1
Total comprehensive income and expenditure	(278,738)	-	54,732	-	-	-	(224,006)	(132,111)	83,215	(272,902)	
Statutory adjustments between accounting basis and funding basis	293,550	-	(56,910)	36,248	143,422	34,837	451,147	(119,405)	(331,742)	-	11.2
Statutory capital adjustments	-	-	-	25	-	28,976	29,001	-	(29,001)	-	11.3
Increase / (decrease) before transfers	14,812	-	(2,178)	36,273	143,422	63,813	256,142	(251,516)	(277,528)	(272,902)	
Transfers to/(from) earmarked reserves	(12,497)	12,497	-	-	-	-	-	-	-	-	
Transfers to fund capital expenditure	-	-	-	(33,209)	(120,434)	(71,291)	(224,934)	-	224,934	-	11.4
Increase / (decrease) during year	2,315	12,497	(2,178)	3,064	22,988	(7,478)	31,208	(251,516)	(52,594)	(272,902)	
Balance carried forward 31st March 2019	27,992	63,122	21,891	41,802	133,216	23,992	312,015	(1,628,252)	2,701,657	1,385,420	

### 2017/18

	Usable reserves							Unusable reserves			notes
	General Fund Reserve	Earmarked GF revenue reserves	HRA Reserve	Usable Capital Receipts Reserve	Capital Grant Unapplied	Major Repairs Reserve	Total usable reserves	Statutory revenue reserves	Capital accounting balances	Total reserves	
£000s											
Balance as at 31st March 2017	20,070	51,552	28,101	29,557	114,591	30,502	274,373	(1,246,463)	2,193,736	1,221,646	
Surplus / (deficit) on provision of services	(85,958)		69,733				(16,225)			(16,225)	
Other comprehensive income and expenditure								(71,222)	524,123	452,901	11.1
Total comprehensive income and expenditure	(85,958)	-	69,733	-	-	-	(16,225)	(71,222)	524,123	436,676	
Statutory adjustments between accounting basis and funding basis	90,638	-	(73,765)	34,083	113,142	43,471	207,569	(59,051)	(148,518)	-	11.2
Statutory capital adjustments	-	-	-	32	-	28,254	28,286	-	(28,286)	-	11.3
Increase / (decrease) before transfers	4,680	-	(4,032)	34,115	113,142	71,725	219,630	(130,273)	347,319	436,676	
Transfers to/(from) earmarked reserves	927	(927)									
Transfers to fund capital expenditure				(24,934)	(117,505)	(70,757)	(213,196)		213,196		11.4
Increase / (decrease) during year	5,607	(927)	(4,032)	9,181	(4,363)	968	6,434	(130,273)	560,515	436,676	
Balance carried forward 31st March 2018	25,677	50,625	24,069	38,738	110,228	31,470	280,807	(1,376,736)	2,754,251	1,658,322	

- i Following the introduction of IFRS 9 Financial Instruments as at 1<sup>st</sup> April 2018, the Code requires local authorities to include an opening adjustment in the Movement in Reserves Statement for any resulting changes to reserves. However, for the council this change has not resulted in any change to its total Capital accounting balances shown above. Further information is given in Note 18.4.

# Balance Sheet

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

31 March 2018	£000s	31 March 2019	notes
	<i>Long-term assets</i>		
5,306,299	Property, plant and equipment	5,341,519	1, 13.1
86,816	Investment property	119,806	1, 13.2
84,265	Heritage assets	97,154	1, 13.3
18,604	Long-term debtors	69,044	13.4
43,587	Long-term investments	43,583	13.5
5,539,571		5,671,106	
	<i>Current assets</i>		
157,137	Debtors	176,362	14.1
7,501	Investments	30,004	2
3,835	Inventories	4,685	
64,509	Assets held for sale	64,564	14.2
548	Carbon Reduction Commitment licences	685	
45,662	Cash and cash equivalents	47,973	14.3
279,192		324,273	
	<i>Current liabilities</i>		
(188,652)	Creditors	(226,846)	15.1
(470,897)	Borrowing repayable on demand or within one year	(411,736)	2, 16
(18,809)	Provisions for current liabilities	(33,774)	4
(678,358)		(672,356)	
5,140,405	Total assets less current liabilities	5,323,023	
	<i>Long-term liabilities</i>		
(1,553,654)	Long-term borrowing	(1,747,218)	2, 16
(1,278,275)	Net pensions liability	(1,539,312)	3, 8
(646,120)	Deferred liabilities	(648,524)	17.1
(3,954)	Provisions for long term liabilities	(2,469)	4
(80)	Capital grants receipts in advance	(80)	
(3,482,083)		(3,937,603)	
1,658,322	Total assets less liabilities	1,385,420	
	<i>Financed by</i>		
	<i>Unusable capital accounting balances</i>		
1,250,724	Revaluation Reserve	1,265,746	18.1
1,491,372	Capital Adjustment Account	1,424,040	18.2
4,207	Deferred Capital Receipts	2,894	18.3
7,948	Available for Sale Reserve	-	18.4
-	Financial Instruments Revaluation Reserve	8,977	18.4
2,754,251		2,701,657	
	<i>Usable capital funding reserves</i>		
38,738	Usable Capital Receipts Reserve	41,802	18.5
110,228	Capital grants unapplied	133,216	18.6
31,470	Major Repairs Reserve	23,992	H7
180,436		199,010	
	<i>Unusable statutory revenue reserves</i>		
(1,278,275)	Pensions Reserve	(1,539,312)	3
(72,172)	Financial Instruments Adjustment Account	(69,588)	20.1
(10,222)	Accumulated Absences Account	(11,724)	20.2
(16,067)	Collection Fund Adjustment Account	(7,628)	20.3
(1,376,736)		(1,628,252)	
	<i>Usable revenue reserves</i>		
25,677	General Fund Reserve	27,992	
24,069	Housing Revenue Account Reserve	21,891	H4
50,625	Other earmarked reserves	63,122	12
100,371		113,005	
1,658,322	Total reserves and balances	1,385,420	

# 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.

2017/18	£000s	2018/19
	Operating activities :	
	<i>Cash outflows</i>	
(786,432)	Cash paid to and on behalf of employees	(801,757)
(812,516)	Other operating cash payments	(995,222)
(142,219)	Housing Benefit paid out	(136,617)
(6,116)	Payments to the Capital Receipts Pool	(6,181)
(28,609)	Revenue expenditure funded by capital under statute	(37,080)
(1,838)	Precepts paid	(1,923)
(62,215)	Interest paid	(65,826)
(49,608)	Finance lease and PFI scheme interest paid	(47,673)
(1,889,553)		(2,092,279)
	<i>Cash inflows</i>	
1,002,935	Government revenue grants	962,446
281,473	Income from council tax	300,325
164,154	Income from Business Rates collected	370,228
177,878	Cash received for goods and services	195,947
230,519	Rents (after rebates)	229,247
65,379	Other operating cash receipts	75,378
1,554	Interest and dividends received	27,703
1,923,892		2,161,274
34,339	Net cash flow from operating activities	68,995
	Capital and financial investment activities:	
	<i>Cash outflows</i>	
(295,184)	Purchase of fixed assets	(321,578)
(269,920)	Purchase of treasury investments	(275,000)
(8,530)	Purchase of service loans and investments	(675)
	<i>Cash inflows</i>	
113,042	Capital grants received	112,865
38,232	Disposal of fixed assets	41,181
1,995	Disposal of service loans and investments	1,267
282,420	Disposal of treasury investments	252,500
(2,780)	Other capital cash receipts	13,539
(140,725)	Net cash flow from investing activities	(175,901)
(106,386)	Net cash inflow / (outflow) before financing	(106,906)
	Financing:	
	<i>Cash outflows</i>	
(850,540)	Short term loans repaid	(839,560)
(261)	Loans repaid	(41,682)
(26,024)	Finance lease and PFI scheme principal repayments	(23,901)
	<i>Cash inflows</i>	
881,240	New short term loans raised	794,360
125,000	New loans raised	220,000
129,415		109,217
23,029	Increase / (decrease) in cash and cash equivalents	2,311
22,633	Balance of cash and cash equivalents brought forward	45,662
23,029	Increase / (decrease) for the year	2,311
45,662	Balance of cash and cash equivalents carried forward	47,973



## List of Explanatory Notes to the Main Financial Statements

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

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

- Tangible fixed assets (i.e. land, buildings and equipment) which are subdivided into several categories on the balance sheet, and intangible assets.
- Borrowing and investments undertaken for capital and treasury management purposes
- Pensions liabilities
- Provisions and contingent liabilities

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

## 1 Tangible and intangible fixed assets

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

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

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

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

31/03/2018	£000s	31/03/2019
5,306,299	Property, plant and equipment	5,341,519
84,265	Heritage assets	97,154
86,816	Investment property	119,806
64,509	Assets held for sale	64,564
5,541,889	Total land, buildings and equipment	5,623,043
-	Intangible fixed assets	-
5,541,889		5,623,043

Within the above table, Investment properties are measured at their fair value and the remaining assets are measured at their current value. The fair values for investment properties have been derived from market values for similar properties in the same area and therefore fall within Level 2 of the fair value hierarchy, i.e. they are based on observable data. Further information on the valuation basis for property, plant and equipment is given in Accounting Policy 18.2.

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

31/03/2018	£000s	31/03/2019
4,896,168	1 April	5,541,889
286,258	Capital expenditure on acquisitions	328,205
	<i>Gains / (losses) recognised in Surplus/(Deficit) on the provision of services</i>	
(101,479)	Depreciation and amortisation	(109,283)
(4,505)	Impairment	(2,420)
40,834	Revaluations	(67,554)
-	Donations	-
(91,711)	Disposals	(151,241)
(156,861)		(330,498)
	<i>Gains / (losses) recognised in Other Comprehensive Income and Expenditure</i>	
518,421	Revaluations	86,178
(2,097)	Impairments charged to revaluation reserve	(2,730)
516,324		83,448
5,541,889	31 March	5,623,043

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

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

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

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

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

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

31/03/2018	£000s	31/03/2019
	Borrowing	
(1,553,654)	Long term borrowing	(1,747,218)
(470,897)	Borrowing repayable on demand or within one year	(411,736)
	Investments made for treasury purposes	
-	Long term investments	-
7,501	Investments maturing on demand or within one year	30,004
42,424	Cash equivalents	46,277
(1,974,626)	Net borrowing	(2,082,673)
	Other debt financing of fixed assets	
(612,325)	Deferred liabilities - PFI schemes	(588,424)
(16)	Deferred liabilities - finance leases	(16)
(2,586,967)	Net debt	(2,671,113)

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

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

### 3 Pensions liabilities

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

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

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

31/03/2018	£000s	31/03/2019
(1,126,906)	WYPF mainstream pensions	(1,390,825)
(65,091)	WYPF discretionary pensions	(64,072)
(1,191,997)		(1,454,897)
(86,278)	Teachers discretionary pensions	(84,415)
(1,278,275)	Net asset / (liability)	(1,539,312)

The £1,455m net liability relating to the WYPF represents the difference between the value of the council's pension fund assets at 31st March 2019 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 2019 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 2016. This concluded that the WYPF was 94% funded, and set contribution rates for the next three years which are designed to move the fund towards a fully funded position. The increase in the net pensions liability shown on the balance sheet has arisen largely as a result of changes to the financial assumptions on future inflation and the discount rate, which are used to measure the current value of future liabilities. The impact of these changes has more than outweighed higher than expected gains in the value of pension fund assets during the year. However, the figures also include estimated liabilities of £47.4m in relation to expected changes in LGPS rules, arising from two specific issues. A recent legal case in relation to the national judges and firefighters pension schemes has found that the protection given to individuals who were within ten years of retirement when the scheme rules were changed in 2014 represented unlawful age discrimination. Since similar arrangements have applied to the LGPS, the government will be required to amend LGPS rules to address this. The exact remedy which will be applied will not be known for some time and therefore the impact on the authority's pension liabilities is uncertain. The council's actuaries have estimated the impact as £38.0m, based on an assumption that the current protections would be extended to all scheme members. It is believed that this represents the most prudent approach and is in line with that taken by the Government Actuaries Department. A further estimated liability of £9.4m has been included in relation to Guaranteed Minimum Pensions accrued by individuals who were contracted out of the State Second Pension before 1997. The government has put interim arrangements in to ensure that the LGPS does not discriminate between males and females, and the estimated additional liability has been estimated on the basis that these arrangements would continue.

Under statute, local authorities are required to charge to their revenue accounts their actual pension contributions payable for the year, rather than their pensions expenditure on an IAS19 basis. As a result a statutory Pensions Reserve is maintained to reflect the difference between the accounting requirements and the statutory requirements for pensions accounting. The net pensions liabilities and the corresponding pensions reserve in the Balance Sheet represent a decrease in the overall level of reserves. However, this does not represent a decrease in the cash reserves held by the council, and does not impact on council tax levels. Under the Local Authorities (Capital Finance) (Amendment No2) (England) Regulations, local authorities are not required to fund expenditure relating to an IAS 19 based pensions reserve from council tax.

The following table shows the movements in the balance on the Pensions Reserve, indicating where these items appear within the Movement in Reserves Statement:

2017/18			£000s	2018/19		
WYPF	Teachers	Total		WYPF	Teachers	Total
(1,047,339)	(88,713)	(1,136,052)	1 April	(1,191,997)	(86,278)	(1,278,275)
<i>Statutory adjustments between accounting &amp; funding basis (from Surplus/(Deficit) on provision of services)</i>						
(48,664)	6,203	(42,461)	Adjustment for IAS19 based service expenditure	(103,128)	6,354	(96,774)
(26,314)	(2,226)	(28,540)	Net accrued interest on the pension liability	(29,991)	(2,161)	(32,152)
<i>Other Comprehensive Income and Expenditure</i>						
(69,680)	(1,542)	(71,222)	Remeasurement of the net pension liability	(129,781)	(2,330)	(132,111)
(1,191,997)	(86,278)	(1,278,275)	31 March	(1,454,897)	(84,415)	(1,539,312)

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

#### 4 Provisions and contingent liabilities

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

##### 4.1 Provisions for current and long term liabilities

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

##### Total provisions

£000s	31/03/2018	Provisions raised	Provisions used	Other Movements	31/03/2019	notes
Insurance liabilities	10,073	9,237	(8,968)	-	10,342	i
Business rates appeals	6,141	13,392	(5,004)	6,267	20,796	ii
Other	6,549	1,370	(2,672)	(142)	5,105	
	22,763	23,999	(16,644)	6,125	36,243	
Short term provisions	18,809				33,774	
Long term provisions	3,954				2,469	
	22,763				36,243	

i The insurance provision covers the value of insurance claims for which the council estimates that it has a potential legal liability. Employee, public liability and motor third party liability claims are covered by external insurance policies which limit the council's maximum liability on individual claims to £509k (£153k for motor third party liability claims). The council is also limited to a maximum total liability across all employee and public liability claims of £15.6m for claims relating to incidents between 1<sup>st</sup> April 2016 and 31<sup>st</sup> March 2019. For earlier years the council's maximum total liability for each individual year varies between £10m and £15.3m. Included within the provision is £1.3m (£0.6m at 31<sup>st</sup> March 2018) 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 £2,469k (£3,954k at 31st March 2018) and this amount has been shown in the balance sheet as a provision for long term liabilities.

Details of contingent liabilities relating to insurance appear in section 4.2 below, and information on how the council has estimated the value of its insurance provision for claims which it will probably have to settle can be found in note 25c.

- ii Under the arrangements for local retention of business rates, councils receive a fixed proportion of the business rates they collect, rather than collecting the business rates on behalf of the government in return for a share of the national business rates pool. This means that the council is required to include in its accounts its own share of the assets and liabilities arising from the collection of business rates. For 2017/18 the council retained 49% of business rates in line with the national scheme. However for 2018/19 the council was part of a regional pilot for 100% local business rates retention, under which it retained 99% of the business rates collected. This change means that the council holds a significantly higher level of provision for appeals against business rates at 31<sup>st</sup> March 2019 than it did at 31<sup>st</sup> March 2018. The provision for the estimated cost of appeals is £17,491k (£6,141k at 31<sup>st</sup> March 2018).

## 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 2019:

### a General

The council has a number of general litigious matters ongoing which could result in payments totalling £1.46m (£1.46m at 31st March 2018).

### b Specific

- i Insurance claims. The council has been advised by its actuaries that the value of outstanding legal liability claims against it is £35.1m (£39.0m at 31st March 2018). It is estimated that if successful £15.4m of these claims will be met by the Council's external insurers (£17.8m at 31st March 2018) leaving a balance of £19.7m where any liabilities would be met by the council. A provision has been set aside on the Balance Sheet to the value of £10.3m (see note 4.1 above) for the estimated future settlement cost of these £19.7m of claims. The contingent liability value for insurance claims representing the total value of claims over and above the expected settlement cost therefore stood at £9.4m at 31st March 2018 (£11.1m at 31st March 2018).
- ii Prior to 1992, the council's public liability and employer's liability insurance were supplied by Municipal Mutual Insurance Ltd. In 1992 the company ceased to accept new business and entered a run off period. In 1994, a Scheme of Arrangement under the Companies Act 1985 was put in place, under which if the company became at risk of insolvency, it would be able to claw back the necessary percentage of the claims it had paid out since the commencement of the Scheme of Agreement. Under this scheme the council has made payments totalling £1.2m and there is potential for further claims in the future. The council's maximum remaining exposure is £4.9m.

- iii In 1988 the council issued an undertaking regarding a potential structural defect to a number of former council houses. The undertaking given related to properties of a particular construction on one estate, and applied only if the specified defects became apparent. A small number of claims have been received, but to date there is no indication that the council is likely to incur a significant liability in relation to this undertaking.

# 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. However, this accounting basis for reporting overall results does not reflect how the council manages its finances in practice.

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

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

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

<i>2017/18</i>		<i>2018/19</i>			
<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>
35,558	City Development	149,954	(114,943)	(1,238)	33,773
118,753	Children and Families	294,617	(166,995)	(1,255)	126,367
-	Schools	522,594	(524,820)	2,226	-
204,185	Adults and Health	344,284	(147,538)	8,442	205,188
72,909	Resources and Housing	265,721	(187,260)	375	78,836
68,588	Communities and Environment	416,285	(342,889)	(238)	73,158
(13,836)	Central Accounts	68,934	(91,476)	4,185	(18,357)
486,157		2,062,389	(1,575,921)	12,497	498,965
(491,764)	RSG, Business Rates & Local Taxation	-	(501,280)	-	(501,280)
(5,607)	Total General Fund	2,062,389	(2,077,201)	12,497	(2,315)
4,032	Housing Revenue Account	218,246	(250,905)	34,837	2,178

## 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.

2017/18	£000s	2018/19
(5,607)	General fund outturn (surplus) / deficit	(2,315)
4,032	HRA outturn (surplus) / deficit	2,178
(1,575)	Overall outturn position	(137)
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Transfers to other usable revenue reserves</i>		
927	Transfers (to) / from earmarked reserves	(12,497)
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Statutory items relating to capital accounting and financing</i>		
93,758	Transfer impact of capital charges to capital reserves	216,365
(113,142)	Transfer capital grants received to usable capital reserves	(143,422)
(1,055)	General Fund Minimum Revenue Provision for debt redemption	(1,000)
(5,464)	HRA transfers to capital reserves for repayment of debt	(5,871)
(2,878)	Transfers to capital reserves to fund capital expenditure	(1,154)
52,216	Transfer net (gain) / loss on disposal of assets to capital reserves	109,955
6,112	Transfer from capital reserves to fund pooling of HRA capital receipts	6,175
(71,725)	Transfer HRA major repairs allowance to major repairs reserve	(63,813)
(42,178)		117,235
<i>Amounts not included in the Comprehensive Income and Expenditure Account - Other statutory items</i>		
71,001	Transfer to / (from) Pensions reserve	128,926
(1,967)	Transfer to / (from) Financial instruments adjustment account	(2,584)
(8,978)	Transfer to / (from) Collection Fund adjustment account	(8,439)
(1,005)	Transfer to / (from) Accumulated absences account	1,502
59,051		119,405
<i>Unrealised items of income and expenditure not affecting usable reserves and not reported within Outturn</i>		
(516,325)	(Surplus) / deficit on revaluation of fixed assets	(82,186)
(7,798)	(Surplus) / deficit on revaluation of financial assets	(1,029)
71,222	Remeasurements of the net defined benefit liability / (asset)	132,111
(452,901)		48,896
(436,676)	Total comprehensive income and expenditure	272,902

## 5.3 Expenditure and Funding Analysis

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

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

- Capital financing transactions are entries which are charged or credited to the revenue account to reflect the financing of capital expenditure, but which do not represent income or expenditure to the authority and are therefore not included in the comprehensive income and expenditure statement.
- Pensions accounting adjustments are the entries required to reflect the differences between pensions expenditure for the year on an accounting basis and the actual pension contributions payable by the council for the year. Further details are given in explanatory notes 3 and 8.
- Other statutory adjustments include transfers to or from the collection fund adjustment account, the financial instruments adjustment account and the accumulated absences account, all of which are used to affect the timing of amounts being debited or credited to the revenue account in line with statutory requirements. Transfers to or from earmarked reserves are also included here as, although these are included in the reported outturn position, they do not represent income or expenditure for the council. Internal recharges between directorates are also included within these figures.

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

	2018/19						
	<i>net charged to General Fund &amp; HRA reserves</i>	<i>capital accounting adjustments</i>	<i>capital financing transactions</i>	<i>pensions accounting adjustments</i>	<i>other statutory adjustments</i>	<i>amounts outside net cost of services</i>	<i>net reportable expenditure</i>
<i>£000s</i>							
City Development	35,011	59,608	(801)	5,422	44	(1,158)	98,126
Children and Families	125,396	91,474	-	15,489	1,304	6,797	240,460
Adults and Health	196,746	10,399	-	4,242	24	1,109	212,520
Resources and Housing	78,461	16,152	(5)	12,583	64	(3,496)	103,759
Housing Revenue Account	2,178	22,215	(70,009)	3,759	133	(40,138)	(81,862)
Communities and Environment	73,396	29,457	(23)	8,015	31	(6,241)	104,635
Central Accounts	(22,542)	(12,939)	(1,000)	79,416	(2,682)	37,949	78,202
Transfers to earmarked reserves	12,497	-	-	-	(12,497)	-	-
Net cost of services	501,143	216,366	(71,838)	128,926	(13,579)	(5,178)	755,840
Other operating expenditure	-	109,954	6,175	-	-	1,923	118,052
Financing and investment net expenditure	-	-	-	-	-	126,922	126,922
Taxation and general grant income	(501,280)	(143,422)	-	-	(8,439)	(123,667)	(776,808)
(Surplus) / deficit on provision of services	(137)	182,898	(65,663)	128,926	(22,018)	-	224,006

	<i>General Fund</i>	<i>HRA</i>	<i>Total</i>
Reserve Balance brought forward	25,677	24,069	49,746
(Increase) / decrease for the year	2,315	(2,178)	137
Reserve Balance carried forward	27,992	21,891	49,883

The following table shows the same analysis for the 2017/18 financial year :

	2017/18						
	<i>net charged to General Fund &amp; HRA reserves</i>	<i>capital accounting adjustments</i>	<i>capital financing transactions</i>	<i>pensions accounting adjustments</i>	<i>other statutory adjustments</i>	<i>amounts outside net cost of services</i>	<i>net reportable expenditure</i>
<i>£000s</i>							
City Development	35,655	41,459	(101)	4,237	4	(5,709)	75,545
Children and Families	125,969	(12,451)	(2)	12,025	(943)	3,337	127,935
Adults and Health	193,675	3,456	(14)	3,304	(27)	(358)	200,036
Resources and Housing	72,295	35,595	-	10,067	(1)	(5,916)	112,040
Housing Revenue Account	4,032	10,512	(79,873)	3,022	439	(40,686)	(102,554)
Communities and Environment	69,270	11,298	(77)	6,602	(37)	(7,603)	79,453
Central Accounts	(9,780)	3,888	(1,055)	31,744	(2,407)	7,287	29,677
Transfers to earmarked reserves	(927)	-	-	-	927	-	-
Net cost of services	490,189	93,757	(81,122)	71,001	(2,045)	(49,648)	522,132
Other operating expenditure	-	52,215	6,112	-	-	1,838	60,165
Financing and investment net expenditure	-	-	-	-	-	138,770	138,770
							-
Taxation and general grant income	(491,764)	(113,140)	-	-	(8,978)	(90,960)	(704,842)
(Surplus) / deficit on provision of services	(1,575)	32,832	(75,010)	71,001	(11,023)	-	16,225

	<i>General Fund</i>	<i>HRA</i>	<i>Total</i>
Reserve Balance brought forward	20,070	28,101	48,171
(Increase) / decrease for the year	5,607	(4,032)	1,575
Reserve Balance carried forward	25,677	24,069	49,746

#### 5.4 Non-grant income

The following table provides a breakdown of the non-grant income included for each directorate in the reported outturn position shown in the first column of the expenditure and funding analysis (note 5.3) shown above. Further information on government grant income is shown in explanatory note 6 below.

<i>2017/18</i>			<i>2018/19</i>	
<i>other external income</i>	<i>internal income</i>		<i>other external income</i>	<i>internal income</i>
		£000s		
(50,047)	(36,197)	City Development	(54,443)	(43,394)
(24,561)	(33,653)	Children & Families	(26,021)	(34,208)
(26,320)	(76,657)	Schools	(27,383)	(75,842)
(61,760)	(12,901)	Adults & Health	(61,853)	(6,992)
(14,716)	(152,245)	Resources & Housing	(15,344)	(165,424)
(51,686)	(27,494)	Communities & Environment	(50,538)	(27,953)
(15,620)	(41,896)	Central Accounts	(8,588)	(42,488)
(244,710)	(381,043)		(244,170)	(396,301)
(223,860)	(7,492)	Housing Revenue Account	(221,180)	(8,270)
(468,570)	(388,535)	Total	(465,350)	(404,571)

The majority of the authority's external income is non-contractual in nature, i.e. government grants and local taxation. The figures for Other external income given above exclude these amounts, but do include smaller areas of non contractual income such as contributions from

local health and other public bodies to joint initiatives, developer contributions under planning agreements, court costs and parking fines.

Although contractual income is not the council's primary source of funds, it does play an important part in helping to fund the delivery of services. The most significant element of contractual income that the council receives is its council house rental income, which amounted to £208.4m in 2018/19 (£211.8m in 2017/18). Other significant sources of funding include rentals from other properties and markets, income from services provided to academies and trust schools, income from social care service users, income from sports facilities, venue hire, and the sale of food and drink at council venues. All such income is recognised once the council becomes contractually entitled to receive it (i.e. when the service has been provided or the goods have been transferred to the purchaser).

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

## 5.5 Subjective analysis of comprehensive income and expenditure

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

2017/18	£000s	2018/19
	<i>Income</i>	
(481,002)	Fees, charges and other service income	(478,361)
(1,280)	Interest and investment income	(2,306)
(85,453)	Expected return on pension assets	(87,585)
(285,529)	Income from council tax	(302,468)
(166,554)	Non domestic rates income	(355,939)
(1,111,566)	Government Grants	(1,099,584)
(2,131,384)	<b>Total Income</b>	<b>(2,326,243)</b>
	<i>Expenditure</i>	
827,894	Employee expenses	900,047
968,847	Other service expenses	1,136,051
65,150	Depreciation, amortisation and impairment	179,285
112,079	Interest payments	114,148
1,838	Precepts and levies	1,923
6,112	Payments to Housing Capital Receipts Pool	6,175
52,215	(Gain) / loss on disposal of non-current assets	109,954
(519)	(Gain) / loss on investment properties	(17,072)
113,993	Pension interest costs	119,738
2,147,609	<b>Total Expenditure</b>	<b>2,550,249</b>
16,225	<b>(Surplus)/ deficit</b>	<b>224,006</b>

## 5.6 Housing Revenue Account (HRA)

The HRA Income and Expenditure Account and other movements on the HRA reserve have been consolidated into the council's Comprehensive Income and Expenditure Account on a line by line basis. The components making up the net decrease on HRA reserves of £2.2m (a net decrease of £4.0m in 2017/18) 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 82).

## 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 £117.9m in 2018/19 (£58.4m in 2017/18). The table below gives a breakdown of the figures.

2017/18	£000s	2018/19
(39,432)	Receipts from sale of fixed assets	(41,155)
-	Receipts used to fund disposal costs	-
(39,432)		(41,155)
	<i>Value of fixed assets disposed of</i>	
58,377	Schools transferred to an Academy	117,866
33,333	Other fixed assets	33,373
91,710		151,239
52,278	Total (gain) or loss on disposal of fixed assets	110,084

## 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.

2017/18	£000s	2018/19
	General Government Grants	
(65,017)	Revenue Support Grant (RSG)	-
(48,194)	Private Finance Initiative (PFI) grant	(53,752)
(113,141)	Capital Grants	(143,422)
(40,928)	Non-Ringfenced Government Grants	(67,992)
(267,280)		(265,166)
	Government Grants included in Net cost of services	
(4,303)	City Development	(2,541)
(426,449)	Children & Families - DSG	(431,312)
(7,831)	Children & Families - Other	(7,745)
(57,260)	Schools	(50,077)
(64,996)	Adults & Health	(68,430)
(145)	Resources & Housing	(145)
(21,385)	Housing Revenue Account	(21,455)
(250,621)	Communities & Environment - Benefits subsidy	(240,362)
(11,138)	Communities & Environment - Other	(12,276)
(158)	Central Accounts	(75)
(844,286)		(834,418)

## 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 2018/19, the council generated £1,532k of income under such contracts, and incurred costs of £1,281k. The comparative figures for 2017/18 were £2,009k of income and £1,745k of costs.

## 8 Pensions

An overview of the impact of pensions within the council's accounts is given in Note 3 on page 25. 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 West Yorkshire Pension Fund is part of the Local Government Pension Scheme (LGPS) and is subject to statutory Local Government Pension Scheme Regulations, which specify the benefits earned, the contribution rates for employees, and the framework for calculating employers' contribution rates, which are determined by triennial actuarial valuations. Benefits earned by employees before 31<sup>st</sup> March 2014 are on a final salary basis, and benefits earned since that date are based on career average earnings.

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

#### a WYPF – Actuarial assumptions

The last full actuarial valuation to be completed for the WYPF was carried out as at 31st March 2016. 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 and other uncertainties

31/03/2018		31/03/2019	
	Financial assumptions		
3.2%	Rate of inflation (RPI)	3.3%	(i)
2.1%	Rate of inflation (CPI)	2.2%	(i)
3.35%	Rate of increase in salaries	3.45%	(ii)
2.1%	Rate of increase in pensions	2.2%	(ii)
2.6%	Discount rate	2.4%	(iii)
	Mortality assumptions (years)		
22.1	Longevity at 65 for current male pensioners	22.2	
25.3	Longevity at 65 for current female pensioners	25.4	
23.1	Longevity at 65 for future male pensioners	23.2	
27.1	Longevity at 65 for future female pensioners	27.2	

- i Assumptions on inflation feed into the assumptions on future increases in salaries and pensions. Since 2010, the inflation index used to derive statutory pension increases has 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.
- ii Rates of salary and pension increases are linked to inflation assumptions. Higher inflation assumptions would lead to an increase in the value of liabilities on the balance sheet.
- iii The discount rate is based on corporate bond yields. A decrease in corporate bond yields will increase the value of liabilities at the balance sheet date, although this would be marginally offset by an increase in the value of assets, which form an element of the fund's assets.

Any change in these assumptions would have an impact on the present value of the defined benefit obligation. The sensitivity analysis below shows the impact on the liability if each assumption changes by 0.1% (or 1 year for mortality assumptions). In each case all other assumptions remain constant. (Changes in the assumptions on RPI and CPI are not included separately in the table below, as these are subsidiary assumptions which have an impact only via their impact on the assumed increases in salaries and pensions respectively.)

#### WYPF – sensitivity analysis of actuarial assumptions

31/03/2018			31/03/2019	
Impact on defined benefit obligation (funded)			Impact on defined benefit obligation (funded)	
%	£000s	Change in assumption	%	£000s
0.4	18,499	Rate of increase in salaries (increase or decrease by 0.1%)	0.4	20,322
1.4	63,986	Rate of increase in pensions (increase or decrease by 0.1%)	1.4	70,330
1.8	82,486	Discount rate assumption (increase or decrease by 0.1%)	1.8	90,653
3.0	136,224	Mortality assumption (increase or decrease by 1 year)	3.2	155,688

For 2018/19 the liabilities figure for WYPF includes estimated past service costs of £47.4m for two issues where it is known that the LGPS rules will need to be changed, but where the exact nature of the change is not yet known. A description of these issues is given in explanatory note 3. The council's actuaries have estimated the potential costs on the best information available, but there is a potential for the actual scheme rule changes, and therefore the resulting liabilities, to vary from these estimates.

#### b WYPF – assets and liabilities

At 31st March 2019, 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

31/03/2018	£000s	31/03/2019
(4,509,417)	Estimated present value of liabilities (funded)	(4,955,926)
(65,091)	Estimated present value of liabilities (unfunded)	(64,072)
(4,574,508)		(5,019,998)
3,382,511	Fair value of assets	3,565,101
(1,191,997)	Net asset / (liability)	(1,454,897)

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

2017/18				2018/19		
<i>present value of defined benefit obligation</i>	<i>plan assets</i>	<i>net</i>	£000s	<i>present value of defined benefit obligation</i>	<i>plan assets</i>	<i>net</i>
(4,350,623)	3,303,284	(1,047,339)	1 April	(4,574,508)	3,382,511	(1,191,997)
			<i>Actuarial gains and losses</i>			
(78,445)			- change in financial assumptions	(262,283)		
(19,541)			- experience gains and losses	(8,437)		
-			- change in demographic assumptions	-		
	28,306		Gain / (loss) on plan assets		140,939	
(97,986)	28,306	(69,680)		(270,720)	140,939	(129,781)
			<i>Service expenditure</i>			
(112,466)			Current service cost	(126,168)		
(7,161)			Past Service Cost	(54,392)		
	70,963		Employer contributions		77,432	
(119,627)	70,963	(48,664)		(180,560)	77,432	(103,128)
			<i>Finance gains and losses</i>			
	85,453		Interest income		87,585	
(111,767)			Interest on pension liabilities	(117,576)		
(111,767)	85,453	(26,314)		(117,576)	87,585	(29,991)
			<i>Other movements</i>			
120,158	(120,158)		Benefits paid	131,500	(131,500)	
(24,054)	24,054		Employee contributions	(26,171)	26,171	
1,051	(1,051)		Administration expenses	1,675	(1,675)	
8,340	(8,340)		Net transfers in/out	16,362	(16,362)	
105,495	(105,495)	-		123,366	(123,366)	-
(4,574,508)	3,382,511	(1,191,997)	31 March	(5,019,998)	3,565,101	(1,454,897)

The council's net pensions liability has increased by £215m since 31st March 2018. Although there was a gain arising from the performance of pension fund assets, this was more than offset by an increase in the current value of the future liabilities, resulting from changes to the financial assumptions used in the valuation. A reduction in the discount factor and increases in assumptions on inflation and future salary and pension increases all contributed to the increase in the value of liabilities.

#### c WYPF – further information on assets

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

31/03/2018		31/03/2019		
		<i>quoted</i>	<i>unquoted</i>	<i>total</i>
77.3%	Equities	62.5%	11.5%	74.0%
9.4%	Government bonds	11.2%	0.0%	11.2%
3.7%	Other bonds	4.0%	0.0%	4.0%
4.5%	Property	0.2%	4.5%	4.7%
1.8%	Cash/liquidity	0.0%	2.3%	2.3%
3.3%	Other	0.0%	3.8%	3.8%

Further details on the nature and risks of these assets, and the investment policies of the fund can be found in the West Yorkshire Pension Fund Statement and Explanatory Notes in Bradford Council's Statement of Accounts, which is available from Bradford MDC's website, and the West Yorkshire Pension Fund Report and Accounts, which is available from the West Yorkshire Pension Fund website.

d Expected contributions to the scheme for 2019/20

The council (including maintained schools) expects to make contributions of approximately £70.5m to WYPF in 2019/20.

## 8.2 Teachers' pensions

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

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the government uses a notional fund as the basis for calculating the employers' contribution rate. Valuations of the notional fund are undertaken every four years. The scheme has in excess of 10,100 participating employers and consequently the council is not able to identify its share of the liabilities, therefore it is accounted for as a defined contribution scheme. The council's contributions into the Teachers' Pension Scheme during 2018/19 equate to approximately 0.6% of the total contributions for the year.

The employer's contribution rate for the teachers' pension scheme during 2018/19 was 16.4% of pensionable pay. The actual amount payable to the teachers' pension scheme by the council for 2018/19 was £24,672k. The council's contributions for 2019/20 are expected to increase to approximately £34m, following the increase to the employers' contribution rate which is due to come into force on 1<sup>st</sup> September 2019.

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

31/03/2018		31/03/2019	
Financial assumptions			
2.1%	Rate of inflation (CPI)	2.2%	
2.1%	Rate of increase in pensions	2.2%	
2.6%	Discount rate	2.4%	
Mortality assumptions (years)			
22.1	Longevity at 65 for current male pensioners	22.2	
25.3	Longevity at 65 for current female pensioners	25.4	

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

## Teachers' discretionary pensions – assets and liabilities

31/03/2018	£000s	31/03/2019
(86,278)	Estimated present value of liabilities	(84,415)

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.

2017/18		2018/19	
<i>defined benefit obligation</i>	£000s	<i>defined benefit obligation</i>	
(88,713)	1 April	(86,278)	
<i>Service expenditure</i>			
6,386	Employer contributions	6,360	
(183)	Past service cost / curtailment cost / settlements	(6)	
	6,203		6,354
<i>Finance gains and losses</i>			
(2,226)	Interest on pension liabilities	(2,161)	
	(2,226)		(2,161)
<i>Actuarial gains and losses</i>			
(711)	Change in financial assumptions	(2,089)	
-	Change in demographic assumptions	-	
(831)	Experience gain / (loss)	(241)	
	(1,542)		(2,330)
(86,278)	31 March	(84,415)	

The council expects to make payments of approximately £6,429k in relation to teachers discretionary pensions in 2019/20.

### 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 2018/19 the council made contributions of £233k into the scheme (£245k in 2017/18) at a contribution rate of 14.3%. Contributions for 2019/20 are expected to be £212k.

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

## 9 Private Finance Initiative (PFI)

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

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

### a Leeds Seven Schools PFI Project

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

### b Leeds Primary Schools PFI Project

The council entered into a long term contract on 31st March 2004 for the provision and operation of ten primary schools in Leeds. Service for the first school started on 30th March 2005 and commencement for the remaining nine schools took place between July and September 2005. The contract will finish on 31st July 2031. Since the contract started three of the schools have transferred to academy status and are therefore no longer included in the council's balance sheet.

### c Leeds Combined Secondary Schools PFI Project

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

### d Swarcliffe PFI Project

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

### e Street Lighting PFI Project

The council entered into a long term contract on 31st March 2006 for the renewal of 80% of the lighting columns in Leeds over a five year period. The contract includes the operation of the street lighting service in Leeds from July 2006 through to the completion of the contract in June 2032. During 2016/17, the council was approached by investors in the main subcontractor with a request for its permission under the contract for them to sell their shareholdings. Following negotiations the council received £2.78m in return for giving its

permission. The terms of the contract itself for the provision of services are unchanged as a result of the change in ownership of the subcontractor.

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

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

g Independent Living

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

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

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

i New Leaf Leisure Centres

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

j Harehills and Chapeltown Joint Service Centres

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

k Holt Park Wellbeing Centre

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

## l Little London, Beeston and Holbeck Housing Project

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

## m Residual Waste Treatment scheme

The council has entered into a contract for the provision of a treatment plant for the processing of residual waste. Following a commissioning period during 2015/16, full service delivery commenced on 31<sup>st</sup> March 2016. The contract comprises a core period of 25 years during which the council will send all of its waste to the facility and will pay fees as determined under the contract. This will be followed by a further period of 15 years during which the council is not committed to sending its waste to the facility, and will pay at open market rates if it does so. The facility will revert to the council's ownership after this secondary period. Throughout the full 40 years of the contract the facility will generate income towards its operating costs from the sale of recyclable materials and the generation of electricity. During the core 25 year period the contractor will be able to generate further income by processing waste from third parties to utilise spare capacity left after processing the council's waste. During the final 15 years the contractor will be free to operate the facility on a commercial basis. The council has recognised the waste treatment plant as an asset on its balance sheet. Since the contractor will be compensated for the cost of providing the facility partly by the council and partly by third parties, the council has recognised two distinct liabilities on its balance sheet – one to reflect its own liability to pay the contractor and one to reflect the value of the right to earn income from the facility which has been granted to the contractor.

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

### Movement in PFI assets

£000s	01/04/2018	Acquisitions, lifecycle costs	Disposals	Reval'ns, depreciation, impairment	31/03/2019
Seven Schools	59,926	1,716	-	773	62,415
Primary Schools	39,457	770	(5,141)	(8,160)	26,926
Combined Secondary Schools	33,544	2,259	-	(5,675)	30,128
Swarcliffe Housing	-	1,727	-	(1,727)	-
Street Lighting	63,631	265	-	(2,892)	61,004
Building Schools for the Future (1)	63,412	910	-	(3,105)	61,217
Independent Living	17,122	1,465	-	(1,684)	16,903
Building Schools for the Future (2)	-	184	-	(184)	-
New Leaf Leisure Centres	23,225	193	-	(1,588)	21,830
Harehills JSC	1,382	44	-	(68)	1,358
Holt Park Wellbeing Centre	13,324	130	-	(6,750)	6,704
Little London, Beeston & Holbeck Housing	17,642	65	-	1,164	18,871
Residual Waste Treatment Facility	144,461	-	-	(28,694)	115,767
	477,126	9,728	(5,141)	(58,590)	423,123

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

## Movement in PFI liabilities

£000s	01/04/2018	New liabilities	Amounts repaid	31/03/2019
Seven Schools	23,960	-	(951)	23,009
Primary Schools	25,444	-	(1,057)	24,387
Combined Secondary Schools	75,752	-	(2,597)	73,155
Swarcliffe Housing	32,543	-	(1,082)	31,461
Street Lighting	67,097	-	(3,211)	63,886
Building Schools for the Future (1)	87,019	-	(3,328)	83,691
Independent Living	46,820	-	(1,253)	45,567
Building Schools for the Future (2)	27,932	-	(1,115)	26,817
New Leaf Leisure Centres	22,929	-	(741)	22,188
Harehills JSC	4,520	-	(160)	4,360
Holt Park Wellbeing Centre	14,780	-	(336)	14,444
Little London, Beeston & Holbeck Housing	108,268	-	(4,789)	103,479
Residual Waste - Council's Liability	75,261	-	(3,281)	71,980
Residual Waste - 3rd Party Deferred Income	26,221	-	-	26,221
	638,546	-	(23,901)	614,645

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

£000s	Payable in 1 Year	Payable in 2-5 Years	Payable in 6-10 Years	Payable in 11-15 Years	Payable in 16-20 Years	Payable in 21-26 Years	Total
Seven Schools	1,248	6,380	11,648	3,733			23,009
Primary Schools	1,168	5,500	10,415	7,304			24,387
Combined Secondary Schools	2,352	12,401	23,858	34,544			73,155
Swarcliffe	1,146	3,893	8,124	14,232	4,066		31,461
Street Lighting	3,516	13,657	28,506	18,207			63,886
Building Schools for the Future (1)	3,370	15,921	25,283	36,455	2,662		83,691
Independent Living	82	7,408	10,936	15,818	11,323		45,567
Building Schools for the Future (2)	1,129	5,086	8,144	11,367	1,091		26,817
New Leaf Leisure Centres	714	3,632	6,177	8,801	2,864		22,188
Harehills JSC	171	810	1,188	1,672	519		4,360
Holt Park Wellbeing Centre	364	1,590	2,776	4,107	5,607		14,444
Little London, Beeston & Holbeck Housing	5,215	25,310	33,362	39,592			103,479
Residual Waste - Council's Liability	3,402	17,092	22,588	24,995	2,730	1,173	71,980
Total Liabilities	23,877	118,680	193,005	220,827	30,862	1,173	588,424

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

£000s	Payable in 1 Year	Payable in 2-5 Years	Payable in 6-10 Years	Payable in 11-15 Years	Payable in 16-20 Years	Payable in 21-26 Years	Total
Seven Schools	1,649	5,368	3,261	67			10,345
Primary Schools	1,803	6,130	4,636	456			13,025
Combined Secondary Schools	5,219	18,628	16,780	4,684			45,311
Swarcliffe	2,517	9,359	9,006	4,226			25,108
Street Lighting	4,959	17,114	12,824	1,041			35,938
Building Schools for the Future (1)	5,283	18,629	16,398	6,009			46,319
Independent Living	3,403	12,339	12,079	7,231	604		35,656
Building Schools for the Future (2)	1,595	5,620	4,922	1,843			13,980
New Leaf Leisure Centres	1,700	6,135	5,654	2,666	35		16,190
Harehills JSC	236	833	761	341	8		2,179
Holt Park Wellbeing Centre	1,101	4,090	4,267	2,873	814		13,145
Little London, Beeston & Holbeck Housing	8,014	27,072	21,496	6,357			62,939
Residual Waste Treatment Facility	2,134	6,782	6,739	3,472	4,995	2,505	26,627
Total	39,613	138,099	118,823	41,266	6,456	2,505	346,762

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

£000s	Payable in 1 Year	Payable in 2-5 Years	Payable in 6-10 Years	Payable in 11-15 Years	Payable in 16-20 Years	Payable in 21-26 Years	Total
Seven Schools	2,530	11,194	16,675	4,883			35,282
Primary Schools	1,913	8,225	11,872	6,565			28,575
Combined Secondary Schools	4,162	18,280	25,413	25,891			73,746
Swarcliffe	3,798	17,206	24,942	33,152	11,517		90,615
Street Lighting	5,912	24,418	38,556	20,474			89,360
Building Schools for the Future (1)	4,014	17,079	23,791	26,867	1,927		73,678
Independent Living	1,160	5,784	7,365	9,045	4,206		27,560
Building Schools for the Future (2)	1,012	4,310	6,000	6,774	610		18,706
New Leaf Leisure Centres	1,017	4,325	6,034	6,812	1,727		19,915
Harehills JSC	111	474	836	1,346	512		3,279
Holt Park Wellbeing Centre	720	3,051	4,235	4,772	4,763		17,541
Little London, Beeston & Holbeck Housing	3,473	14,782	20,690	22,339			61,284
Residual Waste Treatment Facility	2,261	6,609	11,139	36,291	51,083	22,677	130,060
<b>Total</b>	<b>32,083</b>	<b>135,737</b>	<b>197,548</b>	<b>205,211</b>	<b>76,345</b>	<b>22,677</b>	<b>669,601</b>

Lifecycle costs relating to the schemes are accounted for as 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 2015 require local authorities to include a note to their accounts disclosing how the DSG has been used. The DSG must be allocated between the Individual Schools Budget and the Central Schools Budget, and overspends or underspends on the two elements must be accounted for separately. The amount of DSG received by an authority is dependent on pupil numbers, and thus the total grant for the year is not finalised until after the expenditure budget has been allocated.

For 2018/19 the total available DSG funding was £427.0m, however it was agreed that £3.3m of the 2017/18 balance would be carried forward to 2018/19, leaving £430.3m available to be allocated in 2018/19.

Calculation of available DSG

2017/18	£000s	2018/19
595,598	Final DSG before Academy recoupment	630,019
(169,986)	Academy figure recouped in year	(199,964)
425,612	Total DSG after Academy recoupment	430,055
(3,632)	Brought Forward	(2,954)
3,632	Carry forward agreed in advance	3,254
425,612	Total for distribution	430,355

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

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

2017/18				2018/19		
Central schools budget	Individual schools' budget	Total		Central schools budget	Individual schools' budget	Total
62,014	363,598	425,612	Agreed budgeted distribution	65,057	365,298	430,355
-	837	837	In year adjustments	-	1,257	1,257
62,014	364,435	426,449	Final budgeted distribution	65,057	366,555	431,612
63,685	-	63,685	Actual Central Expenditure	65,191		65,191
-	362,086	362,086	Actual ISB deployed to schools		361,483	361,483
-	-	-	Local Authority contribution			-
(1,671)	2,349	678	In year carry forward	(134)	5,072	4,938
(4,134)	502	(3,632)	Carry forward agreed in advance	(6,105)	2,851	(3,254)
(5,805)	2,851	(2,954)	Total to carry forward	(6,239)	7,923	1,684

The £4.938m to be carried forward from 2018/19 will be added to the 2017/18 carry forward, giving a total surplus reserve of £1.684m DSG funding brought forward into 2019/20. 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 Leeds South & East CCG, Leeds West CCG and Leeds North CCG, which has been in place since 1st April 2006. The pooled budget fund is summarised below:

## Joint Commissioning Board for People with Learning Disabilities

2017/18	£000s	2018/19
	<i>Funding</i>	
86,817	Leeds City Council	88,259
25,461	Clinical Commissioning Groups	26,735
<u>112,278</u>		<u>114,994</u>
	<i>Expenditure on services provided by</i>	
105,262	Independent sector	108,711
7,016	Leeds City Council	6,283
<u>112,278</u>		<u>114,994</u>

### 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

2017/18	£000s	2018/19
	<i>Funding</i>	
3,042	Leeds City Council	3,358
2,669	Clinical Commissioning Group	2,834
<u>5,711</u>		<u>6,192</u>
	<i>Expenditure on services provided by</i>	
4,503	Leeds City Council	4,889
1,208	NHS Leeds	1,159
<u>5,711</u>		<u>6,048</u>
-	Balance to carry forward	<u>144</u>

### c South Leeds Independent Centre

This Section 75 partnership arrangement provided nursing and non-nursing care in an intermediate care unit. It was jointly commissioned by the three Leeds Clinical Commissioning Groups and Leeds City Council. It supported the ongoing commissioning priorities of the Council to work with health partners to reshape services at the intermediate tier and provided a service that was responsive and prevented older people from needing to access more intense care and support services. The partnership ended on 31<sup>st</sup> October 2017.

The pooled budget for the closing year of 2017/18 is summarised below:

## South Leeds Independent Centre

2017/18	£000s	2018/19
	<i>Funding</i>	
373	Leeds City Council	-
835	Clinical Commissioning Group	-
<u>1,208</u>		<u>-</u>
	<i>Expenditure on services provided by</i>	
1,208	Leeds Community Healthcare NHS Trust	-
<u>1,208</u>		<u>-</u>
-	Balance to carry forward	-

### d Better Care Fund

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

#### Better Care Fund

2017/18	£000s	2018/19
	<i>Funding</i>	
9,077	Leeds City Council	9,272
17,680	Leeds South & East Clinical Commissioning Group	-
20,764	Leeds West Clinical Commissioning Group	-
12,785	Leeds North Clinical Commissioning Group	-
-	Leeds Clinical Commissioning Group	52,202
<u>60,306</u>		<u>61,474</u>
	<i>Expenditure</i>	
19,650	Social Care and Community Health	20,039
20,879	Social Care	21,730
7,264	Third Sector	7,264
12,513	Acute	12,441
<u>60,306</u>		<u>61,474</u>

### 10.3 Employee remuneration

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

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

#### a Senior employees

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

## Senior employees remuneration

£s		<i>Employment period</i>	<i>Salary, Fees and Allowances</i>	<i>Employers Pension Contribution</i>	<i>Total Remuneration</i>
2017/18					
	Chief Executive (Tom Riordan)	i 1 April 2017 to 31 March 2018	180,099	21,072	201,171
	Director of Communities & Environment (James Rogers)	ii 1 April 2017 to 31 March 2018	137,048	21,379	158,427
	Director of Resources & Housing (Neil Evans)	1 April 2017 to 31 March 2018	149,323	23,272	172,595
	Director of Adults & Health (Cath Roff)	1 April 2017 to 31 March 2018	143,563	22,326	165,889
	Director of City Development (Martin Farrington)	1 April 2017 to 31 March 2018	149,184	-	149,184
	Director of Children and Families (Steve Walker)	iii 1 April 2017 to 31 March 2018	140,667	18,210	158,877
	Executive Director of Public Health (Ian Cameron)	1 April 2017 to 31 March 2018	155,477	-	155,477
	Chief Finance Officer (Doug Meeson)	1 April 2017 to 31 March 2018	107,099	16,707	123,806
	City Solicitor (Catherine Witham)	1 April 2017 to 31 March 2018	102,487	15,927	118,414
2018/19					
	Chief Executive (Tom Riordan)	i 1 April 2018 to 31 March 2019	182,085	-	182,085
	Director of Communities & Environment (James Rogers)	ii 1 April 2018 to 31 March 2019	142,882	22,718	165,600
	Director of Resources & Housing (Neil Evans)	1 April 2018 to 31 March 2019	152,161	12,097	164,257
	Director of Adults & Health (Cath Roff)	1 April 2018 to 31 March 2019	149,068	17,776	166,844
	Director of City Development (Martin Farrington)	1 April 2018 to 31 March 2019	152,161	-	152,161
	Director of Children and Families (Steve Walker)	iii 1 April 2018 to 31 March 2019	145,975	-	145,975
	Executive Director of Public Health (Ian Cameron)	1 April 2018 to 31 March 2019	155,477	-	155,477
	Chief Finance Officer (Doug Meeson)	1 April 2018 to 31 March 2019	109,141	17,353	126,495
	City Solicitor (Catherine Witham)	1 April 2018 to 31 March 2019	104,359	16,558	120,917

- i In addition to his remuneration disclosed above, during 2017/18 the Chief Executive received £27.7k in relation to his role as Returning Officer during national elections. No national elections were held during 2018/19. The remuneration disclosed above for the Chief Executive reflects a 5% salary reduction that he has foregone in comparison to the full salary entitlement for the post.
- ii In addition to his remuneration disclosed above, the Director of Communities & Environment received £5.5k in 2017/18 in relation to his role as Deputy Returning Officer during national elections. No national elections were held during 2018/19.
- iii From June 2017 until December 2018, the Director of Children's and Families was also acting as Director of Children's Services at Kirklees MBC, under an Improvement Partnership between the two councils. The Director received no additional remuneration from either Kirklees MBC or Leeds CC for undertaking this dual role.

### General notes

- No bonuses were paid during 2017/18 and 2018/19.
- No expense allowances were paid during 2017/18 and 2018/19.
- No additional benefits, either in cash or otherwise, were paid during 2017/18 and 2018/19.
- 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

2017/18		Total	Number of employees	2018/19		Total
Teachers	Other Staff			Teachers	Other Staff	
78	148	226	£50,000 to £54,999	86	109	195
44	39	83	£55,000 to £59,999	49	90	139
40	65	105	£60,000 to £64,999	38	64	102
34	15	49	£65,000 to £69,999	35	15	50
9	27	36	£70,000 to £74,999	16	36	52
9	11	20	£75,000 to £79,999	10	12	22
3	14	17	£80,000 to £84,999	3	4	7
4	1	5	£85,000 to £89,999	5	8	13
5	2	7	£90,000 to £94,999	1	2	3
2	3	5	£95,000 to £99,999	3	5	8
1	8	9	£100,000 to £104,999	2	6	8
-	-	-	£105,000 to £109,999	-	1	1
-	1	1	£110,000 to £114,999	-	-	-
2	-	2	£115,000 to £119,999	2	-	2
1	1	2	£120,000 to £124,999	1	-	1
-	-	-	£125,000 to £159,999	-	-	-
-	-	-	£160,000 to £164,999	-	1	1
-	-	-	£165,000 to £214,999	-	-	-
-	-	-	£215,000 to £219,999	-	1	1
232	335	567		251	354	605

During 2018/19 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 2018/19, 3 teachers and 20 other staff have been added to this disclosure due to these one off payments. The equivalent figures for 2017/18 were 4 teachers and 17 other staff.

### c Costs of compulsory redundancies and other leavers

The Code requires councils to disclose any costs it has incurred as a result of compulsory redundancies and of staff who have left for other reasons such as voluntary early retirement. The costs shown represent the total cost to the council rather than the amounts actually received by the employee. This includes pension strain payments paid to the West Yorkshire Pension Fund to cover the impact of voluntary early retirements. Since 2010/11 the council has adopted a policy of encouraging voluntary early retirements as the most cost effective means of reducing the size of its workforce. Staff have been allowed to retire early in cases where the additional pension cost will be recovered by the resulting salary savings within 5 years or less. During 2018/19 the council incurred £1.9m of pension strain costs, which are estimated to have resulted in an £11.2m salary saving over 5 years. The comparable figures for 2017/18 were £3.2m of pension strain costs, resulting in a £15.7m salary saving over 5 years. For 2018/19, the council has been able to fund part of the pension strain costs with capital receipts under flexibility allowed by the government for funding revenue costs of transformational change.

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

## Costs of leavers

2017/18			2018/19	
Number of packages	Total cost		Number of packages	Total cost
	£			£
		<i>Compulsory redundancies</i>		
100	493,368	Up to £19,999	35	211,983
4	133,534	£20,000 to £149,999	6	253,303
<b>104</b>	<b>626,902</b>		<b>41</b>	<b>465,286</b>
		<i>Other leavers</i>		
151	1,411,706	Up to £19,999	70	695,831
24	610,150	£20,000 to £39,999	18	460,568
3	124,395	£40,000 to £79,999	7	383,774
-	-	£80,000 to £99,999	-	-
-	-	£100,000 to £149,999	-	-
<b>178</b>	<b>2,146,251</b>		<b>95</b>	<b>1,540,173</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.

The existence of the procedures described above ensure that the council is able to both identify where a member has an interest, and take action to ensure that there is no participation in any decisions relevant to their interest. All major decisions are available for public scrutiny and challenge as part of the council's constitutional arrangements.

In respect of the 2018/19 financial year a number of council members had a controlling interest in a company, partnership, trust or other entity. The controlling interest was by way of ownership, or as a director, trustee, governor or partner of an organisation. These entities included some voluntary organisations which would be considered as related parties of the council even without the involvement of specific members, and details of transactions with such organisations are included in section c below. For the remaining organisations which are considered to be related parties of the council due to the involvement of council members, transactions amounted to £6,809k of expenditure during the year.

#### b Senior officers

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

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

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

In respect of the 2018/19 financial year a number of senior officers declared interests which give rise to related parties, with associated expenditure amounting to £69k.

#### c Other significant related parties

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

Related party transactions with National Health Service bodies amounted to income to the council of £28.0m in 2018/19 (£37.9m in 2017/18), including £3.2m accrued at 31st March 2019. This is mainly made up of the increased CCGs contribution for social care expenditure. An additional £1.7m is held as receipts in advance at 31st March 2019. 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 £24.0m in 2018/19 (£37.0m in 2017/18), including £6.9m accrued at 31st March 2019. These payments mainly relate to services commissioned by the Public Health service, which transferred to the council on 1st April 2013.

Related party transactions with WYCA (the West Yorkshire Combined Authority) amounted to expenditure by the council of £35.6m in 2018/19 (£35.8m in 2017/18). £33.8m relates to the transport levy paid by the council, and the remainder is payments for transport services provided by the WYCA such as home to school transport, including £2.6m accrued at 31<sup>st</sup>

March 2019. The council borrowed a total of £20.7m from WYCA during the year through a mixture of bonds and temporary fixed loans.

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

- Precepting authorities (see the Income and Expenditure and Collection Fund Accounts)
- Local Authority (Goods and Services) Act 1970 (see explanatory note 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 £26.2m in 2018/19 (£24.9m in 2017/18).

### 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. From 2018/19, the appointed auditor is no longer required to certify any grant claims as part of their role, and has not been contracted for any work of this nature during the year. The following table breaks down fees payable to the appointed auditors by the nature of the work done:

#### Audit fees

2017/18	£000s	2018/19
232	General audit	179
16	Certification of grant claims and returns	-
248		179
-	Other services	18
248		197

### 10.6 Operating leases in

The authority leases in a small number of buildings under operating leases. One of these leases relating to the Merrion House office block is material, and is leased from the Merrion House LLP in which the council has a 50% share (please see note 13.4). The future lease rentals to which the council is committed are shown in the table below. In year rent paid from operating leases in amounted to £60k.

£000s	Payable in 1 Year	Payable in 2-5 Years	Payable in > 5 Years	Total
Merrion House	3,328	13,312	66,120	82,760
Other	57	165	-	222
	3,385	13,477	66,120	82,982

## 10.7 Operating leases out

The authority leases out a wide variety of its assets under operating leases. These leases cover a wide variety of arrangements and service provision. Future lease rentals due to the council are shown in the table below. In year rent received from operating leases out amounted to £8,114k.

£000s	Receivable in 1 Year	Receivable in 2-5 Years	Receivable in > 5 Years	Total
Commercial	3,968	15,873	25,866	45,707
Car park	1,618	6,472	37,917	46,007
Entertainment venue	1,625	6,499	22,745	30,869
Other	2,404	7,404	22,479	32,287
	9,615	36,248	109,007	154,870

## 10.8 Members' Allowances

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

2017/18	£000s	2018/19
1,484	Basic Allowance	1,518
682	Special Responsibility Allowance	678
2,166		2,196

## 11 Movements in 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.

2017/18	£000s	2018/19
	<i>Gains / (losses) on Capital accounting balances</i>	
516,325	Surplus / (deficit) on revaluation of long term assets	82,186
7,798	Surplus / (deficit) on revaluation of financial assets	1,029
524,123		83,215
	<i>Gains / (losses) on Statutory revenue reserves</i>	
(71,222)	Actuarial gains / (losses) on pension fund	(132,111)
452,901	Total of other recognised gains and losses	(48,896)

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

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

2017/18	£000s	2018/19	notes
Total		Total	
	<i>Transfers to/(from) the Usable Capital Receipts Reserve</i>		
40,195	Net gain / (loss) on sale of fixed assets - capital receipts	42,423	
(6,112)	Transfer to I&E to fund payment of HRA pooled receipts	(6,175)	
34,083		36,248	
	<i>Transfers to/(from) the Housing Major Repairs Reserve</i>		
43,471	Excess of depreciation charged to HRA over Major Repairs Allowance	34,837	
	<i>Transfers to/(from) the Capital Grants Unapplied account</i>		
113,142	Capital grants received	143,422	
190,696	Total transfers to / (from) usable capital reserves	214,507	
	<i>Transfers to/(from) General Fund and HRA reserves to Statutory revenue</i>		
(71,001)	Transfer to / (from) the pensions reserve	(128,926)	i
1,967	Transfer to / (from) the financial instruments adjustment account	2,584	
8,978	Transfer to / (from) the collection fund adjustment account	8,439	
1,005	Transfer to / (from) the accumulated absences account	(1,502)	
(59,051)	Total transfers to / (from) statutory revenue reserves	(119,405)	
	<i>Transfers to/(from) General Fund and HRA reserves to Capital accounting</i>		
(36,895)	Depreciation and impairment of fixed assets (excl depr'n on HRA assets)	(150,309)	
(28,609)	Capital expenditure defined under statute	(37,080)	
	- Grants and contributions for capital expenditure defined under statute	-	
(92,744)	Net gain / (loss) on sale of fixed assets - assets written out	(152,378)	
	- Discount granted on repayment of capital long term debtor	-	
333	Deferral of capital receipts due	-	
1,055	Statutory provision for repayment of debt	1,000	
2,878	Capital expenditure funded from revenue	1,154	
	- Donated assets received	-	
	- HRA set aside to redeem debt	-	
5,464	Other statutory items within the HRA	5,871	
(148,518)	Total transfers to / (from) capital accounting balances	(331,742)	
(16,873)	Net additional amounts to be debited/(credited) to General Fund and HRA	(236,640)	

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

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

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.

2017/18	£000s		2018/19	notes
28,254	Transfer to Housing Major Repairs Reserve - HRA depreciation		28,976	i
32	Transfers to Usable capital receipts reserve - long term capital debtors received and capital investments sold		25	ii
<u>28,286</u>			<u>29,001</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.

2017/18	£000s	2018/19	notes
24,934	Transfer from Usable Capital Receipts Reserve	33,209	18.5
70,757	Transfer from the Major Repairs Reserve	71,291	H6
117,505	Transfer from Capital Grants Unapplied account	120,434	18.6
<u>213,196</u>		<u>224,934</u>	

## 12 Earmarked Revenue Reserves

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

### Earmarked revenue reserves

£000s	31/03/2018	net movements	31/03/2019	notes
Schools reserves	12,955	(944)	12,011	a
Dedicated Schools grant	(2,955)	4,639	1,684	b
Extended schools	7,378	(1,131)	6,247	c
Total schools reserves	<u>17,378</u>	<u>2,564</u>	<u>19,942</u>	
Health and Social Care reserves	16,062	8,442	24,504	d
Government grants in advance	4,649	(1,063)	3,586	e
Early leavers initiative	2,000	-	2,000	f
Capital reserve	-	1,477	1,477	g
Other reserves	10,536	1,077	11,613	h
Total earmarked revenue reserves	<u>50,625</u>	<u>12,497</u>	<u>63,122</u>	

#### 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 decreased by a net £0.9m in 2018/19. The balance of £12.0m shown above partly reflects borrowing from school reserves to fund initiatives on safeguarding and learning, the development costs of PFI and BSF schemes, and schools VER costs. At the close of 2018/19, net borrowing from schools reserves amounted to £4.4m. Thus the actual reserves available to schools are £16.5m, a decrease of £1.5m in comparison to 31<sup>st</sup> March 2018. 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 Dedicated Schools Grant reserve

The Dedicated Schools Grant (DSG) is made up of four blocks – the Schools Block, High Needs Block, Early Years Block and the Central Schools Services Block. Any in year net surplus or deficit is carried forward to the schools budget in the following year. In recent years, additional calls on DSG funded services, particularly in the High Needs block, meant that the reserve moved into a deficit. Following a review of the High Needs Block during 2017/18 and additional Government funding of £1.7m for the High Needs Block announced in December 2018, the reserve has returned to a surplus position at the end of 2018/19.

#### 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. This balance also includes the reserves held by Area Inclusion Partnerships, Clusters of schools and Children's centres.

d Health and Social Care reserves

Funds received from health partners and government grants have been set aside in earmarked reserves. The purpose of these reserves is to help work towards an integrated health and social care system, to improve workflows and client-flow through the health and social care system and support the safeguarding of vulnerable adults. Any unspent balances of the ringfenced Public Health grant are also included within these figures. In addition, due principally to scheme slippage, £10.9m of the additional grant money allocated to local authorities for adult social care in the Improved Better Care Fund has been carried forward for use in future years.

e Government grants in advance

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

f Early leavers initiative

The council set aside a reserve to fund the future up-front costs of its early leavers initiative. Under this initiative, the council has adopted a policy of encouraging voluntary early retirements as the most cost effective means of reducing the size of its workforce. Staff have been allowed to retire early in cases where the additional pension cost will be recovered by the resulting salary savings within 5 years or less. Due to the temporary flexibility in the use of capital receipts which has been introduced by the government, the council has been able to fund some of its in-year early leavers costs with capital receipts, enabling it to continue to carry forward this reserve for use in future years.

g 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.

h Other reserves

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

- A £1.4m general insurance reserve to meet the costs of future insurance claims.
- A £1.4m health innovations reserve within the Childrens and Families directorate holding monies provided by the Health Service for joint innovations
- A £1.7m homelessness prevention fund
- A £0.6m invest to save reserve, to enable the development of projects which will generate future revenue savings
- A £0.2m 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 Long Term 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 tables show a breakdown of the carrying value of fixed assets on the balance sheet, and the movements in the carrying value during the year, for each category of fixed assets.

#### Balance sheet movements 2018/19

<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	2,062,310	2,462,499	1,105,006	291,399	60,929	49,381	6,031,524
Accumulated depreciation and impairment	(984)	(139,805)	(342,369)	(230,817)	(11,250)	-	(725,225)
Balance sheet value as at 1 April 2018	2,061,326	2,322,694	762,637	60,582	49,679	49,381	5,306,299
Depreciation	(26,175)	(28,089)	(35,359)	(18,804)	(856)		(109,283)
Additions	88,008	83,221	91,072	20,899	5,015	21,302	309,517
Donations	-	-					-
Impairments (charged to cost of services)	(117)	(2,303)					(2,420)
Impairments (charged to revaluation reserve)	(39)	(2,691)					(2,730)
Revaluations (charged to cost of services)	12,238	(93,671)					(81,433)
Revaluations (credited to revaluation reserve)	(16,197)	89,901					73,704
Disposals	(4,737)	(120,956)		(56)			(125,749)
Changes in classification	(14,058)	22,688	1,967	(1,967)		(35,016)	(26,386)
Balance sheet value as at 31 March 2019	2,100,249	2,270,794	820,317	60,654	53,838	35,667	5,341,519
Comprising:							
Cost or valuation	2,101,367	2,390,022	1,198,045	310,275	65,944	35,667	6,101,320
Accumulated depreciation and impairment	(1,118)	(119,228)	(377,728)	(249,621)	(12,106)	-	(759,801)

## Balance sheet movements 2017/18

<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	1,925,519	2,037,720	1,045,797	271,276	57,644	88,613	5,426,569
Accumulated depreciation and impairment	(939)	(208,615)	(308,988)	(212,749)	(10,450)		(741,741)
Balance sheet value as at 1 April 2017	1,924,580	1,829,105	736,809	58,527	47,194	88,613	4,684,828
Depreciation	(25,324)	(23,905)	(33,381)	(18,068)	(800)		(101,478)
Additions	77,151	89,016	59,209	20,147	3,268	36,136	284,927
Donations	-	-					-
Impairments (charged to cost of services)	(208)	(4,297)					(4,505)
Impairments (charged to revaluation reserve)	-	(2,097)					(2,097)
Revaluations (charged to cost of services)	20,199	17,405					37,604
Revaluations (credited to revaluation reserve)	69,289	447,130					516,419
Disposals	(5,666)	(67,245)		(24)			(72,935)
Changes in classification	1,305	37,582			17	(75,368)	(36,464)
Balance sheet value as at 31 March 2018	2,061,326	2,322,694	762,637	60,582	49,679	49,381	5,306,299
Comprising:							
Cost or valuation	2,062,310	2,462,499	1,105,006	291,399	60,929	49,381	6,031,524
Accumulated depreciation and impairment	(984)	(139,805)	(342,369)	(230,817)	(11,250)	-	(725,225)

### b Nature of asset holding

This table shows whether assets recognised on the balance sheet at 31st March 2019 are owned by the council, leased, or part of a PFI arrangement. Further details of PFI contracts can be found in explanatory note 9.

#### Nature of asset holding

<i>Property plant and equipment</i> £000s	<i>Council dwellings</i>	<i>Other land &amp; buildings</i>	<i>Infrastructure</i>	<i>Vehicles, plant, eqpt</i>	<i>Community assets</i>	<i>Assets under construction</i>	<i>Total fixed assets</i>
Ow ned	2,081,378	1,907,889	759,313	60,654	50,586	35,667	4,895,487
Finance Lease	-	3,271	-	-	3,252	-	6,523
PFI	18,871	359,634	61,004	-	-	-	439,509
31 March 2019	2,100,249	2,270,794	820,317	60,654	53,838	35,667	5,341,519

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

<i>Property plant and equipment</i> £000s	<i>Council dwellings</i>	<i>Other land &amp; buildings</i>	<i>Infrastructure</i>	<i>Vehicles, plant, eqpt</i>	<i>Community assets</i>	<i>Assets under construction</i>	<i>Total fixed assets</i>
Ow ned	2,043,684	1,900,866	699,006	60,582	46,919	49,381	4,800,438
Finance Lease	-	3,504	-	-	2,760	-	6,264
PFI	17,642	418,324	63,631	-	-	-	499,597
31 March 2018	2,061,326	2,322,694	762,637	60,582	49,679	49,381	5,306,299

### c Valuation periods

This table summarises when assets were most recently valued, and so shows the progress of the council's five year rolling programme for revaluation. The bases for valuation are set out in accounting policy 18.

#### Valuation periods

<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	-	-	820,317	60,654	53,838	35,667	970,476
Valued at current value in –							
2014/15	2,422	88,070	-	-	-	-	90,492
2015/16	207	49,989	-	-	-	-	50,196
2016/17	370	55,116	-	-	-	-	55,486
2017/18	-	15,583	-	-	-	-	15,583
2018/19	2,097,250	2,062,036					4,159,286
	2,100,249	2,270,794	820,317	60,654	53,838	35,667	5,341,519

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

<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	-	-	762,637	60,582	49,679	49,381	922,279
Valued at current value in –							
2013/14	70	171,395	-	-	-	-	171,465
2014/15	2,873	233,757	-	-	-	-	236,630
2015/16	209	257,919	-	-	-	-	258,128
2016/17	378	104,055	-	-	-	-	104,433
2017/18	2,057,796	1,555,568	-	-	-	-	3,613,364
	2,061,326	2,322,694	762,637	60,582	49,679	49,381	5,306,299

### d Asset valuations

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

The majority of asset valuations were supervised by the council's Head of Property Services, who is a Member of the Royal Institution of Chartered Surveyors. The council's PFI Recycling and Energy Recovery Facility (RERF) was valued by two independent specialist external valuation companies on the basis of its complex and specialised nature.

## 13.2 Investment Property

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

Investment properties are not depreciated but are reviewed annually for any changes in value. All gains and losses on revaluation are shown in the Gain or loss on investment properties line in the Comprehensive Income and Expenditure Statement. Rental income earned from

investment properties amounted to £3,548k in the year. Direct operating expenses amounted to £371k.

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

#### Investment Properties

31/03/2018	£000	31/03/2019
88,381	Opening balance sheet value	86,816
739	Additions	18,271
248	Revaluations (charged to gain or loss on investment properties)	13,880
(2,109)	Disposals	(1,417)
(443)	Changes in classification	2,256
86,816	Closing balance sheet value	119,806

### 13.3 Heritage Assets

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

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

#### a Heritage assets included in the balance sheet

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

##### i Historic Buildings

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

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

##### ii Museum exhibits and works of art – valuable items

The council owns approximately 1.3 million separate works of art and exhibits. It is not considered practical to individually value this entire collection, and so only those items which have a significant value are individually valued and recorded in the balance sheet

at their current valuation. The policy of the council's museums and galleries service is to individually value any item in excess of £1m. These include paintings and historic items of furniture, silverware and pottery. Valuations are undertaken by the council's museum curators by comparison with auction sales of similar items, and individual insurance valuations where exhibits are given on loan to other organisations. Valuations are undertaken annually, with the last valuation at 31st March 2019.

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 2018	5,445	6,270	11,715	72,550	84,265
Acquisitions and enhancements	389	-	389		389
Donations					-
Revaluations				12,500	12,500
As at 31 March 2019	5,834	6,270	12,104	85,050	97,154

The equivalent movements in value for 2017/18 are shown below :

£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 2017	4,934	6,205	11,139	70,550	81,689
Acquisitions and enhancements	511	65	576		576
Donations					-
Revaluations				2,000	2,000
As at 31 March 2018	5,445	6,270	11,715	72,550	84,265

#### 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 whole collection is currently insured for a total

value of £172.1m, meaning that the lesser valued items are insured for a collective value of £87.1m. Whilst this figure does not represent a valuation of the collection, it does provide an indication of its scale. Items within the collection are diverse, ranging from scientific specimens, to period fashion garments, to antique furniture. The council has determined that it would not be practical within a justifiable level of cost to obtain individual valuations for its entire collection.

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

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

#### ii Civic Regalia

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

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

#### iii Historical records

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

The council also manages, and owns a substantial portion of, the Leodis photographic archive of Leeds, which is a collection of approximately 60,000 images of Leeds and is available from the Leodis website. A link to the Leodis website can be found on the council's own website.

#### iv Other local heritage sites

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

#### c Operational heritage assets

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

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

### 13.4 Long term debtors

This note identifies amounts owing to the council which are being repaid over various periods longer than one year. Long term debt which has become due in less than twelve months has

been reclassified as short term debt. The following table analyses the council's long term debtors:

#### Long term debtors

31/03/2018	£000s		31/03/2019	notes
-		Operating lease prepayment	51,303	i
9,749		Deferred developer contributions	9,686	
1,864		Loans made	2,433	
1,183		Amounts due under finance leases	1,182	
5,808		Other debtors	4,440	ii
<u>18,604</u>			<u>69,044</u>	

- i During 2018/19 the council paid an initial lease premium which relates to the rental for a 25 year operating lease. This will be amortised over the remaining life of the lease, and the figure included in long term debtors above relates to the years from 2020/21 and onwards.
- ii Other debtors include mortgages issued on Right to Buy council house disposals, deferred income due from social care clients, and amounts owing from other local authorities arising from the past winding up of various West Yorkshire joint committees.

#### 13.5 Long term investments

The council has the following long term investments :

31/03/2018	£000s		31/03/2019	notes
37,000		Merrion House LLP	37,000	i
4,579		Leeds City Region Revolving Investment Fund	5,593	
1,008		Assisted Homebuy Scheme	990	
1,000		Local authority mortgage scheme investment	-	
<u>43,587</u>			<u>43,583</u>	

- i The council has a 50% shareholding in Merrion House LLP, a partnership established with the Town Centre Securities group of companies to enable the redevelopment of Merrion House, an office building which the council now leases from the LLP. The sole business of Merrion House LLP is to own and operate the Merrion House building, and thus the fair value of the council's investment in the partnership has been determined by reference to the market value of comparable properties, and therefore falls within Level 2 of the fair value hierarchy.

#### 13.6 Contingent assets

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

The council has no contingent assets to disclose for 2018/19.

#### 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 2019.

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

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

31/03/2018	£000s	31/03/2019
	Government	
16,712	HM Revenue and Customs	20,652
20,849	Department of Communities and Local Government	18,641
7,489	Other departments	10,063
45,050		49,356
	Taxpayers	
40,442	Council Tax	41,309
5,649	Business rates	11,237
46,091		52,546
	Group entities	
836	Associates and subsidiaries	177
	Public sector organisations	
16,450	Local authorities and other public bodies	22,471
	Other	
12,726	Housing rents	12,853
67,692	Other - Sundry Debtors	73,763
12,761	Other - Payments in Advance	13,494
93,179		100,110
201,606		224,660
	Impairment provisions for bad and doubtful debts	
(19,165)	Taxpayers	(21,667)
(6,437)	Housing rents	(6,616)
(18,867)	Other	(20,015)
(44,469)		(48,298)
157,137		176,362

The £73.8m of sundry debtors at the year-end represents income due to be received from routine fees and charges and from overpaid housing benefits.

## 14.2 Asset held for Sale

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

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

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

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

<i>31/03/2018</i>	<i>£000s</i>		<i>31/03/2019</i>
41,270	1 April		64,509
18	Additions		29
2,983	Revaluations		(29)
(16,667)	Disposals		(24,075)
36,905	Changes in classification		24,130
<u>64,509</u>	31 March		<u>64,564</u>

## 14.3 Cash and cash equivalents

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

<i>31/03/2018</i>	<i>£000s</i>		<i>31/03/2019</i>
3,238	Cash at bank and in hand		1,696
42,424	Cash equivalents		46,277
<u>45,662</u>			<u>47,973</u>

## 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 2019.

31/03/2018	£000s	31/03/2019
	Government	
16,200	HM Revenue and Customs	16,985
3,517	Department of Communities and Local Government	3,028
8,218	Other departments	9,975
27,935		29,988
	Public sector organisations	
23,151	Local authorities and other public bodies	32,938
	Taxpayers	
4,909	Council Tax	3,799
6,282	Business Rates	9,061
11,191		12,860
	Other	
2,866	Housing rents	2,349
106,574	Sundry creditors	111,457
109,440		113,806
171,717		189,592
	Receipts in advance	
16,935		37,254
16,935		37,254
188,652		226,846

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

## 16 Financial Instruments

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

### 16.1 Amounts recognised in the Balance Sheet

Some balance sheet categories, for example current debtors, include both items which are financial instruments and items which are not financial instruments. The table below shows the carrying values of financial instruments included within the various lines of the council's balance sheet. In accordance with the Code, any accrued interest as at 31st March 2019 is included within the carrying value of the relevant financial instrument, rather than within debtors and creditors. All of the assets classed as held at fair value through other comprehensive income are equity assets which the council has designated into this classification, which would otherwise have been assets held at fair value through profit and loss.

## Carrying values

31/03/2018	£000s	31/03/2019
	<i>Financial assets</i>	
	Held at Amortised cost	
7,501	Investments	30,004
72,764	Debtors	91,813
1,000	Long term investments	-
18,604	Long term debtors	17,741
	Held at Fair Value through Other Comprehensive Income	
42,587	Long term investments	43,583
142,456		183,141
	<i>Financial liabilities</i>	
	Held at Amortised cost	
(1,553,654)	Long term borrowing	(1,747,218)
(149,196)	Creditors	(172,957)
(470,897)	Borrowing repayable within one year	(411,736)
(618,213)	Deferred liabilities	(594,074)
(2,791,960)		(2,925,985)

## 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 Statement.

### Recognised gains and losses

31/03/2018	£000s	31/03/2019
	<i>Recognised as income and expenditure on provision of services</i>	
	Financial assets	
-	Gains/(losses) on disposal of assets held at fair value	18
1,293	Interest and dividends receivable	2,306
(2,198)	Net movement in impairment of assets held at amortised cost	(1,993)
63	Gains/(losses) on disposal of assets held at amortised cost	112
	Financial liabilities	
(112,044)	Interest payable	(114,149)
(112,886)		(113,706)
	<i>Recognised in Other comprehensive income and expenditure</i>	
	Financial assets	
7,798	Unrealised gains/(losses) on assets held at fair value	1,044
-	Unrealised gains/(losses) on assets held at amortised cost	(1,288)
-	Disposal of assets held at fair value	(15)
7,798		(259)
(105,088)	Total recognised gain / (loss)	(113,965)

### 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

31/03/2018		£000s	31/03/2019	
Carrying value	Fair value		Carrying value	Fair value
<i>Financial Assets</i>				
Loans and receivables				
1,183	1,183	Long term debtors - finance leases	1,182	1,182
17,421	18,919	Long term debtors - other	16,559	18,310
1,000	1,005	Long term investments	-	-
19,604	21,107		17,741	19,492
<i>Financial Liabilities</i>				
Financial liabilities at amortised cost				
(1,553,654)	(2,169,887)	Long term borrowing	(1,747,218)	(2,417,911)
(612,325)	(612,325)	Deferred liabilities - PFI schemes	(588,424)	(588,424)
(16)	(16)	Deferred liabilities - finance leases	(16)	(16)
(5,872)	(8,799)	Deferred liabilities - other	(5,634)	(8,486)
(2,171,867)	(2,791,027)		(2,341,292)	(3,014,837)

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

- The fair value for long term debtors has been estimated using the PWLB's interest rates for new fixed rate loans with the most appropriate maturity and repayment profile as at 29th March 2019. The figures for long term debtors include the council's portfolios of right to buy housing mortgages and deferred payments for adults social care. In calculating the estimated fair value of these long term debtors, an average lifetime for the portfolios as a whole has been used.
- The fair value for long term financial investments has been estimated on the basis of market rates for deposits matching the remaining duration of the investments.
- The fair value of borrowing from the PWLB has been estimated on the basis of PWLB new borrowing rates matching the remaining duration of the loans.
- The fair value of borrowing from other lenders has been estimated using market rates for gilts.

### 16.4 Management of risks arising from financial instruments

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

a Credit risk

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

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

The majority of the council's loans and investments are made for treasury management purposes, to generate income from available balances. The parameters within which these investments are made are set out within the council's approved Treasury Management Policy. This policy limits the amounts which can be invested with any individual financial institution and with any group of companies, and specifies the levels of independent credit ratings which institutions must hold for the council to invest particular amounts with them. These policy limits do not cover the council's bankers, with whom the council has an unlimited deposit facility. The effect of the policy limits is to restrict as far as is practical the council's exposure to risk from the failure of a financial institution. The Code requires that no impairment allowance is recognised for deposits with the government or with other local authorities. The council's remaining financial assets held for treasury management purposes have been reviewed for impairment, using available market data on default rates for similar instruments. As a result, the council has concluded that the level of impairment allowance required would be immaterial and so no impairment allowance has been recognised. Historically, the council has not experienced any defaults on its treasury investments.

In addition to its loans and investments made for treasury management purposes, the council sometimes makes loans for service reasons. Each such transaction is subject to a rigorous financial appraisal before any loan is made, and loans are typically required to be secured on appropriate assets of the borrower. The loans and investments have been subject to an impairment review to determine the expected credit losses, which are recognised in the carrying value of the assets where material. The council has assessed that none of its service loans and investments is currently

credit impaired. Historically, the council has not experienced any defaults on its service loans and investments.

During 2018/19 the council has further impaired the value of a long term debtor which relates to a deferred capital receipt. In 1998 the council had disposed of its interest in a shared ownership asset to another local authority in return for annual receipts over 20 years at a value dependent on the income generated by the asset. It is now expected that the income receivable under this agreement will be less than previously forecast and over a longer period.

Some of the council's short term trade debtors relate to the provision of goods and services, such as rents, sports centre income and work done for other public sector bodies. The council operates an active debt recovery policy, to ensure that amounts due are collected as promptly as possible. Trade debtors are carried in the council's balance sheet net of an impairment provision, which represents the extent to which the council estimates that the debt may be uncollectable (this is known as the expected credit loss). The impairment provision is estimated on the basis of known factors affecting individual debtors and previous history of uncollectability for types of debtor. Groups of similar debtors, for example housing rent debtors, have been assessed collectively for impairment. Non-trivial debtors are only written off where all avenues of recovery action have failed.

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

## Credit risk

31/03/2018			£000s	31/03/2019		
Gross value	Impairment value	Net value		Gross value	Impairment value	Net value
7,500	-	7,500	Deposits with financial institutions	30,000	-	30,000
1	-	1	Accrued interest on deposits	4	-	4
2,008	-	2,008	Other investments	990	-	990
1,864	-	1,864	Long term loans	2,433	-	2,433
17,357	(1,800)	15,557	Other long term debtors	7,528	(3,088)	4,440
84,837	(12,073)	72,764	Trade debtors	101,472	(9,659)	91,813
113,567	(13,873)	99,694		142,427	(12,747)	129,680

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

2017/18	£000s	2018/19
11,118	1 April	12,073
2,198	Impairment allowance raised	1,993
(1,267)	Impairment allowance applied	(1,352)
24	Other movements	(3,055)
12,073	31 March	9,659

### 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 2018/19. 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 ongoing low short term interest rates available during 2018/19, the council has continued to retain a relatively high level of short term borrowing during the year. This debt will be refinanced into long term borrowing when it is prudent to do so.

The council currently has £230m of debt in the form of LOBOs, which equates to 10.9% of its net treasury management borrowing. LOBO agreements have periodic option dates on which lenders can opt to change the interest rate on a loan. One of the factors which might cause a lender to do this is fluctuations in market interest rates. If lenders exercise their option then the council can either repay the loan (at no extra cost) or agree to the change of interest rate for the remaining term of the loan or until the lender has the next option in the loan. If a change in the interest rate is agreed, this would impact on the amounts charged to the income and expenditure account. Due to their structure, LOBOs were obtained at lower interest rates than fixed rate long term borrowing, but carry an element of cash flow interest rate risk. The council seeks to ensure that this risk in any one year from its LOBO portfolio is minimised, by ensuring that option dates are evenly spread over future years. Of the £230m LOBO debt at 31st March 2019, £55m was exposed to variable rates through lender options in 2019/20, and £60m in 2020/21.

#### Long term borrowing by date of maturity

31/03/2018	£000s	31/03/2019
26,435	Maturing in 1 – 2 years	8,812
72,871	Maturing in 2 – 5 years	105,495
65,923	Maturing in 5 – 10 years	59,487
25,000	Maturing in 10 – 25 years	5,000
1,133,425	Maturing in more than 25 years	1,338,424
230,000	Variable (lender option borrower option)	230,000
1,553,654	Borrowing with more than one year to mature	1,747,218
41,436	Long-term borrowing maturing within one year	26,436
1,595,090	Total long-term borrowing	1,773,654

#### *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

2017/18			£000s	2018/19		
Actual	With 1% rate increase	Difference		Actual	With 1% rate increase	Difference
<i>Recognised in Income and Expenditure Account</i>						
Financial assets						
1,293	1,714	421	Interest receivable	2,306	2,826	520
Financial liabilities						
(112,044)	(115,233)	(3,189)	Interest payable	(114,149)	(117,596)	(3,447)
(110,751)	(113,519)	(2,768)		(111,843)	(114,770)	(2,927)

### 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 2019 the council holds on its balance sheet £990k 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 2019:

#### Deferred liabilities

31/03/2018	£000s		31/03/2019	notes
638,546		PFI scheme liabilities	614,645	i
16		Finance lease liabilities	16	
0		Revenue income received in advance	26,772	ii
7,558		Other liabilities	7,091	
<u>646,120</u>			<u>648,524</u>	

i Further information on PFI schemes appears in Note 9

ii The £26.7m income received in advance relates to a distribution from Merrion House LLP, in which the council has a 50% shareholding. Please see note 13.5 for further details.

## 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

2017/18	£000s		2018/19
768,715	1 April		1,250,724
516,325	Revaluation of fixed assets		83,474
(27,402)	Accumulated revaluations on disposals		(58,790)
(6,914)	Depreciation adjustment		(9,662)
482,009			15,022
1,250,724	31 March		1,265,746

## 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.

2017/18	£000s		2018/19
1,420,965	1 April		1,491,372
	<i>Capital financing</i>		
24,934	Usable capital receipts		33,209
117,505	Capital grants and contributions funding REFUS		120,434
70,757	Transfer from Major Repairs Reserve		71,291
2,878	Revenue contributions		1,154
-	Donated Assets		-
216,074			226,088
	<i>Other movements</i>		
(64,094)	MRP less depreciation		(178,285)
(91,712)	Disposal of fixed assets		(151,241)
27,402	Accumulated revaluations on disposals		58,790
(28,609)	Write-off of revenue expenditure funded from capital under statute		(37,081)
6,914	Depreciation above historic cost		9,662
(1,000)	Disposal of long term investments		(1,072)
-	HRA voluntary set aside		-
5,465	HRA PFI and finance lease principal repayment		5,871
(33)	Write-down of long term debtors		(64)
(145,667)			(293,420)
1,491,372	31 March		1,424,040

### 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 and Financial Instruments Revaluation Reserve

Under the accounting standards applicable for 2017/18, the council maintained an available for sale reserve which reflected the balance of unrealised gains or losses (other than impairment losses) on available for sale assets included in the Balance Sheet. With the introduction of IFRS 9 from 1<sup>st</sup> April 2018, the available for sale class of financial assets no longer exists. All of the council's former available for sale assets have been reviewed and reclassified as assets held at fair value through other comprehensive income. Unrealised gains or losses (other than impairment losses) on these assets are now reflected in the Financial Instruments Revaluation Reserve. Any revaluation gains on assets held at fair value through other comprehensive income are recognised as Other comprehensive income and expenditure within the Comprehensive income and expenditure statement. When these assets are disposed of, the accumulated balance relating to the asset on the Financial Instruments Revaluation Reserve is transferred to the surplus or deficit on provision of services.

### 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 22). The reserved element is paid over to the government's national pool for redistribution back to local authorities. The usable element can be applied to the financing of new capital expenditure or remain in this account. The following table shows the transactions on the reserve during 2018/19:

2017/18	£000s		2018/19
29,557	1 April		38,738
	Receipts in year		
34,115	Usable capital receipts	36,273	
6,112	Housing Revenue Account pooled receipts	6,175	
40,227			42,448
	Applied		
-	To repay HRA debt	-	
(11,789)	To fund credit arrangements	(16,113)	
(13,145)	To fund new capital expenditure	(17,096)	
(6,112)	Transfer to Revenue - HRA pooled receipts	(6,175)	
-	Transfer to Revenue - finance lease income	-	
(31,046)			(39,384)
38,738	31 March		41,802

### 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 2018/19:

## Capital grants unapplied

31/03/2018	£000s		31/03/2019
114,591		1 April	110,228
113,141		Grants received and other transfers	143,422
(117,504)		Grants applied to fund capital expenditure	(120,434)
<u>110,228</u>		31 March	<u>133,216</u>

## 19 Capital financing

### 19.1 Capital expenditure and funding

Total capital expenditure in 2018/19 was £365.7m (£323.4m in 2017/18). 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

2017/18	£000s		2018/19
286,257		Fixed assets	328,206
28,609		Revenue expenditure funded from capital under statute	37,080
8,529		Long-term investments and capital loans	429
<u>323,395</u>			<u>365,715</u>

#### Capital financing

2017/18	£000s		2018/19
120,916		Borrowing	155,604
117,504		Grants and contributions	120,434
13,145		Capital receipts	17,096
70,757		Transfer from Major Repairs Reserve	71,291
2,878		Revenue contributions to capital	1,154
(1,805)		Termination of finance lease	-
-		Other	136
<u>323,395</u>			<u>365,715</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 2018/19 was £0.4m (£0.6m in 2017/18), using the council's average external borrowing rate of 3.26%.

The council plans to spend over £1.35bn in its capital programme for the next three financial years. The current projected phasing of these is for £490m in 2019/20, £489m in 2020/21, £368m in 2021/22. Significant schemes within the council's capital programme include :

- comprehensive investment to the council's housing stock ; the Council House Growth Programme, which continues to deliver a programme of new build housing, continuing Extra Care provision and bringing empty properties back into use;

- a significant programme of investment within the Learning Places programme (to increase the number of school places across the city);
- the development of major Leeds Public Transport Investment programme packages in partnership with West Yorkshire Combined Authority, investment proposals on the East Leeds Orbital Road, major infrastructure and priority maintenance schemes such as the Leeds Flood Alleviation Scheme, and significant regeneration proposals for the South Bank;
- the continued investment in our road and streets network, essential ICT services programme, a large vehicle replacement programme, significant investment in our clean air zone, asset rationalisation programme and maintenance and refurbishment of council owned properties;

## 19.2 Capital Financing Requirement

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

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

### Capital financing requirement

£000s	<i>Financed by borrowing</i>	<i>Financed by PFI credit arrangements</i>	<i>Financed by finance leases</i>	<i>Total Capital Financing Requirement</i>
01 April 18	2,197,565	612,325	16	2,809,906
New borrowing	155,604	-	-	155,604
Financing transfers	14,281	(14,281)	-	-
Repayments	(13,364)	(9,620)	-	(22,984)
31 March 19	2,354,086	588,424	16	2,942,526

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

### 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 and value of commercial properties within the authority's area) which have happened since the budget was set. The council's Comprehensive Income and Expenditure Account reflects the actual income attributable to the council during the year, and the difference between this and the precepts is transferred to the Collection fund adjustment account. The balance on the Collection fund adjustment account is taken into account when setting the level of future years' council tax and business rates precepts.

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

The council has not identified any transactions which should be accounted for as exceptional or prior period items in 2018/19.

### 22 **Excepted items**

There are certain topics that councils have to report on but that do not affect Leeds City Council's accounts for 2018/19. This note lists those topics.

- a Discontinued operations: no significant operations or services were discontinued in 2018/19.
- 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 2018/19, 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 a joint venture (NPS Leeds Ltd). The council also has a 50% share in Merrion House LLP which is fully included within its single entity financial statements at fair value. The presentation of this partnership on a group accounts basis would not be materially different from the single entity basis.

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

The property assets which are included in the council's balance sheet on the basis that they are deemed to be assets of school governing bodies are not available to the council for any other purpose. The value of such assets at 31<sup>st</sup> March 2019 was £401m (£489m at 31<sup>st</sup> March 2018). Reserves recognised on this basis are restricted by statutory arrangements. The value of these reserves is given in explanatory note 12.

## 24 Judgements made by management

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

### a Private finance initiative (PFI) schemes

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

### b Inclusion in the investment properties classification

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

### c Inclusion of school property assets

The Code requires that any property which is deemed to be an asset of maintained school governing bodies is included as an asset in the council's balance sheet. In determining which assets are required to be recognised, the council has established details of the property titles for each maintained school asset and applied its accounting policy for the recognition of property, plant and equipment.

### d Expected credit losses on financial assets

The council has made a number of individual loans to local organisations for which limited or no objective data is available to assist in determining an expected credit loss. In carrying out the impairment reviews of these financial assets the council has taken into account the estimated value of any security against default which is provided under the contracts.

## 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 2018/19, the council accounted for an increase of £8.7m in its pensions liabilities as a result of estimates being corrected as a result of experience, and an increase of £264.4m due to the updating of assumptions.

For 2018/19 the council has also included an estimate of £47.4m for the impact of future changes to the LGPS in respect of changes that the government intends to make to address legal findings relating to age discrimination and sex discrimination (please see note 3 for further details). As the exact nature of the scheme changes is not yet known, there is considerable uncertainty about this estimate.

b Values of fixed assets

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

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 Chief Finance Officer on 26<sup>th</sup> July 2019. Events happening between the balance sheet date and the date the accounts were authorised for issue have been considered under the council's accounting policy for events after the reporting date (please see accounting policy number 25).

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:

- Two schools have agreed to transfer to academy status, representing a disposal for nil consideration of assets with an estimated value of £7.4m at 31 March 2019.

**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 2019/20 Code will incorporate some minor changes to accounting policies but it is not anticipated that these will have any impact on figures recognised within the authority's accounts.



## The Housing Revenue Income and Expenditure Statement

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

<u>2017/18</u>	£000s	<u>2018/19</u>	<i>notes</i>
	<i>Income</i>		
(211,751)	Dwelling rents	(208,411)	
(3,155)	Non-dwelling rent	(3,189)	
(9,370)	Charges for services and facilities	(10,011)	
(21,385)	HRA government grants	(21,455)	H1
(245,661)		(243,066)	
	<i>Expenditure</i>		
72,438	Supervision and management	77,657	
53,703	Repairs and maintenance	54,833	
3,654	Rents, rates, taxes and other charges	3,510	
8,240	Depreciation and impairments of non-current assets	17,053	H2.1
1,294	Provision for doubtful debts	1,106	
2,272	Revenue Expenditure Funded from Capital under Statute	5,162	H2.2
141,601		159,321	
(104,060)	Net cost of HRA services as in the Income and Expenditure Account	(83,745)	
1,506	HRA share of Corporate and Democratic Core	1,817	
(102,554)	Net cost of HRA services	(81,928)	
	<i>HRA share of operating income and expenditure included in the authority's Income and Expenditure Account</i>		
(5,178)	(Gain) or loss on disposal of non current assets	(6,715)	
39,524	Interest payable and similar charges	38,844	H3.1
1,191	Interest on the net pension liability	1,386	
(29)	Interest and investment income	(26)	
(2,687)	Capital grants and contributions	(6,293)	
(69,733)	(Surplus) or deficit for year on HRA services	(54,732)	

## Statement of Movement on the Housing Revenue Account Reserve

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

<u>2017/18</u>	£000s	<u>2018/19</u>	<i>notes</i>
	<i>Increase or decrease in the HRA reserve comprising:</i>		
(69,733)	(Surplus) or deficit on the HRA Income and Expenditure Statement	(54,732)	
	<i>Adjustments between accounting basis and funding basis under the HRA legislative framework</i>		
(440)	Difference between amortisation of premiums and discounts under accounting standards and in accordance with statute	(98)	H3.2
20,014	Impairment of non current assets	11,923	H2.1
(2,272)	Write-off revenue expenditure funded from capital under statute	(5,162)	H2.2
(3,022)	HRA share of contributions to / (from) the Pension Reserve	(3,759)	
2,684	Capital expenditure funded by the HRA	325	H6.1
0	HRA voluntary provision for the repayment of principle	0	
43,471	Transfer to / (from) MRR	34,837	H7
2,687	Transfer to / (from) capital grants unapplied	6,293	
5,465	Difference between accounting regulation and Statute	5,836	
5,178	Net gain / (loss) on sale of non current assets	6,715	
<u>73,765</u>		<u>56,910</u>	
<u>4,032</u>	(Increase) / decrease in Housing Revenue Account Balance	<u>2,178</u>	
28,101	Housing Revenue Account Reserve balance brought forward	24,069	
(4,032)	Increase / (decrease) for the year	(2,178)	H4
<u>24,069</u>	Housing Revenue Account Reserve balance carried forward	<u>21,891</u>	

# Explanatory notes to the Housing Revenue Account

## H1 Government grant income

The HRA receives annual government grant income in support of its two PFI (Private Finance Initiative) schemes, amounting to £21.4m in 2018/19 (£21.4m in 2017/18). Further information on these schemes can be found in Explanatory Note 9 to the main accounting statements. In 2018/19 the HRA income and expenditure statement also reflects the use of apprentice levy grant income, which has been used for training for HRA staff during the year.

## H2 Charges for HRA use of assets

### H2.1 Depreciation and impairment

The HRA Income and Expenditure Account is charged with depreciation and impairment in order to reflect the full cost of housing at the net cost of service level. For 2018/19 the breakdown of these charges was £29.0m depreciation and a credit of £11.9m for reversals of impairment charges recognised in previous years.

However, within the Statement of Movement on the HRA Reserve a number of adjustments are made in accordance with statute. For HRA properties, the depreciation charge is reversed and replaced with the annual amount deemed to be needed in order to carry out major repair work to maintain the properties. This amount is transferred to the Major Repairs Reserve and used to fund capital expenditure (see note H6 below). Impairment charges for properties are also reversed within the Statement of Movement on the HRA Reserve.

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

The amount of revenue expenditure funded from capital under statute in 2018/19 is £5,162k. The charges relate mainly to grants to social housing providers.

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

### H3.1 Interest

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

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

In accordance with the Code, the HRA Income and Expenditure account receives a debit or credit reflecting any premiums or discounts arising on repayment of its long term loans during the year. However, statute specifies that premiums and discounts attributable to the HRA should be amortised over a number of years to the ringfenced HRA Reserve. The Statement of Movement on the HRA Reserve therefore includes an adjustment reflecting the difference between the accounting charge and the amortisation charge. In 2018/19, the statutory amortisation charge for premiums and discounts was a net discount of £98k (£440k net discount in 2017/18).

#### H4 HRA revenue reserves

As there is a statutory requirement to account for the Housing Revenue Account separately from the rest of Leeds City Council, the accumulated HRA revenue reserve is also recognised separately. Given the significance of current challenges, it has been thought prudent to maintain a relatively high level of reserves and to identify elements within that for specific purposes.

##### HRA reserves

£000s	01/04/2018	net movements	31/03/2019	notes
General reserve	6,495	-	6,495	
Swarcliffe PFI	7,410	(2,318)	5,092	i
Early Leavers Initiative	408	-	408	ii
Holdsforth Place - land purchase	64	-	64	iii
Insurance Claims to be Incurred	137	(137)	-	
Welfare Reform	1,782	(410)	1,372	v
Little London, Beeston Hill & Holbeck PFI	2,710	1,907	4,617	
Environmental Works	-	-	-	vii
Housing Advisory Panels (HAPs)	541	(131)	410	viii
Sheltered Housing Works	3,238	(317)	2,921	ix
Efile project	262	-	262	x
Changing the workplace	332	(97)	235	xi
Concierge pilot	400	(400)	-	xii
Sheltered Housing Furniture	280	(280)	-	xiii
Wharfedale View Sinking Fund	10	5	15	xiv
	24,069	(2,178)	21,891	

- i Swarcliffe Private Finance Initiative contract.
- ii Funds to support the Early Leavers' Initiative.
- iii To fund the purchase of land at Holdsforth Place.
- iv To fund any future large insurance claims not within the scope of existing cover.
- v To fund future pressures associated with the Government's Welfare Reform Bill.
- vi To support affordability over the 20 year term of the Little London, Beeston and Holbeck PFI contract.
- vii To fund environmental improvements on housing estates.
- viii To fund projects identified by Housing Advisory Panels (HAPs).
- ix To support improvements and enhancements to the sheltered housing stock.
- x To fund the transfer of Housing Management files to electronic records.
- xi To fund the accommodation costs of introducing more efficient ways of working.
- xii To fund the extension of the concierge service in multi-storey flat areas, in order to reduce the impact that anti-social behaviour has on both the building and the residents and their visitors.
- xiii To fund the replacement of furniture and carpets within the sheltered housing stock.
- xiv Contribution from shared owners towards the future costs of replacing furniture and carpets at the Wharfedale View Extra Care facility.

## H5 HRA assets

### H5.1 Land and property assets

This note identifies the total balance sheet value of land, houses and other property within the HRA and analyses the movement in the balance sheet value during the year. These assets are included within the council's balance sheet within the classifications Property, plant and equipment, Investment property and Assets held for sale.

#### HRA fixed asset movements

<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	2,059,407	38,348	50,518	2,441	55,115	11,184	2,217,013
Accumulated depreciation and impairment	(835)	(1,015)	(44,220)	-	-	-	(46,070)
Balance sheet value as at 1 April 2018	2,058,572	37,333	6,298	2,441	55,115	11,184	2,170,943
Depreciation	(26,141)	(930)	(1,905)	-	-	-	(28,976)
Additions	87,845	-	575	-	-	955	89,375
Donations	-	-	-	-	-	-	-
Impairments (CI&ES)	(116)	(262)	-	-	-	-	(378)
Impairments (revaluation reserve)	(39)	(761)	-	-	-	-	(800)
Revaluations (CI&ES)	12,455	(139)	-	(15)	-	-	12,301
Revaluations (revaluation reserve)	(16,229)	2,450	-	-	-	-	(13,779)
Disposals	(4,736)	-	-	(104)	(21,075)	-	(25,915)
Changes in classification	(14,153)	398	-	(7)	24,131	(9,841)	528
Cost or valuation	2,123,754	38,348	51,093	2,315	58,171	2,298	2,275,979
Accumulated depreciation and impairment	(27,131)	(1,015)	(46,125)	-	-	-	(74,271)
Balance sheet value as at 31 March 2019	2,097,458	38,089	4,968	2,315	58,171	2,298	2,203,299

The following table shows the same analysis of the movement in land and property assets for the 2017/18 financial year :

<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	1,922,505	35,944	50,075	2,579	41,270	34,620	2,086,993
Accumulated depreciation and impairment	(825)	(925)	(42,102)	-	-	-	(43,852)
Balance sheet value as at 1 April 2017	1,921,680	35,019	7,973	2,579	41,270	34,620	2,043,141
Depreciation	(25,289)	(848)	(2,118)	-	-	-	(28,255)
Additions	76,866	6	446	278	-	7,655	85,251
Donations	-	-	-	-	-	-	-
Impairments (CI&ES)	(208)	(89)	-	-	-	-	(297)
Impairments (revaluation reserve)	-	(23)	-	-	-	-	(23)
Revaluations (CI&ES)	20,466	118	-	(273)	-	-	20,311
Revaluations (revaluation reserve)	69,309	3,638	-	-	-	-	72,947
Disposals	(5,666)	(51)	(3)	(3)	(16,666)	-	(22,389)
Changes in classification	1,414	(437)	-	(140)	30,511	(31,091)	257
Cost or valuation	2,059,407	38,348	50,518	2,441	55,115	11,184	2,217,013
Accumulated depreciation and impairment	(835)	(1,015)	(44,220)	-	-	-	(46,070)
Balance sheet value as at 31 March 2018	2,058,572	37,333	6,298	2,441	55,115	11,184	2,170,943

## H5.2 Vacant possession values

In accordance with government guidance, council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. This adjustment factor is 41% in 2018/19 (41% in 2017/18). As a consequence the council recognises council dwellings at a value of £2,097m on the balance sheet. At vacant possession the same dwellings would have a value of £5,294m therefore recognising an economic cost to the government of providing council housing at less than open market rents of £3,197m.

## H5.3 Housing stock numbers

At 31st March 2019 the council was responsible for managing 55,924 dwellings. The composition of the stock was as follows:

2017/18		number	2018/19	
30,696	54.01%	Houses	29,910	53.48%
23,171	40.77%	Flats	23,051	41.22%
2,967	5.22%	Bungalows	2,963	5.30%
56,834	100.00%		55,924	100.0%

## H5.4 Housing rent arrears

Further information on rent arrears and the provision for uncollectable housing rents can be found in explanatory note 14.1 to the main financial statements.

## H6 HRA capital accounting

### H6.1 Capital expenditure and funding

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

#### HRA capital expenditure

2017/18	£000s	2018/19
85,247	Fixed Assets	89,375
2,272	Revenue expenditure funded from capital under statute	5,162
87,519		94,537

#### HRA capital funding

2017/18	£000s	2018/19
70,756	Major Repairs Reserve	71,291
2,684	Revenue contributions	325
-	Borrowing	1,330
-	PFI Deferred Liabilities	-
2,687	Grants and contributions	6,433
11,392	Capital receipts	15,158
87,519		94,537

## 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 (£6.1m in 2017/18) 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

2017/18	£000s	2018/19
25,818	Council houses	32,302
318	Land	136
1,098	Other property	193
<u>27,234</u>		<u>32,631</u>

## H7 Major Repairs Reserve

The Accounts and Audit Regulations 2015 require local authorities to maintain a Major Repairs Reserve. The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets. Statute allows any difference between the depreciation credit on the reserve and a specified amount deemed necessary for carrying out major repairs for the year to be transferred back to the HRA. Authorities are able to charge capital expenditure directly to the reserve, and can also use it for making a voluntary set aside to repay debt. The following table shows the movement on the Major Repairs Reserve for the financial year:

### Major Repairs Reserve

2017/18	£000s	2018/19
30,502	1 April	31,470
28,254	Statutory transfer to the reserve	28,976
(70,757)	Capital expenditure charged to the reserve	(71,291)
-	Voluntary set-aside charged to the reserve	-
43,471	Transfer to/(from) the reserve	34,837
<u>(27,286)</u>		<u>(36,454)</u>
<u>31,470</u>	31 March	<u>23,992</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 2018/19. 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.

2017/18	Summary income and expenditure account £000s	2018/19	notes
	<i>Income</i>		
(335,589)	Council tax	(356,217)	
41	Council tax benefits	1	C2
-	Transitional relief	2	
(335,548)		(356,214)	
(355,732)	Business rates	(382,248)	
21,601	Transitional protection payments	9,747	
(334,131)		(372,501)	
(669,679)		(728,715)	
	<i>Expenditure</i>		
	Council Tax - payments to precepting authorities:		
286,574	Leeds City Council	303,698	
33,684	West Yorkshire Police Authority	36,700	
13,590	West Yorkshire Fire and Civil Defence Authority	14,126	
333,848		354,524	C3
2,922	Council tax - provision for uncollectable amounts and write-offs	3,128	
	Business rates - payments to precepting bodies:		
159,054	Central Government share	(13,607)	C5
157,950	Leeds City Council	347,391	C5
3,190	West Yorkshire Fire and Civil Defence Authority	3,358	C5
1,205	Costs of collection	1,205	
321,399		338,347	
	Business rates - movements on provisions:		
10,470	Provisions raised for appeals against valuations	13,528	
(20,895)	Amounts charged to the provision for valuation appeals	(5,055)	
2,702	Movement on provision for uncollectable amounts and write-offs	2,171	
(7,723)		10,644	
(19,233)	(Surplus) / deficit	(22,072)	C6
2017/18	Collection Fund balances £000s	2018/19	
(51,999)	1 April	(32,766)	
19,233	Surplus / (deficit) for the year	22,072	C6
(32,766)	31 March	(10,694)	

# 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 2018/19 there were an estimated 351,752 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 2018/19 the tax base for Leeds was 225,055 properties and this was used to calculate the Band D council tax of £1,467.44, 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).

<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)	137,240	(6,885)	130,355	80,716	6 / 9	53,781
B	75,227	(5,355)	69,872	56,051	7 / 9	43,595
C	67,319	(2,282)	65,037	57,001	8 / 9	50,668
D	33,636	(1,075)	32,561	30,029	1	30,029
E	20,941	(451)	20,490	19,406	11 / 9	23,718
F	9,872	(110)	9,762	9,306	13 / 9	13,442
G	6,866	(63)	6,803	6,523	15 / 9	10,872
H	651	(15)	636	611	18 / 9	1,222
	<b>351,752</b>	<b>(16,237)</b>	<b>335,515</b>	<b>259,643</b>		<b>227,327</b>
						Allowance for non-collection (2,273)
						Defence-exempt properties 1
						<b>Base for calculating Leeds City Council 2017/18 council tax 225,055</b>

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

## C2 Council tax benefits

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

The figures shown in the Collection Fund for Council tax benefits for 2017/18 and 2018/19 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.

2017/18	£000s		2018/19
		Leeds City Council	
285,074		Annual precept	303,472
1,500		Payment of council tax surplus	226
<u>286,574</u>			<u>303,698</u>
		West Yorkshire Police Authority	
33,501		Annual precept	36,673
183		Payment of council tax surplus	27
<u>33,684</u>			<u>36,700</u>
		West Yorkshire Fire and Civil Defence Authority	
13,515		Annual precept	14,115
75		Payment of council tax surplus	11
<u>13,590</u>			<u>14,126</u>
<u>333,848</u>			<u>354,524</u>

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 2019 was £930,311k (£921,063k at 31<sup>st</sup> March 2018), and the small business rate multiplier for the year was set by the government at 48.0p in the pound for 2018/19 (46.6p in the pound for 2017/18).

## C5 Business rates – payments to precepting bodies

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

<u>2017/18</u>	£000s	<u>2018/19</u>	
	Leeds City Council		
178,067	Annual precept	359,379	
440	Retained income - Enterprise Zone Relief	-	
980	Retained income - Renewable Energy	226	
226	Retained income - Designated Areas	1,121	
(21,763)	Recoupment of business rates deficit	(13,335)	
<u>157,950</u>			347,391
	Central Government		
181,702	Annual precept	-	
(440)	Contribution to Enterprise Zone Relief	-	
(22,208)	Recoupment of business rates deficit	(13,607)	
<u>159,054</u>			(13,607)
	West Yorkshire Fire and Civil Defence Authority		
3,634	Annual precept	3,630	
(444)	Recoupment of business rates deficit	(272)	
<u>3,190</u>			3,358
<u>320,194</u>			<u>337,142</u>

## C6 Analysis of Collection Fund balances

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

<u>2017/18</u>	£000s	<u>2018/19</u>	<u>Total</u>
<i>Total</i>		<i>Council Tax</i>	<i>Business Rates</i>
(51,999)	1 April	(31)	(32,735)
19,233	Surplus / (deficit) for the year	(1,438)	23,510
<u>(32,766)</u>	31 March	<u>(1,469)</u>	<u>(10,694)</u>

