

Leicester
City Council

Statement of Accounts

Year ended 31st March 2008

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FOREWORD

1. Introduction

This document sets out the published statement of accounts of the Authority for the year ending 31st March 2008. The accounts have been prepared in accordance with the regulations and requirements contained in the Code of Practice on Local Authority Accounting in the UK 2007, published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

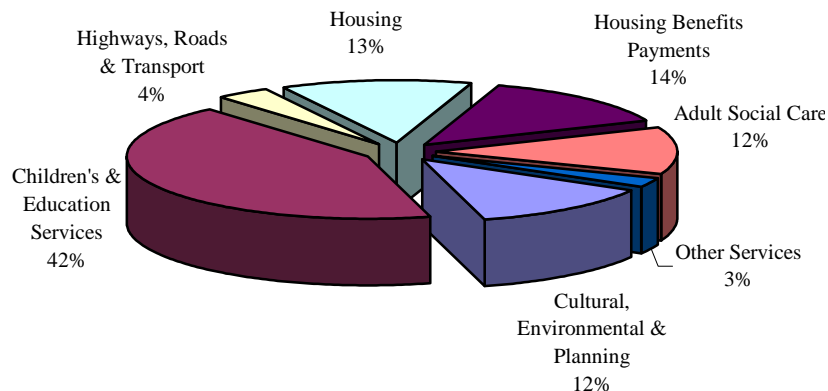
This foreword gives a brief summary of the overall financial position of the Authority as it stood at 31 March 2008 and its financial activity for the year ending at that date. It also explains the purpose of the financial statements that are contained within the accounts, highlighting the most significant matters.

This year has been a transitional one for the authority, with a new administration elected in May. 2007/08 was the final year of the then existing corporate plan, and the year saw the development of the “One Leicester” vision for the city over the next 25 years. Key financial developments have been the signing of contracts for the first four secondary schools in the Building Schools for the Future programme; near completion of the Curve Performing Arts Centre; development of the pay and grading scheme for most of the Council’s non-teaching staff; and settlement of a substantial number of equal pay claims.

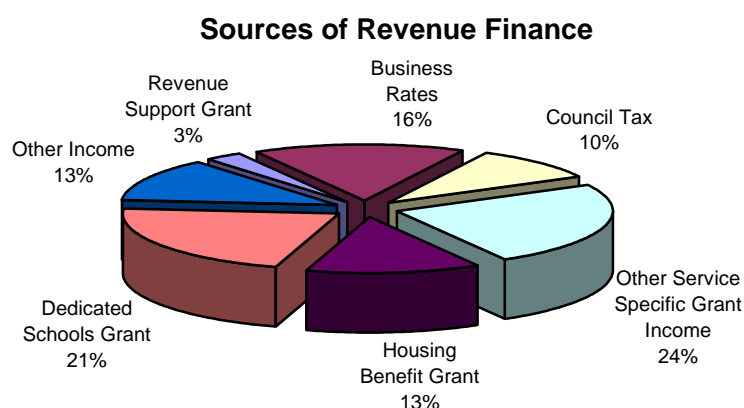
2. Revenue Expenditure

Revenue expenditure represents expenditure on the day-to-day running expenses of the Authority. The diagram below provides an analysis of the total gross cost (£846m) of the various services provided by the Authority. This is presented in the format of the Best Value Accounting Code of Practice (BVACOP) and shows expenditure largely as it is depicted in the Income and Expenditure Account. This is one of the main statements within the accounts and can be found on page 37 of this document.

Analysis of Gross Cost of Services



This expenditure is funded from the following main sources of income:



Despite pressures experienced by many departments during the year due to financial constraints, service departments underspent by £1m (0.5%) against a net budget of £219m. The Council has a track record of effective budgetary control, and the early identification of budget pressures has enabled corporate directors to take appropriate action to contain such pressures resulting in the delivery of an outturn close to budget.

A significant saving materialised on corporate budgets, and in particular capital financing, which was predicted early in the year. This was primarily due to large cash inflows into the authority leading to higher levels of interest being received, and also due to some timely borrowing decisions, when low interest rates were exploited and borrowing was undertaken in advance. This money was invested pending need, and has benefited from the increasing interest rates. In addition to this saving, the authority has also received £0.5m of Local Authority Business Growth Incentive grant (LABGI) from the Government relating to 2006/07, together with a provisional allocation of £1.3m for 2007/08 (including retrospective adjustments from previous years). These savings contributed to budget decisions for 2008/09.

The following table shows the total budget and funding of the General Fund:

	Original Budget £m	Revised Budget £m	Net Expenditure/ (Income) £m	(under) / Over spend £m
Service departments budgets	214.6	218.9	217.9	(1.0)
Housing Benefits Payments	0.5	0.5	1.3	0.8
Corporate Budgets	25.0	21.0	17.7	(3.3)
Total Budget/Expenditure	240.1	240.4	236.9	(3.5)
<u>Financing of Budget</u>				
Revenue Support Grant	(22.6)	(22.6)	(22.6)	0.0
Business Rates	(134.7)	(134.7)	(134.7)	0.0
Council Tax	(82.8)	(82.8)	(82.8)	0.0
Business Growth Incentives	0.0	0.0	(1.8)	(1.8)
Reserves	0.0	(0.3)	(0.3)	0.0
Net Underspend	0.0	0.0	(5.3)	(5.3)

Schools have delegated budgets which are funded from the ring-fenced Dedicated Schools Grant (DSG) from the Government. This grant, amounting to £181m in 2007/08, not only funds the delegated budgets of schools but also certain items of related central expenditure. During the year, schools underspent on their delegated budget by £3.8m (2.5%). A substantial part of this underspending related to planned savings prior to the start of the Building Schools for the Future programme of capital investment. Further information on the DSG is provided at note 7 to the core financial statements.

3. Core Financial Statements

In accordance with the Code of Practice on Local Authority Accounting in the UK, the core financial statements are:-

The Income and Expenditure Account on page 37 of this document shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the financial period. This account shows a deficit in 2007/08 of £8.60m. However, the authority is required by law to set its budget and raise council tax on a different accounting basis. There are a number of statutory adjustments made to this figure, as shown and explained in more detail in note 2 to the accounts, in order to determine the movement on the general fund balance. In 2007/08 these adjustments amounted to £8.48m, resulting in a small reduction on the general reserve of £0.12m. This figure consists of the £5.3m net underspend shown in the above table, less approved transfers for decisions made during the year.

The Statement of Total Recognised Gains and Losses (STRGL) shows net recognised gains of £207m. This mainly arises from unrealised gains, including the revaluation of fixed assets during 2007/08 totalling £173m, together with a £42m actuarial gain on the accumulated investment assets and estimated pensions liabilities.

Balance Sheet

The Council holds a significant level of reserves. These include the general reserve, which represents a minimum working balance in order to be able to deal with the unexpected; and earmarked reserves, which are held separately for specific purposes. The Council's general reserve stands at £7.4m at 31 March 2008 (excluding departmental carry forward sums). Earmarked reserves include significant ring-fenced monies such as schools balances, the insurance fund, government grant towards Building Schools for the Future, and amounts set-aside to finance capital expenditure. These reserves have increased by £8m in 2007/08 to £63.7m. Further information on earmarked reserves is shown on page 70 of the accounts.

In common with many other local authorities, Leicester City Council shows a significant deficit (£99m) on its pension commitments. The figure is based on a financial assessment carried out by a firm of professional actuaries following the requirements of the Financial Reporting Standard 17. This projected deficit has no direct impact on the revenue budget of the authority or on the level of council tax. However, the pension fund is subject to a triennial actuarial review which determines the level of future employer contributions required to ensure the scheme is fully funded in the long term. The most recent triennial review valued the fund as at March 2007 and states that assets held at the valuation date were sufficient to cover 93% of accrued liabilities assessed at that date. This has resulted in a change in the level of employer contributions for 2008/09, which must be funded from the Council's revenue budget.

4. Other Issues

Job Evaluation

The Council has carried out a review of its grading structure in order to meet the expectations of the national single status pay agreement reached in 1997. Whilst the scheme has not yet been implemented, pay increases associated with the new agreement are due to be backdated to July 2007 under present negotiated proposals. Accordingly, the estimated cost of these increases (£5.5m) has been included within the net cost of services section of the Income and Expenditure Account, with a provision held within the Balance Sheet.

Equal Pay

Many local authorities have received claims that predominantly female groups of staff have been underpaid in comparison with other, predominantly male, groups of employees and a potential breach of equal pay legislation. During 2007/08 the Council has made a significant number of payments of compensation at a cost of £11.3m, which has been financed from reserves. There are a small number of potential claims remaining, for which a provision has been made within the accounts. Regulations introduced during 2007 enable the authority to defer charging this sum to the general fund balance until payments are made. Accordingly, this amount has been transferred to an Unequal Pay – Back Pay Account, as shown in the bottom section of the Balance Sheet on page 39.

HomeCome Limited

The Council set up this company in 2004 as part of its strategy to create new affordable housing. The Council uses its well being powers to provide affordable rent grants which enables the company to purchase properties (up to a maximum of 75% of the value of the property). Because the Company is limited by guarantee and the Council retains an equity share in the properties for which affordable rent grant has been provided, the Council's exposure to financial risk is low. It has been determined that at present the scale of HomeCome's activities is not sufficiently material to warrant the production of group accounts. However, details of HomeCome Limited's financial position as at 31st August 2007 are provided at note 40 to the core financial statements.

5. Supplementary Financial Statements

The Housing Revenue Account (HRA), shown on page 81, is a statutory ring-fenced account relating to the provision of rented social housing. The HRA Income and Expenditure account shows a deficit of £1.3m: however, after adjustments to reflect statutory requirements, the account incurred a year end surplus of £1.7m against a planned deficit of £0.5m. The HRA balance at 31st March 2008 stands at £4.6m, which is not only required as a contingency to meet any unforeseen expenditure or a shortfall in income, but also to support the HRA capital programme to meet the Government's Decent Homes Standard by 2010.

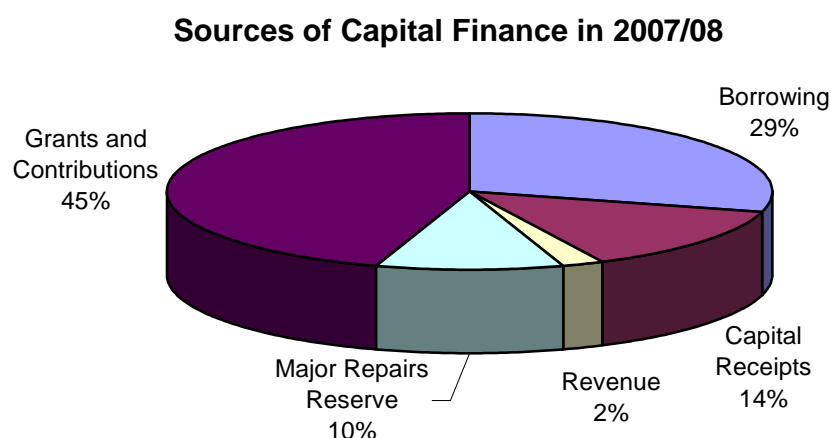
The Collection Fund records all income and expenditure in relation to the council tax and non-domestic (business) rates. This account shows a year end deficit of £0.9m, which was largely anticipated when the budget was set.

6. Capital Expenditure

In 2007/08, £115m was incurred on capital expenditure. The main areas of spending are detailed below:

	£m
Childrens Services	22.8
Housing	31.1
Adults	1.6
Regeneration & Transport	52.6
Corporate & other	6.9
Total Capital Expenditure in 2007/08	115.0

The chart below illustrates the sources of funding for this expenditure:



Major Schemes carried out during 2007/08 are detailed below:

Scheme	£m
CURVE Theatre	18.2
Council Dwellings - Kitchen and Bathroom Improvements	7.3
Building Schools for the Future	7.1
Upperton Road Viaduct	6.9
City Centre Improvements	6.6
Digital Media Centre	2.9

7. Future Issues

The authority faces continuing change in both its medium term financial planning and financial reporting. Each year, the authority has to respond to the requirements of continuous service improvement, and specific initiatives, within well managed arrangements for its finances. Some of the issues facing the authority are:-

Building Schools for the Future (BSF)

This is a substantial programme of investment in secondary schools, partly funded by conventional finance and partly through the Private Finance Initiative.

Service Transformation Programme

The authority is in the process of establishing a major programme of service transformation. It is anticipated that this programme will impact on many services, including a customer transformation strategy to transform the way customers engage with the Council.

Transforming Leicester's Learning

This is a comprehensive strategy designed to improve educational attainment levels across the city. The programme is a key priority for the Children and Young People's Department and will require significant levels of resources in 2008/09 and 2009/10.

Local Area Agreement (LAA) & Area Based Grant

From April 2006, the Council became a partner to and the accountable body for the Local Area Agreement (LAA). This is a formal agreement between many partner organisations to work together towards achieving a wide range of objectives. These objectives were grouped into four main themes; Children and Young People; Safer and Stronger Communities; Healthier Communities and Older People; Economic Development and Enterprise. The delivery of each of these themes is overseen by the Leicester Partnership, a group of key stakeholders in the city. The LAA is still a relatively new approach which aims to bring together resources to achieve shared objectives. There are a number of funding streams "pooled" within the LAA which in 2007/08 increased to £20.1m.

In 2008/09 the grant, renamed Area Based Grant, is due to increase to £26m, rising again to £41m by 2010/11. In the longer term, Area Based Grant provides a valuable mechanism for partnership working to achieve shared priorities. Work is on-going to produce a city-wide financial strategy, and a joint commissioning strategy will consider how best to use this grant to achieve shared objectives as effectively as possible. However in the short term, it is likely that the grant will be spent on much the same purposes as the grants which it has replaced. Reshaping priorities, and spending plans, is likely to be a time consuming exercise.

Code of Practice on Local Authority Accounting – The SORP

This sets out the requirements by which the authority prepares its financial statements. There are only a small number of changes which will affect the financial statements in 2008/09. The main change is to accommodate the introduction of the Area Based Grant. This is a non-ringfenced general grant which will be presented in the Income and Expenditure Account after net operating expenditure.

Looking further ahead to 2009/10 and beyond, the introduction of International Financial Reporting Standards (IFRS) for local authorities is due to take place in 2010/11, with comparative figures relating to 2009/10 restated. However, data submitted to the government for the production of the Whole of Government Accounts will need to be produced on an IFRS basis in 2009/10.

8. Accounting Policies & Other Significant Changes

In 2007/08 the Council has adopted a number of significant new accounting policies in accordance with the Statement of Recommended Practice 2007. These are:

- The introduction of a Revaluation Reserve, which has replaced the Fixed Asset Restatement Account (FARA). The balance on the FARA has been written off to the Capital Financing Account to form a new Capital Adjustment Account. The Revaluation Reserve has been included in the balance sheet with a zero opening balance;
- The methodology for calculating depreciation charges on council dwellings has been revised. It is now based on the value of the properties divided by their life expectancies. Previously the Major Repairs Allowance had been used as a proxy for depreciation;
- Repurchase of Borrowing – changes to the way Premia and Discounts are treated mean that the deferred premia and discounts lines on the Balance Sheet have been abolished. Section 16 of the Statement of Accounting Policies outlines this in more detail;
- Accrued interest – Interest on borrowings is now shown as part of the carrying value of the loan, where previously it had been shown within the current liabilities section of the Balance Sheet.

Other significant changes are as follows:

- Non-operational investment properties (£155m as at 31st March 2007) have been reclassified, resulting in most of the assets transferring to operational land and buildings and surplus assets. This is because it has been determined that these properties are not solely held for income generation (investment) but are to some extent held to meet service based objectives;
- The Council has been a constituent member of the Eastern Shires Purchasing Organisation (ESPO) for a number of years. A review of our accounting arrangements for this relationship has been undertaken during 2007/08. This has resulted in ESPO being classified (under the SORP) as a Joint Authority Not an Entity (JANE). This requires the Council to account for its share of income, expenditure, assets and liabilities. As such the Council's estimated share of ESPO's assets and liabilities have been incorporated into the Balance Sheet, with a new line in the bottom half of the Balance Sheet for our estimated share of ESPO's reserves. It should be noted that these are notional sums which would only be realised if ESPO's operations were to discontinue;
- Net Cost of Services – the format of this section of the Income and Expenditure Account is set out in accordance with the Best Value Accounting Code of Practice. This ensures the figures are presented in a consistent format when compared with other local authorities. For 2007/08 the Children's Social Care function has transferred to the Education line to create a new line named Education and Children's Services. The former Social Services line has been renamed Adult Social Care.

As a result of these changes, the comparative figures relating to 2006/07 have been amended from those previously published to ensure a like for like comparison. These prior period adjustments are summarised at note 3 to the core financial statements.

The Statement of Accounting Policies, shown on pages 25 to 35, is closely aligned with the CIPFA Statement of Recommended Practice and includes a brief commentary on all the key accounting issues of relevance to an understanding of the financial statements themselves.

9. Contents of the Statement of Accounts

A guide to the main financial statements is provided on page 23 of this document.

Mark Noble CPFA
Chief Finance Officer

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority 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 this authority, that officer is the Chief Finance Officer.
- Manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

These accounts were approved at a meeting of the Audit Committee on 25th June 2008.

Cllr Michael Johnson

Chair of the Audit Committee meeting approving the accounts

Date 25/6/08

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this Statement of Accounts, 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 local authority SORP.

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.

I certify that the Statement of Accounts has been prepared in accordance with proper practices and presents fairly the financial position of the City Council and its income and expenditure for the year ended 31st March 2008.

M Noble CPFA

Chief Finance Officer

Date 20/6/08

LEICESTER CITY COUNCIL

ANNUAL GOVERNANCE STATEMENT 2007–08

1. Scope of Responsibility

Leicester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Leicester City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Leicester City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Framework Delivering Good Governance in Local Government*.

A copy of the code is on our website at <http://www.leicester.gov.uk/your-council--services/council-and-democracy/key-documents> or can be obtained from Customer Services.

This statement explains how Leicester City Council meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Leicester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at Leicester City Council for the year ended 31 March 2008, and up to the date of approval of the accounts.

3. The Governance Framework

The Council has adopted a framework that includes arrangements for:

- Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users
 - The Council's vision has been defined through the development of its *One Leicester* document. This identifies the vision for the next twenty-five years and has been produced in collaboration with the Leicester Partnership.
- Reviewing the authority's vision and its implications for the authority's governance arrangements
 - *One Leicester* includes arrangements for continuing review of the vision and its associated governance arrangements.
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources
 - The Council has introduced a performance framework which links key corporate objectives with clear outcome measures which are subject to regular review by the executive and Cabinet.
- Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
 - Respective roles and responsibilities are defined within the Council's Constitution, together with delegation arrangements and protocols for effective communication.
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
 - The Council has established a Standards Committee with a remit to oversee adherence to relevant codes of conduct for both members and officers, and an Audit Committee with overall responsibility for reviewing the effectiveness of governance arrangements including those related to adherence to standards of conduct.
- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes and manuals, which clearly define how decisions are taken and the processes and controls required to manage risks
 - The Constitution is subject to regular review to ensure that it continues to meet the needs of the Council in relation to schemes of delegation, procedures and decision-making.
- Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

- The Council has established an Audit Committee with terms of reference that comply with CIPFA's guide. The latest review of the Effectiveness of the System of Internal Audit, required under the Account and Audit Regulations shows that this committee is effective and is contributing toward improving the internal control environment of the Council.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
 - The system of internal control is based on a coherent accounting and budgeting framework including contract, finance and procurement procedure rules.
 - A rolling three-year Financial Strategy, last reviewed in February 2008, provides a backbone for ensuring both revenue and capital expenditure plans reflect and support delivery of the Council's core objectives.
 - Internal Audit supports the Audit Committee by reviewing elements of the Council's system of internal control and reporting regularly thereon, thus helping the Council to satisfy itself that compliance with regulation and best practice is happening.
- Whistle-blowing and for receiving and investigating complaints from the public
 - The Council has adopted a Whistle Blowing Policy and during 2007-8 approved a new Anti-Fraud and Corruption Policy which makes a clear commitment to maintaining a zero tolerance of fraud and financial irregularity.
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
 - The Council is undergoing a radical review of its structure and service delivery infrastructure as part of its commitment to *One Leicester*. In turn it has committed itself to providing additional corporate resource to support the management of change to improve performance and efficiency.
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
 - This is being done through the Council's commitment to *One Leicester*, which itself was developed with the benefit of open consultation with stakeholders and our strategic partners.
- Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships "*Governing Partnerships*" and reflecting these in overall governance arrangements
 - For major partnerships the Partnership Guidelines including a financial framework has been revised and the database of such major projects updated (as required on an annual basis) in March 2008.
 - The Council's major partnership is the Leicester Partnership. This body is charged with overseeing the arrangements for spending the Area Based Grant and for delivering the outcomes set out in the Local Area Agreements. In turn this is set out within a comprehensive financial framework, to which the LP is signed up.

4. Review of Effectiveness

The Council is committed to the maintenance of a system of Internal Control which:

- Demonstrates openness, accountability and integrity
- Monitors and reviews compliance with established policies, procedures, laws and regulations and effectiveness against agreed standards and targets
- Monitors and reviews the effectiveness of the operation of controls that have been put in place
- Identifies, profiles, controls and monitors all significant strategic and operational risks
- Ensures that the risk management and control process is monitored for compliance.

The framework through which the Council satisfies itself as to the effectiveness of its system of internal control takes, as its starting point, the Council's principal statutory and organisational objectives as set out in its Corporate Plan. From this are identified the key risks to the achievement of its (the Council's) objectives set out therein which in turn are recorded within risk registers at both Corporate and Departmental levels.

This Assurance Framework was approved by the Audit Committee on 2nd April 2008.

The risks identified are subject to regular review and monitoring and appropriate controls identified to manage them.

The results of that review together with

1. An independent review of the effectiveness of internal control carried out by the Council's Internal Audit section
2. A review of the Effectiveness of the System of Internal Audit
3. The External Auditor's Annual Audit Letter and Annual Governance Report which includes findings from the work of other inspection regimes

provide the core information for the preparation of the Annual Governance Statement. Leicester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Governance's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

A review of the effectiveness of the system of internal control and corporate governance as a contribution towards the Council's Annual Governance Statement, has been completed by the Audit Committee in accordance with an agreed assurance framework.

An annual corporate governance review has been completed for 2007/8 via Corporate Directors' Board on 17th June, Audit Committee on 25th June, Standards Committee on 9th July and Cabinet on 14th July and our well established corporate governance code, adopted in May 2002, has been updated in 2008 to comply with CIPFA/SOLACE's 2007 guidance "*Delivering Good Governance in Local Government*" by including an annual self assessment of compliance with the six core principles of good governance. The outcome was the approval of an action plan, by the Cabinet on 14th July 2008. The report can be viewed at

[http://cabinet.council.leicester.gov.uk/Published/C00000078/M00002433/AI00018786/\\$CorporateGovernance.doc.pdf](http://cabinet.council.leicester.gov.uk/Published/C00000078/M00002433/AI00018786/$CorporateGovernance.doc.pdf)

5. Significant Governance Issues




The control framework described above facilitates the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. Overall, it can be concluded that controls are operationally sound.

The areas where weaknesses have been identified are listed below, together with a brief summary of the action being taken to make the necessary improvements.

Area of concern	Comment	Action planned
<p>The documentation, promulgation and adherence to of Corporate policies, procedures and requirements is variable.</p>	<p>This was identified as a weakness in the Statement on Internal Control for 2006-7.</p> <p>There is evidence that in some locations staff remain unaware of expectations placed upon them.</p>	<p>A programme of training for certifying officers is now being delivered by the Corporate Counter Fraud Team in addition to fraud awareness training.</p> <p>A major overhaul of induction programmes is currently in progress with the outcomes expected during autumn 2008.</p> <p>The use of web based learning tools to support Freedom of Information and Data Protection Act training for staff is being actively progressed.</p>
	<p>The work programme of the Audit Committee includes identifying control issues, and establishing firm expectations.</p> <p>Whilst the problem is greatest at outlying locations, evidence of similar issues at centrally based locations is available.</p> <p>This matter was also referred to in the CPA report in relation to the need for mandatory training</p>	<p>Internal Audit incorporate this issue as part of planned and commissioned audit work to promote the spread and use of best practice at all locations.</p> <p>Recommendations made by Internal Audit are regularly followed up and their implementation monitored by the Audit Committee.</p>
<p>Effective maintenance of inventories is patchy.</p>	<p>Internal Audit has reviewed the maintenance and veracity of inventories at various Council establishments as part of its audit programmes during 2007-8.</p> <p>Some improvement has been identified although concerns relating to inventories of ICT hardware and software remain.</p>	<p>Future Internal Audit reviews will maintain this check as part of the programme of review.</p>

Area of concern	Comment	Action planned
Management and letting of Contracts	A Public Interest Report issued by the Audit Commission found weaknesses in our procurement and management of a number of Housing contracts.	A corporate inter-departmental group of officers has been established to address the issues raised in the Public Interest Report. The group has reported regularly both to the Audit Committee and the Cabinet on progress. Internal Audit and the Audit Commission are to carry out a joint follow up review during autumn 2008
Communications Strategy		A new strategy is being prepared based on the One Leicester work. Implementation will follow publication of the vision document.
Transparency and accountability of decision-making should be strengthened.	The Corporate Assessment identified that the Councils application of the ethical governance framework and standards is unsatisfactory.	Being addressed as part of the action plan arising from the CPA Corporate Assessment
Consideration of whether some training such as on the Council's Code of Conduct should be mandatory.	The Council has a significant number of new councillors who have been offered standards training and drop-in 'surgeries'. However code of conduct training is not compulsory and few councillors have attended. The Standards Committee and monitoring officer provide some training, advice and assistance to councillors on the ethical framework but this is not a proactive approach.	A training needs assessment for individual members is currently being compiled and appropriate training and support will follow reflecting the results of assessments.
The role of the Standards Committee, Monitoring Officer and Leader in setting and maintaining ethical governance standards should be clarified	The Corporate Assessment identified that The role of the Standards Committee, Monitoring Officer and Leader in setting and maintaining the highest standards of ethical governance should be clarified and a more proactive approach taken to training and developing councillors and staff in modern corporate governance.	Being addressed as part of the action plan arising from the CPA Corporate Assessment
Practices in relation to membership of Committees require review	The Corporate Assessment stated that some practices such as Cabinet members also being members of regulatory committees should be discontinued immediately. Such measures will help to reinforce the Council's standing in the community and demonstrate effective and confident community leadership.	At the Council meeting on 15 th May 2008, no Cabinet members were appointed to Regulatory Committee membership. Consideration is being given to constitutional changes to support this decision.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

	Date
Signed: <u></u> (Chief Executive)	_____
Signed: <u></u> (Leader)	<u>9 Sept 08</u>
Signed: <u></u> (Chief Finance Officer)	<u>12/1/08</u>

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEICESTER CITY COUNCIL

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Leicester City Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Leicester City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditor

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the 'Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007' are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword. I am not required to consider, nor have I considered, any information regarding future projections included within the statement of accounts. I consider the implications for my report if I become aware of any

apparent misstatements or material inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

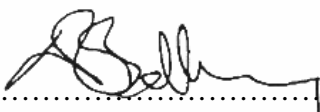
Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

Signature:  Date:25 September 2008.....

Mr N Bellamy
District Auditor
Audit Commission
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire LE19 1SU

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

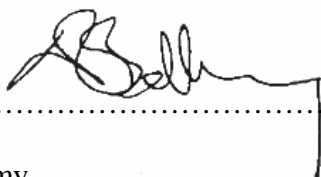
I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Leicester City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008.

Best Value Performance Plan

I have issued my statutory report on the audit of the Authority’s best value performance plan for the financial year 2007/08 on 23 November 2007. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Signature: Date:25 September 2008.....

Mr N Bellamy
District Auditor
Audit Commission
Rivermead House
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Leicestershire LE19 1SU

GUIDE TO THE CORE FINANCIAL STATEMENTS

Income and Expenditure Account

The Income and Expenditure Account shows the Council's actual financial performance for the year and is fundamental to understanding a local authority's activities. It reports the net cost of all services and functions for which it is responsible and demonstrates how this has been financed from general government grants and income from local taxpayers. This statement is a summary of the resources generated and consumed by the authority in the year.

Statement of Movement on the General Fund Balance

This statement shows how the balance of resources generated/consumed in the year, as shown in the Income and Expenditure Account, is reconciled with statutory requirements for raising council tax.

Statement of Total Recognised Gains and Losses

Not all gains and losses experienced by the authority are reflected in the Income and Expenditure Account. This statement is a demonstration of how the movement in net worth in the Balance Sheet is identified in the Income and Expenditure Account surplus/deficit and in other unrealised gains and losses.

Balance Sheet

The Balance Sheet summarises the City Council's financial position as at 31 March 2008. It includes the assets and liabilities of all of the Council's activities.

Cash Flow Statement

This statement summarises all cash inflows and outflows arising from financial transactions with third parties.

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The statement of accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2007* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible and fixed assets.

2. Significant Changes in the Accounting Policies in 2007/08

There are a number of significant changes in accounting policies adopted during 2007/08, and these were outlined in Section 8 of the introductory foreword. Particular attention is drawn to Sections 16, 17, 18 of this Statement in respect of the accounting for financial assets, financial liabilities and the repurchase of borrowing.

3. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. For example:

- Fees, charges and rents due are accounted for as income at the date on which the Council provides the relevant goods or services
 - Supplies are recorded as expenditure when they are consumed. Where supplies are held for future use they are shown as stocks on the balance sheet.
 - Where income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
 - Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
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4. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Such obligations need not be legal obligations, but can arise where the Council has created valid expectations that an obligation will be discharged.

Provisions are charged to the appropriate revenue account when the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not be required the provision is reversed and credited back to the relevant revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (eg from an insurance claim) this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

5. Reserves and Balances

General Fund Balance

The Council holds a general fund balance to meet future funding requirements and as a hedge against any unforeseen financial losses. The adequacy of the level of this reserve is reviewed annually by the Chief Finance Officer, as part of the authority's financial strategy.

HRA Balance

The Council also holds a ring-fenced HRA Balance which, similarly to the General Fund Balance, is held to meet future funding requirements and as a hedge against any unforeseen circumstances specifically relating to the Housing Revenue Account.

Earmarked Reserves

The Council sets aside specific amounts as “earmarked” reserves for future policy purposes, or to cover service specific contingencies and to “carry forward” departmental underspendings in accordance with the Council's finance procedure rules. All such reserves are created by appropriating amounts through the Statement of Movements on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year, to register against the Net Cost of Services. The reserve is then appropriated back into the Statement of Movements on the General Fund Balance so that there is no net charge against council tax for the expenditure.

Pensions Reserve

A reserve is kept to manage the processes for accounting for retirement benefits. This does not represent usable resources for the Council, and is explained in more detail in paragraph 7 below.

Major Repairs Reserve

The Council also holds a “Major Repairs” reserve which is held solely for the purposes of the Housing Revenue Account.

6. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of the entitlement to the grant/contribution and there is reasonable assurance that the monies will be received. Revenue grants are matched in revenue accounts with the service expenditure to which they relate. Grant to cover general expenditure (eg. Revenue Support Grant) are credited to the Income and Expenditure Account after Net Operating Expenditure.

7. Retirement benefits

Employees of the Council may be members of one of two separate pension schemes:

- The Teachers Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families. (DCSF).
- The Local Government Pension Scheme, administered by the Leicestershire County Council.

Both schemes provide defined benefits to members (Retirement lump sums and pensions), to which entitlement is earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for those benefits cannot be identified as specifically accruing to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet and revenue accounts are charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Leicestershire County Council Pension Scheme attributable to the Leicester City Council are included in the balance sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.9% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Leicestershire County Council Pension fund attributable to the Leicester City Council are included in the balance sheet at their fair value:
 - quoted securities - mid-market value
 - unquoted securities - professional estimate
 - unitised securities - average of the bid and offer rates
 - property - market value

- The change in the net pensions liability between balance sheet dates is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Income and Expenditure Account to the revenue accounts of services for whom the employees worked.
 - Past service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs.
 - Interest costs – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure.
 - Expected return on assets – the annual investment return on the fund assets attributable to Leicester City Council, based on an average of the expected long-term return – credited to Net Operating Expenditure.
 - Gains/losses on settlements and curtailments – the results of actions to relieve the Council of liabilities or events that reduce the expected future service of accrual of benefits of employees – debited to the Net Cost of Services as part of Non-Distributed Costs.
 - Actuarial gains/losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – not charged to revenue but shown in the Statement of Total Recognised Gains and Losses.
 - Contributions paid to the Leicestershire County Council Pension Fund – cash paid as employer’s contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. This means that there are appropriations to and from the Pensions Reserve in the Statement of Movements on the General Fund Balance, to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

8. Discretionary Benefits

The Council also has limited powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

9. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected on income is paid over to HM Revenue and Customs and all VAT paid on expenditure is recovered from them.

10. Overheads and Support Services

The costs of overheads and support services are charges to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2007*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional democratic organisation
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two categories are accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Services

11. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (eg software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance, calculated on a historic cost basis, is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

12. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (eg repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Council dwellings – existing use value for social housing
- Other dwellings, other land and buildings– lower of net current replacement costs or net realisable value in existing use.
- Vehicles, plant and equipment – depreciated historical cost as a proxy for net realisable value on materiality grounds.
- Infrastructure assets – depreciated historical cost
- Community assets – nominal value or proxy for historical cost.
- Assets under construction – historical cost

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of asset and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified this is accounted for by:-

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charges to the relevant service revenue account

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals/ Capital Receipts : when an asset is disposed of or de-commissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal.

Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to Housing Revenue Account disposals (75% for dwellings and 50% for land and other assets net of deductions and allowances) is payable into a Government pool. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not charged against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods in which the benefits from their use are expected to arise.

Depreciation is calculated on the following bases:

- Council Dwellings – Straight line over the estimated remaining life of the asset.
- Other buildings- straight-line allocation over the life of the property as estimated by the valuer.
- Vehicles – on a five year annuity.
- Plant and Equipment - straight line over the estimated life of the asset.
- Infrastructure – straight-line allocation over 40 years.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been charged based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Capital Grants and Contributions: where grants and contributions are received that are identifiable to fixed assets, with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the service revenue account, in line with the depreciation policy applied to them.

13. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, the Council's policy is to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirements (equal to at least 4% of the underlying amount measured by the adjusted capital financing requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

14. Deferred Charges

Deferred charges represent expenditure that may be capitalised but which does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the deferred charges account from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account in the Statement of Movements on the General Fund Balance then reverses out the amounts charged to the Income and Expenditure Account, so there is no impact on the level of council tax. Similarly, where the cost is to be met by a grant or contribution this is credited to the revenue account so that there is no impact on the total cost of the relevant service.

15. Leases

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- A finance charge (debited to Net Operating Expenditure in the Income and expenditure Account as the rent becomes payable)

Fixed assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the assets' estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account over the term of the lease so that, in general, rentals are charged when they become payable. No values relating to operating leases are carried on the Council's balance sheet except as either creditors or payments in advance. The City Council leases some of its properties to third parties. Rent is charged for the use of these properties, and the value of these assets is included in the Council's balance sheet.

16. Repurchase of Borrowing

Gains on the repurchase or early settlement of borrowing are credited to Net Operating Expenditure in the Income and Expenditure Account in the year of repayment/settlement. Losses on the repurchase or early settlement of borrowing are debited to Net Operating Expenditure, which may be met by capital receipts, reducing the level of unapplied capital receipts carried forward, or from borrowing.

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

17. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

However, the £9m residue of an £80m stock issue by the Council in 1994, is carried at a lower amortised cost than the outstanding principal, and interest is charged at a marginally higher effective rate of interest than the rate payable to stockholders, as a material amount of costs incurred in its issue is being financed over the life of the stock.

18. Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

When soft loans (loans at less than market rates) are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be forgone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-Sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg. Dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations (unless it is deemed not to be material then held at historical cost).

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains or losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments Entered into Before 1st April 2006

Where the council has entered into financial guarantees that are not required to be accounted for as financial instruments, these are reflected in the Statement of Accounts, to the extent that provisions might be required, or a contingent liability disclosure is needed, under these accounting policies.

19. Stocks and Work in Progress

Stocks are included in the balance sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works.

20. Interest in Companies and Other Entities

The Council has no material interests in any companies or other entities that require the preparation of group accounts.

INCOME AND EXPENDITURE ACCOUNT

2006/07 Net Expenditure (restated) £'000		2007/08			Note
		Gross	Income	Net	
		Expenditure		Expenditure	
		£'000	£'000	£'000	
2,413	Central Services to the Public	7,835	(4,256)	3,579	
49,220	Cultural, Environmental and Planning Services	104,965	(49,583)	55,382	
588	Court Services	763	(93)	670	
63,898	Children's and Education Services	363,517	(289,005)	74,512	
19,706	Highways, Roads and Transport	29,618	(10,191)	19,427	
11,104	Housing General Fund Services	158,999	(144,457)	14,542	
(2,812)	Housing Revenue Account	64,078	(68,762)	(4,684)	
69,173	Adult Social Care	103,957	(35,768)	68,189	
10,400	Exceptional Item - Equal Pay	1,618	0	1,618	17
7,445	Corporate & Democratic Core	9,081	(1,522)	7,559	
1,233	Non Distributed Costs	1,407	0	1,407	
232,368	Net Cost of Services	845,838	(603,637)	242,201	
81	Levies			94	14
(862)	Net Surplus on Trading Services			(652)	4
-	Net (Gain) arising from share of ESPO Net Assets			(167)	40
1	Net (Gain) / Loss on Disposal of Fixed Assets			5	
17,814	Interest Payable			15,984	
13,888	Net (Gains) / Losses on Early Settlement of Borrowing			(9,416)	
12,343	Contribution to Housing Pooled Receipts			8,750	
37,500	Pension Scheme: Interest on Liabilities			41,967	42
(38,100)	Pension Scheme: Expected Return on Employer Assets			(44,627)	42
(4,762)	Interest on Balances			(3,693)	
270,271	Net Operating Expenditure			250,446	
	Sources of Finance:				
(24,669)	Revenue Support Grant		(22,602)		
(127,004)	Non-Domestic Rates Redistribution		(134,680)		
(78,050)	Demand on the Collection Fund		(81,281)		
(78)	Local Authority Business Growth Incentives		(1,775)		
(1,500)	Share of Collection Fund Surplus		(1,503)		
(231,301)	Total Revenue Financing			(241,841)	
38,970	Net Deficit / (Surplus) for the Year			8,605	

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

2006/07 (restated) £'000		2007/08	
		£'000	Note
38,970	(Surplus) / Deficit for the Year - in the Income and Expenditure Account	8,605	
(39,013)	Net additional amount to be (credited) / debited to the General Fund balance required by statute and non-statutory proper practices	(8,486)	2
(43)	Net Movement (Increase) / Decrease on the General Fund in Year	119	
(8,069)	Balance on General Fund Brought Forward	(7,667)	
	<u>Prior Year Adjustments</u>		
(2,176)	Write down of Premia and Discounts held as at 31st March 2007	-	3 (d)
2,176	Compensatory Transfer to the Financial Instruments Adjustment Account	-	3 (d)
445	Financial Instruments - Remeasurement under SORP 2007	-	3 (d)
(7,667)	Balance on General Fund Carried Forward	(7,548)	1
	Of which:		
(393)	Service Departments' Underspends carried forward	(165)	
(7,274)	General Reserve Fund	(7,383)	
(7,667)	Balance on General Fund Carried Forward	(7,548)	

Signed:

Mark Noble
Mark Noble CPFA, Chief Finance Officer

Date:

26th September 2008

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth (as shown in the Balance Sheet). In addition to the (surplus) or deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability for retirement benefits.

2006/07 (restated) £'000		Note	2007/08 £'000
38,970	(Surplus) / Deficit for the Year on the Income and Expenditure Account		8,605
575	(Surplus) / Deficit on the Collection Fund		544
(229,341)	(Surplus) arising from Revaluation of Fixed Assets	18	(172,995)
(59,655)	Actuarial (Gain) / Loss on Pension Fund Assets and Liabilities	42	(42,266)
-	Other - (Gain) on recognition of existing fixed assets not previously recorded on the Balance Sheet		(1,221)
(249,451)	Total Recognised (Gains) or Losses	36	(207,333)
	<u>Prior Period Adjustments</u>		
(2,176)	Transfer of Premia and Discounts held at 31st March 2007 to the Financial Instruments Adjustment Account	3 (d)	
445	Financial Instruments - remeasurement under SORP 2007	3 (d)	
(805)	Gain on consolidation of LCC's Share of ESPO's Assets and Liabilities	3 (f)	
(251,987)	Restated Recognised (Gains) for 2006/07		

CASH FLOW STATEMENT

2006/07 (restated) £'000		Note	2007/08	
			£'000	£'000
	REVENUE ACTIVITIES			
	Cash Outflows			
346,459	Cash paid to & on behalf of employees		369,279	
276,983	Other operating costs		293,107	
13,404	Precepts paid		14,538	
89,488	NNDR Paid to pool		91,644	
41,666	Housing Benefits paid out		45,096	
11,351	Payments to the Capital Receipts Pool		10,737	
779,351				824,401
	Cash Inflows			
(23,295)	Council House Rents		(25,297)	
(71,258)	Council Tax Income		(74,709)	
(90,776)	NDR income collected		(92,001)	
(127,004)	NNDR income from pool		(134,680)	
(24,669)	Revenue Support Grant		(22,602)	
(169,484)	Dedicated Schools Grant		(181,457)	
(2,987)	Housing Revenue subsidy (including MRA)		(1,932)	
(103,126)	DWP Benefits Subsidies		(114,191)	
(98,426)	Other grants	49	(105,649)	
(115,247)	Cash received for goods and services		(110,407)	
(826,272)				(862,925)
(46,921)	Net Cashflow from revenue activities	44		(38,524)

2006/07 (restated) £'000			2007/08	
			£'000	£'000
	SERVICING OF FINANCE			
	Cash Outflows			
17,953	Interest paid		16,009	
0	Interest element of finance lease payments		0	16,009
	Cash Inflows			
(4,106)	Interest received			(3,355)
13,847	Net Cashflow from servicing of finance			12,654

2006/07 (restated) £'000	CAPITAL ACTIVITIES	Note	2007/08	
			£'000	£'000
	Cash Outflows			
91,790	Purchase of fixed assets		105,075	
(3,314)	Less Capital Creditors		(1,668)	
16,379	Deferred charges		8,988	
2,763	Investments		1,002	
(5,514)	Internal fees		(5,720)	
102,104				107,677
	Cash Inflows			
(23,115)	Capital receipts		(29,304)	
(27,437)	Capital grants rec'd to finance cap exp.	49	(66,156)	
(18,570)	External contrib. rec'd to finance cap exp.		(6,603)	
(69,122)				(102,063)
32,982	Net Cashflow from capital activities			5,614

2006/07 (restated) £'000	CAPITAL FINANCING		2007/08	
			£'000	£'000
	Cash Outflows / (Inflow)			
1,657	County Council principal repaid		1,591	
(6,515)	Temporary Loans		(5,628)	
590	PWLB Loans		46,700	
0	Stock Issue		0	
(4,268)		45		42,663
11,930	Premia paid on early settlement of debt			0
(2,829)	Discounts received from debt rescheduling			(9,415)
4,833	Net Cashflow from capital financing			33,248

2006/07 (restated) £'000	MANAGEMENT OF LIQUID RESOURCES		2007/08	
			£'000	
	Cash Outflow / (Inflow)			
(11,122)	Movement In liquid Resources (Cash held in short term deposits)			(6,291)
4,500	Longer Term deposits			(4,500)
(6,622)	Net (decrease)/ Increase in liquid resources	46		(10,791)

2006/07 (restated) £'000			2007/08	
			£'000	
(46,921)	Net Cashflow from revenue activities			(38,524)
13,847	Net Cashflow from servicing of finance			12,654
32,982	Net Cashflow from capital activities			5,614
4,833	Net Cashflow from capital financing			33,248
(6,622)	Net Increase/(decrease) in liquid resources			(10,791)
(1,881)	(inc)/dec in cash	47		2,201

Notes to the Core Financial Statements

1. General Fund Balance

The General Fund balance has reduced during the year by £0.1m as shown in the Statement of Movement on the General Fund Balance (page 37).

2. General Fund Reconciling Items

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the financial period. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when fixed assets are consumed;
- Retirement Benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows the council has overspent by £0.1m against the council tax that it raised for the year, taking this into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The table below details the transactions included within the reconciling item shown in the Statement of Movement on the General Fund Balance (page 37):

<u>2006/07</u> £'000		<u>2007/08</u> £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance	
(25)	Amortisation of intangible fixed assets	(36)
(17,707)	Depreciation and impairment of fixed assets	(42,508)
(7,910)	Depreciation charged to the HRA in excess of the MRA	(8,507)
7,243	Government grants deferred amortisation	6,757
(9,286)	Write down of deferred charges to be financed from capital resources	(2,820)
(1)	Net (loss) / gain on sale of fixed assets	(5)
	Difference between amounts charged to the Income and Expenditure	
(5,154)	Account for the amortisation of Premia and Discounts and the charge for the year determined in accordance with statute.	9,023
(32,777)	Net charges made for retirement benefits in accordance with FRS 17	(26,978)
<u>(65,617)</u>		<u>(65,074)</u>

2006/07 £'000		2007/08 £'000
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund balance	
11,158	Capital expenditure charged in year to the general fund (inc. reserves)	2,453
(12,343)	Transfer from usable capital receipts to meet payments to the housing receipts pool	(8,750)
6,417	Minimum revenue provision	8,375
26,500	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners.	28,086
31,732		30,164

2006/07 £'000		2007/08 £'000
	Transfers to or from the General Fund balance that are required to be taken into account when determining the movement on the General Fund balance for the year.	
(460)	Transfer of HRA (deficit) / surplus to HRA balances	1,663
2,999	Voluntary revenue provision for repayment of debt	6,871
(10,400)	Transfer (to) / from Unequal Pay Back Pay Account	9,700
-	Transfer to / (from) ESPO Reserve	167
2,733	Net transfers to earmarked reserves	8,023
(5,128)		26,424
(39,013)	Net additional amount required to be (credited) / debited to the General Fund Balance for the year	(8,486)

3. Prior Year Adjustments

There are a number of prior period adjustments to the comparative figures relating to 2006/07. Some of these have been imposed by changes to the code of practice on local authority accounting (the SORP), whilst others have arisen as a result of the authority constantly keeping under review its accounting practices.

(a) Service Expenditure Analysis – Best Value

The Best Value Accounting Code of Practice sets out how service expenditure should be analysed within the Income and Expenditure Account. This ensures local authority accounts are presented in a comparable format. The revised code for 2007 has transferred the Children's Social Care function to Education, forming a new Children's and Education Services line. The former Social Services line has been renamed Adult Social Care. The 2006/07 comparative figures within the Income and Expenditure have been restated, with £36.2m transferring from the former Social Services line to the new Children's and Education Services line.

(b) Investment Properties – Reclassification

During the course of the year the authority has undertaken a review of its asset classification to ensure compliance with recommended practice. This has resulted in all of the assets (£155m as at 31st March 2007) previously classified as non-operational investment properties being reclassified in the Balance Sheet. Note 18 (Net Fixed Assets) demonstrates where these assets have been transferred to. This also means that the Investment Property Trading Account (£1.946m in 2006/07) has been transferred to the net cost of services section of the Income and Expenditure Account. In addition to these changes, the reclassification requires that the assets be depreciated, and accordingly a charge to the income and expenditure account of £0.9m has been made in 2006/07. This does not have any impact the resources available to the authority to spend because a reversal has been made within the Statement of Movement on the General Fund Balance.

(c) Housing Revenue Account (HRA) Depreciation Charges

The authority has made a change to the methodology for the calculation of depreciation on council dwellings (see Section 8 of the Foreword). Accordingly the comparative figures for 2006/07 have been recalculated resulting in an additional charge of £7.7m. Again, this does not have any impact on the resources available to spend as it is reversed within both the Statement of Movement on the General Fund Balance and the Statement of Movement on the HRA Balance.

(d) Financial Assets, Liabilities and the Repurchase of Borrowing

There have been a number of changes to the code of practice relating to the accounting for financial instruments. (See Accounting Policy 16, 17 & 18) These changes have resulted in the writing down of deferred premia and discounts held on the Balance Sheet at 31st March 2007, totalling a net credit of £2.2m. Statutory regulations introduced during the year mean that this sum is allowed to be reversed by a compensatory transfer to a new Financial Instruments Adjustment Account. Other changes relating to way stepped rate loan interest is charged to the Income and Expenditure Account have resulted in a charge of £0.4m to against the General Fund Balance.

(e) Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (See Accounting Policy 12). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £1,298m on the FARA at 31st March 2007 has been written off to the Capital Financing Account (£162m) to form the new Capital Adjustment Account with a balance of £1,461m. The Revaluation Reserve has been included in the Balance Sheet with a zero opening balance. The closing position on the reserve at 31st March 2008 shows the revaluation gains accumulated since 1st April 2007.

(f) Eastern Shires Purchasing Organisation (ESPO)

As outlined in the introductory foreword, the authority has reviewed the accounting treatment for this arrangement and determined that it should be accounted for as a Joint Authority Not an Entity (JANE). This has required the restating of the Balance Sheet figures as at 31st March 2007 to incorporate the Council's estimated share of ESPO's assets and liabilities. This has resulted in an increased in the authority's net worth as at 31st March 2007 of £0.8m. It should be noted that these are notional sums that would only be realised if ESPO's operations were to discontinue.

4. Trading Accounts

The net surpluses and deficits of the City Council's trading accounts are shown in the Income and Expenditure Account. This note provides a more detailed breakdown of the financial performance of these trading activities. The City Council operates 15 trading services which provide internal support to front line services.

2006/07		2007/08		
Net Expenditure (Surplus)/Deficit £'000	Trading Service	Expenditure £'000	Income £'000	Net Expenditure (Surplus)/Deficit £'000
(159)	Housing Maintenance	20,552	(20,808)	(256)
66	City Catering	6,875	(6,844)	31
(5)	City Highways	10,131	(10,339)	(208)
(67)	Fleet Transport	6,941	(7,025)	(84)
1	Operational Transport	6,022	(6,022)	0
(146)	Creativity Works	2,657	(2,590)	67
(25)	I.T. Services	442	(374)	68
(44)	Temporary Staffing Agency	3,181	(3,213)	(32)
(157)	Design & Maintenance	4,965	(5,134)	(169)
(134)	Legal Services	3,432	(3,365)	67
40	Payroll	1,010	(1,035)	(25)
(37)	Post Room	582	(596)	(14)
(170)	Customer Accounts	1,105	(1,203)	(98)
3	Cashiers	603	(612)	(9)
(28)	Job Shop	121	(111)	10
(862)		68,619	(69,271)	(652)

5. Publicity

Section 5 of the Local Government Act 1986 requires expenditure on publicity to be disclosed. Detailed below is the City Council's expenditure incurred in 2007/08 together with the comparative figures for 2006/07.

2006/07 £'000	Publicity	2007/08 £'000
1,044	Recruitment advertising	936
225	Other advertising	257
260	Civic newspaper	189
400	Promotions	423
183	Other publicity	75
2,112		1,880

6. Section 137 Expenditure

The majority of the provisions of Section 137 of the Local Government Act 1972 were repealed following by the Local Government Act 2000. No expenditure was incurred during 2007/08 using powers granted by Section 137 (3).

7. Dedicated Schools Grant

From 2006/07 onwards the council's expenditure on schools has been funded by the Dedicated Schools Grant (DSG), which is provided by the Department for Children, Schools and Families. Previously funds were provided as part of the council's overall Revenue Support Grant.

DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2007/08 are as follows:

Schools Budget Funded by Dedicated Schools Grant			
	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Original grant allocation to Schools Budget for the current year in the authority's budget	(32,713)	(149,857)	(182,570)
Transfers from central expenditure to schools	12,590	(12,590)	0
Adjustment to finalised grant allocation	1,204	-	1,204
DSG Receivable for the Year	(18,919)	(162,447)	(181,366)
Actual Expenditure for the Year	17,620	163,159	180,779
Over / (Under) Spend for the Year	(1,299)	712	(587)
Underspend brought forward from 2006/07 in Ring-fenced DSG Earmarked Reserve	(2,393)	-	(2,393)
Top up of ISB from Ring fenced Schools Block Resources	-	(4,517)	(4,517)
Transfer to Schools Reserves - as shown in note 37 to these accounts.	-	3,805	3,805
Underspend carried forward to 2008/09 in Ring-fenced DSG Earmarked Reserve	(3,692)	0	(3,692)

8. Local Authority (Goods & Services) Act 1970

The Local Authority (Goods & Services) Act 1970 allows local authorities to provide goods and services to another public body or allow the use of plant and equipment by another public body for an appropriate charge. The Council incurred expenditure of £136,813 in relation to services provided under this Act in 2007/08 (£139,985 2006/07) and received income of £136,813.

9. Officers Remuneration

The number of employees whose gross remuneration was £50,000 or more was: -

2006/07 No. of Employees	Remuneration Band	2007/08 No. of Employees
125	£50,000 - £59,999	158
23	£60,000 - £69,999	24
31	£70,000 - £79,999	32
4	£80,000 - £89,999	8
3	£90,000 - £99,999	5
4	£100,000 - £109,999	0
0	£110,000 - £119,999	1
0	£120,000 - £129,999	3
0	£130,000 - £159,999	0
1	£160,000 - £169,999	0
0	£170,000 - £209,999	0
0	£210,000 - £219,999	1

10. Pooled Budgets

The Council has entered into the following pooled budget arrangements under Section 31 of the Health Act 1999:

Learning Disabilities Commissioning

This arrangement is for the joint commissioning of various services and is in partnership with Leicester City Primary Care Trust. Leicester City Council acts as the host and has lead responsibility for its operation. The City Council contributed £11.8m to the pool during 2007/08 (£1.95m in 2006/07) and this expenditure is included in the Adult Social Care line of the Income and Expenditure Account.

Supply of Community Equipment

This is an arrangement for the supply of community equipment with Leicestershire County Council, Rutland County Council and six other primary care trusts in the areas covered by the councils. Leicester City Primary Care Trust acts as the host partner. The City Council contributed £0.4m to the pool during 2007/08 (£0.4m in 2006/07) and this expenditure is also included in the Adult Social Care line of the Income and Expenditure Account.

Summary of Income and Expenditure

The table below sets out the respective income and expenditure of these partnership arrangements:

2006/07			Pooled Budgets	2007/08		
Exp'd £'000	Income £'000	Net £'000		Exp'd £'000	Income £'000	Net £'000
5,228	(5,139)	89	Learning Disabilities Commissioning	25,343	(25,343)	0
2,642	(2,642)	0	Supply of Community Equipment	5,538	(5,538)	0
7,870	(7,781)	89		30,881	(30,881)	0

11. Local Area Agreement (LAA) Grant

Since April 1 2006, the Council has been a partner to and accountable body for an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the second year of its three-year agreement.

The purpose of the LAA is to provide the core delivery mechanism for the Strategy for Leicester, The LAA provides partner organisations in Leicester with an opportunity to:

- Release the energy and potential of the city's diverse and young population, whilst consolidating the city's pioneering work in community cohesion
- Build upon the ongoing concerted effort across agencies and communities to support better outcomes for children and young people
- Narrow the gap in quality of life between disadvantaged neighbourhoods and other areas in terms of crime, health, education, jobs, housing and the quality of the environment.
- Maximise the local benefits of private and public capital investment in the city centre, cultural facilities and education and health services.

The members of the Leicester Partnership are drawn from in excess of 40 local organisations and groups including:

Voluntary Action Leicester	Leicester Regeneration Company
Leicester City PCT	Leicester Economic Partnership
Leicestershire Fire and Rescue Service	Faith groups
Leicestershire Ethnic minority Partnership	Leicestershire Constabulary
Learning & Skills Council	Leicester University
Neighbourhood/Community groups	De Montfort University

As stated above, the City Council acts as the accountable body for the LAA. This means that we are responsible for managing the distribution of the grant paid by the Government Office to the partners involved. The Council decides, in consultation with the Leicester Partnership, the allocation of the grant.

The total amount of LAA grant received in 2007/08 is £20.1m (2006/07 £4.3m). However, of this sum, £4.7m (zero in 2006/07) was distributed to Connexions, which the authority had no control over and as such was essentially acting as an agent. This sum has therefore not been included with the City Council's financial statements.

As accountable body, the Council is potentially responsible for repaying to the Government any element of the grant that is found to have been misused by its partners. Systems in place for distributing the grant are designed to limit the possibility that this will happen. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

12. Building Control Regulations

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. The City Council sets charges for work carried out in relation to building regulations, with the aim of covering all cost incurred. However, the cost of certain activities performed by the Building Control Unit cannot be recovered by charges, such as general advice and liaising with statutory authorities. The statement below shows the total cost of operating the building control unit between chargeable and non-chargeable activities.

2006/07	Building Control	2007/08		
Chargeable £'000		Non Chargeable £'000	Chargeable £'000	Total £'000
(829)	Income	0	(762)	(762)
828	Expenditure	290	777	1,067
(1)	Net (Surplus) / Deficit	290	15	305

13. Members' Allowances

Allowances to elected members are paid in accordance with the Council's members' allowance scheme which came into effect on 4th May 2007. Payments for the year 1st April 2007 - 31st March 2008 were as follows: -

2006/07 £	Members' Allowances	2007/08 £
379,988	Basic Allowance Payments	519,920
320,936	Special Responsibility Payments	297,139
80,129	General Expense Payments	69,435
781,053	Total	886,494

14. Related Party Transactions

In accordance with Financial Reporting Standard 8, material transactions with related parties not disclosed elsewhere in this statement of accounts are listed below. The purpose of these disclosures is to ensure that stakeholders are aware when these transactions take place, and to the amount and implications of such transactions.

a) Levies - paid to other bodies during 2007/08 were: -

2006/07 £'000	Levying Body	2007/08 £'000
81	Environment Agency (Note 1)	94
81		94

Note 1: The majority of funding required for flood defence is now provided at national government level. The amount levied on local authorities covers schemes which address local needs and priorities where the criteria for national funding are not met.

b) HomeCome Ltd – This is a company established by the Council in 2004 the purpose of which is outlined in note 40 to the accounts. The Council provides property maintenance and some management and administrative functions to the company. In 2007/08 the Council received income of £306,365 in relation for these services.

c) Elected Members and Directors.

There were no transactions involving elected members or directors during the year to 31st March 2008.

15. Audit Costs

During the year the council incurred costs payable to the Audit Commission in respect of work to be carried out. This work falls into 4 main categories, and the costs attributable to each are shown below: -

2006/07 £'000	Category of audit work	2007/08 £'000
304	General Audit Work	318
21	Statutory Inspection	126
147	Certification of grant claims and returns	123
76	Other Services	0
548		567

The increase in the statutory inspection fee relates to the Corporate Assessment which took place during 2007/08. This assessment forms part of the Comprehensive Performance Assessment (CPA), which is a framework for assessing the performance of all local authorities.

16. Private Finance Initiative

The council entered into a 25 year waste management contract with Biffa (Leicester) Ltd under the government's Private Finance Initiative (PFI) in 2003. The value of the contract is in excess of £300m over the 25 year period. The additional cost of this innovative contract (over and above the council's existing budgetary provision for waste management) is met entirely through government funding (PFI credits).

2007/08 was the fifth year of operation of the contract, costing a total of £11m (£11m 2006/07), with £2.6m (£2.6m 2006/07) of this received in grant. This cost is included in the Cultural, Environmental and Planning Services line of the Income and Expenditure Account.

17. Exceptional Items

Equal Pay Provision

Many local authorities have received claims that predominantly female groups of staff have been underpaid in comparison with other, predominantly male, groups of employees and a potential breach of equal pay legislation. During 2007/08 the Council has made a number of settlements, which have been charged against the provision made in the 2006/07 Accounts. To the extent that these settlements exceed the 2006/07 provision (£0.9m), the sum has been charged to the Income and Expenditure Account.

In addition to this, a provision (£0.7m) for the estimated cost of potential claims not yet settled has also been charged to the Income and Expenditure Account. This element of the charge is reversed in the Statement of Movement on the General Fund Balance and held in a notional "unequal pay – back pay account" on the Balance Sheet, until such a time as the potential claims are settled.

18. Net Fixed Assets

Fixed assets are recorded in the accounts on the basis of revaluations completed during the year less depreciation. Movements in fixed assets during the year were as follows:

	Operational Assets					Non-Operational Assets			Total £'000
	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure £'000	Community Assets £'000	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets £'000	
Opening Net Book Value as at 31 March	952,179	655,075	7,363	136,282	699	155,363	33,327	41,326	1,981,614
PYA - ESPO Assets		2,211	215						2,426
PYA - Reclassification		75,653		1,478	3,172	(155,363)		75,060	0
PYA - Depreciation		(871)		(31)					(902)
Restated NBV as at 31 March 2007	952,179	732,068	7,578	137,729	3,871	0	33,327	116,386	1,983,138
Movement in 2007/08									
Capital Expenditure	22,270	16,990	6,937	20,148	894	0	36,875	947	105,061
Disposals	(12,314)	(5,606)			(35)			(11,481)	(29,436)
Previously de-minimus		338			6			877	1,221
Transfers	(132)	(2,286)		35	48		2,180	155	0
Revaluations:	47,349	74,302		1,140	723		2,000	47,481	172,995
Depreciation	(21,154)	(13,418)	(1,273)	(3,908)	(42)	0	0	(247)	(40,042)
Impairment	(1,717)	(19,440)	0	(181)	(1,292)	0	(259)	(956)	(23,845)
ESPO Movement		(19)	(19)						(38)
Impairment reversal		113							113
Net Book Value of Assets at 31 March 2008	986,481	783,042	13,223	154,963	4,173	0	74,123	153,162	2,169,167

19. Valuations of Fixed Assets

The table shows the progress of the Council's rolling programme for the revaluation of fixed assets. Valuations are carried out by the Authority's Property division, except for the valuation of council dwellings, which is carried out by Drivers Jonas, a firm of chartered surveyors. The basis for valuation is set out in note 12 of the Statement of Accounting Policies.

	Operational Assets					Non-Operational Assets			Total £'000
	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure £'000	Community Assets £'000	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets £'000	
Valuations at historical cost			13,223	154,963	4,173				172,359
Market Value	986,481								986,481
Valued at Current Value at:									
1 April 2003		47,875						6,805	54,680
1 April 2004		109,514						727	110,241
1 April 2005		237,331						4,148	241,479
1 April 2006		211,178						86,353	297,531
1 April 2007		177,144					74,123	55,129	306,396
Net Book Value at 31 March 2008	986,481	783,042	13,223	154,963	4,173	0	74,123	153,162	2,169,167

20. Fixed Assets

The following is an analysis of the fixed assets held by the City Council. Items not of a material nature have been excluded.

2006/07		2007/08
	Housing	
22,664	Council Dwellings	22,446
	Children and Young People	
75	Primary Schools	72
14	Secondary Schools	14
8	Special Schools	7
9	Children and Family Homes	9
0	Childrens Centres	11
8	Adventure Playgrounds	8
	Adults	
8	Older Persons Homes	8
3	Older Persons Mental Health Day Centres	3
1	Intermediate Care Home	1
1	Learning Disabilities Centre	3
	Regeneration and Culture	
794km	Roads	794km
2	Markets	2
7	Leisure Centres	7
2	Golf Courses	2
42	Parks	42
1	Athletics Stadium	1
18	Libraries	18
6	Museums	6
1	Astrotruf Stadium	1
	Other Properties	
53	Centrally Located Admin Buildings & Offices	53
17	Neighbourhood Centres	17
14	Neighbourhood Housing Offices	14

A small number of adjustments have been made to the prior year comparators to ensure a like for like comparison.

21. Aided Schools

There are 13 schools which are not owned by the authority and therefore are not included in the balance sheet.

22. Intangible Fixed Assets

Intangible Fixed Assets are recognised in the Balance Sheet and the table below shows movements during the year.

	Purchased Software Licences £'000
Original Cost	194
Amortisation to 1st April 07	(25)
	169
Movement in 2007/08	
Expenditure in Year	14
Written off to revenue in year	(40)
Balance as at 31st March 08	143

23. Capital Financing of Fixed Assets and Deferred Charges

The table below shows that there has been an increase in the Capital Financing Requirement to £456.3m; this is in line with the approved prudential indicator. The method of financing 2007/08 capital expenditure is also shown in the table.

2006/07 £'000	Capital Financing	2007/08 £'000
401,816	Opening Capital Financing Requirement	438,133
(9,416)	Revenue Provision for Repayment of Debt	(15,246)
(865)	Debt Repayment from Capital Receipts	(151)
	<i>Capital Investment</i>	
74,990	Operational Assets	67,239
16,744	Non Operational Assets	37,822
55	Intangible Fixed Assets	14
2,764	Investment	1,001
16,379	Deferred Charges	8,988
5,154	Loan Premia (HRA)	0
	<i>Sources of Finance</i>	
(10,177)	Capital Receipts	(15,814)
(13,355)	Major Repairs Reserve	(11,468)
(11,158)	Revenue and Earmarked Reserves	(2,453)
(34,798)	Grants & Contributions	(51,814)
438,133	Closing Capital Financing Requirement	456,251
	Explanation of Movement in Year	
18,906	Increase in underlying need to borrow (supported by Government financial assistance)	15,239
27,692	Increase in underlying need to borrow (unsupported by Government financial assistance)	18,276
(10,281)	Repayment of Debt	(15,397)
36,317	Increase in the Capital Financing Requirement	18,118

24. Deferred Charges

Deferred charges relate to expenditure that statutory provisions allow to be classified as capital expenditure for financing purposes. This expenditure does not result in the creation of a fixed asset and has no lasting benefit to the authority, it is therefore charged to the Income and Expenditure Account in the year it is incurred.

2006/07 £'000		2007/08 £'000
0	Balance as at 1st April	
16,379	Expenditure	8,988
	<u>Amounts Charged to Revenue</u>	
(7,219)	Loan Premia	-
(2,400)	Disabled facility Grants	(1,938)
(1,703)	Housing Renovation / Energy Efficiency grants etc	(3,063)
(1,328)	External Grant Funded Projects	(384)
(3,729)	Other	(3,603)
0	Balance as at 31st March	0

Of the £8.988m expenditure incurred in 2007/08 (£16.379 in 2006/07), £6.168m has been grant funded (£7.093m 2006/07).

25. Capital Commitments

The Council approves a capital programme for a three-year period. Details of contracts entered into, the approximate value and the period over which investment will take place are given below:

Contract for Capital Investment	Period	£'000
Building Schools for the Future	2008/09 - 2009/10	13,679
Digital Media Centre	2008/09 - 2009/10	7,000
CURVE	2008/09 - 2009/10	6,000
Upperton Road Viaduct	2008/09 - 2009/10	6,000
Taylor Road Primary School	2008/09 - 2009/10	4,834
City Centre Development	2008/09 - 2009/10	2,500
Classroom Replacement Extensions	2008/09 - 2009/10	2,251
Sparkhoe Primary School	2008/09 - 2009/10	1,370

26. Leasing

Operating Leases – Authority as lessee

Lease rentals paid to lessors during the year in respect of operating leases for vehicles and equipment totalled £1,371,486 (2006/07 £1,731,403) and for land and buildings £1,688,787 (2006/07 £1,520,940).

The Authority is committed to making payments of £2.8m under operating leases in 2008/09:

Operating leases which expire:	Land and Buildings £'000	Vehicles & Equipment £'000	Total £'000
Within 1 year	721	202	923
2 – 5 Years	376	931	1,307
Over 5 years	592	0	592
Total	1,689	1,133	2,822

Operating Leases – Authority as lessor

Lease rentals on council owned land and buildings received from lessees during the year in respect of operating leases totalled £6,328,669 (£6,239,698). The approximate gross value of assets held for use in operating leases was £130m as at 31st March 2008.

Finance Leases

The authority has no finance leases.

27. Stocks and Work in Progress

The value of stocks and work in progress at 31 March 2008 were:

31st March 2007 £'000		31st March 2008 £'000
189	Work in Progress	186
1,928	Stock	1,834
674	Stock (ESPO - LCC's share)	746
2,791		2,766

28. Debtors

28a. Long Term Debtors

31st March 2007 £'000		31st March 2008 £'000
112	Mortgages	89
176	Car Loans to Employees	145
0	Other	0
288		234

28b. Short Term Debtors

31st March 2007 £'000		31st March 2008 £'000
9,221	Government Departments	9,246
4,069	VAT	4,418
4,132	Other Local Authorities	3,973
14,544	NNDR, Council Tax and Poll Tax	12,588
2,931	Housing Rents	2,492
21,690	Miscellaneous Debtors	19,264
4,806	Pre payments	3,921
-	Building Schools for the Future Pre payments	4,255
8,899	Capital Debtors (Note 1)	24,784
70,292		84,941
(12,048)	Provision for Doubtful Debts (Note 2)	(10,271)
58,244		74,670

Note 1

The capital debtors figure relates to grants and contributions not yet received towards capital expenditure projects.

Note 2

The provision for doubtful debts as at 31 March 2008 includes the following:

- Housing Rents £1.7m, Housing Benefits £2.1m
 - Collection Fund Provision £3.7m. This is after the write-off of £1.9m for Council Tax, and £0.7m for NNDR.
 - Other doubtful debt provisions amounting to £2.7m relate to general income and commercial rents.
-

29. Investments

a) Longer Term Investments

31st March 2007 £'000		31st March 2008 £'000
6,749	Home Come Ltd	7,705
-	Leicester Millers Education Partnership (LMEP)	45
4,500	Money Market Investments	0
11,249		7,750

Further details in relation to the Council's investment in HomeCome Ltd and the Leicester Millers Education Partnership are provided at note 40 - related companies.

b) Short Term Investments

Short term deposits total £63.997m as at the 31st March 2008 (£70.559m as at 31st March 2007).

c) Other Investments

Investments have been made in the Great Central Railway of £0.25m. The market value has been assessed as zero and therefore is not included in the accounts.

30. Landfill Allowances Trading Scheme (LATS)

This scheme commenced operation from 1st April 2005 and is underpinned by the Waste and Emissions Trading Act 2003. Under this scheme the government allocates tradable landfill allowances for 15 years to each local authority that has responsibilities for waste disposal. These authorities are able to buy and sell their allowances but only between each other. At the end of each year their landfill usage is verified and any authority not holding sufficient allowances to meet this liability will be required to pay a penalty to the government.

The authority has received allowances for the year 2007/08 of 75,159 tonnes. The estimated landfill usage is 50,446 tonnes. The authority did not buy or sell any allowances during the year. Unused and carried forward allowances from 2005/06 and 2006/07 were 35,395 tonnes, held in the balance sheet at £17.98 per tonne. During the course of the year DEFRA have verified the actual landfill for 2006/07, resulting in an reduction in the carry forward allowances of 4,018 to 31,377.

Due to the lack of trading that has taken place during 2007/08 indications are that the fair value of unused allowances as at 31st March 2008 is zero. Activities during 2007/08 are summarised in the table below:

2006/07		2007/08		
Total Value £'000		Volume in Tonnes	Value per Unit (£)	Total Value £'000
273	Balance Brought Forward	35,395	17.98	636
122	Adjustment for 2006/07 DEFRA verified landfill	(4,018)	17.98	-72
1,654	In year Allowances - Initial recognition	75,159	17.98	1,351
2,049	Total Allowances held before 2007/08 Landfill	106,536	17.98	1,915
(225)	Impairment of carried allowances to nil.		(17.98)	(1,915)
1,824	Allowances held at 31st March (Current Asset)	106,536	0.00	0
(1,188)	Estimated Landfill (Liability - Provision)	(50,446)	0.00	0
636	Unused Allowances	56,090	0.00	0

The allocation of allowances has been treated as grant income and impairment has been treated as expenditure. These transactions have been included in the Cultural, Environmental and Planning Services line of the Income and Expenditure Account, and the resulting deficit has been transferred to the earmarked reserve (see note 37). This reserve was set aside to meet future costs or deficits arising from this scheme and as such the balance now stands at zero.

31. Creditors

31st March 2007 £'000		31st March 2008 £'000
12,115	Government Departments	8,644
3,600	PCT Grant	450
6,917	HM Revenue & Customs	7,398
4,331	Other Local Authorities	3,611
3,753	NNDR, Council Tax and Poll Tax	4,376
41,407	Miscellaneous Creditors	43,387
11,741	Receipts in advance	20,863
3,314	Capital Creditors	1,668
87,178		90,397

32. Long Term Borrowing

Total Outstanding 31st March 07 £'000	Source of Loan	Range of Interest Rates Payable %	Total Outstanding 31st March 08 £'000
222,652	Public Works Loan Board	3.70 - 10.13	175,239
109,599	Other Bodies	3.35 - 7.00	109,851
332,251			285,090

An analysis of loans by maturity is:

Outstanding at 31st March 07 £'000	Maturity date	Outstanding at 31st March 08 £'000
0	1-2 years	4,712
4,712	2-5 years	25,033
0	5-10 years	0
327,539	More than 10 years	255,345
332,251		285,090

33. Financial Instruments

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

The Council's annual investment strategy lays down minimum credit rating criteria for investments with banks and financial institutions. Investments guaranteed by the UK government and investments with other local authorities do not require credit ratings. The Council primarily relies on credit ratings published by Fitch Ratings.

The criteria set out in the investment strategy are minimum and management will apply stricter criteria when considered appropriate. In the second half of 2007/2008 new deposits have only been made for short periods and the authority has avoided investments in banks and institutions which are the subject of adverse comments in the financial press.

The main commercial customers are lessees, and the financial standing of potential lessees is checked before leases are granted. There is no uniform practice in respect of other customers, but many of these are receiving a service linked to the social aims and objectives of the Council where it would not be practicable to assess the customer's financial standing as a precondition for the provision of that service.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Because of its prudent investment criteria the Council has never experienced any losses on investments. Credit ratings are regularly reassessed by credit rating agencies

to reflect changes in market conditions and hence adjusting the Council's historical experience of defaults to reflect current market conditions maintains the maximum exposure to default as nil.

Theoretical considerations suggest that an investment with any institution, however strong, carries some risk of default, even if that risk is very low. Often the events that give rise to such risks are rare or unforeseen and as such it is difficult to assess the risk of default either on the basis of recent experience or prospectively on the basis of information about the institution that is in the public domain. Subject to these unavoidable limitations the assessment that the maximum exposure is nil is considered to be a practical and pragmatic assessment.

The historic experience of customers suggests a default rate on debts of 4.4%. However these accounts are prepared at a time of increasing economic stress in the UK economy. It has not been possible to systematically estimate the effect that this will have on the level of defaults but a prudent assessment has been made that the percentage level of default could increase from 4.4% to 5.0%.

	Amount at 31st March 2008	Historical experience of default	Historical experience adjusted for market conditions 31st March 2008	Estimated maximum exposure to default and uncollectability
	£'000 A	% B	% C	£'000 A x C
Deposits with Banks and financial institutions	63,351	0.00	0.00	nil
Customers	14,558	4.40	5.00	727.9
	<u>77,909</u>			<u>727.9</u>

Loans totalling £525,000 have been made to HomeCome, a company that operates in close partnership with the Council. The financial position of the company is considered to be sound and it is considered that there is no significant credit exposure to these loans.

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The authority does not generally allow credit for customers, such that the £14.6m balance outstanding can be analysed by age as follows:

	£m
Less than two months	7.9
Two to six months	1.8
Six months to one year	1.8
More than one year	<u>3.1</u>
	<u>14.6</u>

Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 30% of loans are due to mature within the next financial year. The authority regularly assesses the maturity profile and the liquidity risk.

The maturity analysis of financial liabilities is as follows:

	£m
Less than one year	0
Between one and two years	4.7
Between two and five years	25.0
More than five years	<u>293.4</u>
	<u>323.1</u>

All trade and other payable are due to be paid in less than one year.

Market risk

Interest rate risk

The authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- a) borrowings at variable rates — the interest expense charged to the Income and Expenditure Account will rise;
- b) borrowings at fixed rates — the fair value of the liabilities borrowings will fall
- c) investments at variable rates — the interest income credited to the Income and Expenditure Account will rise;
- d) investments at fixed rates — the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The authority has a number of strategies for managing interest rate risk. Its policy is to aim to keep a maximum of 45% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The Council actively assesses interest rate exposure during the year and this is reflected in the management of budgets. This allows any adverse changes to be accommodated. The analysis also informs the decision as to whether new borrowing taken out is fixed or variable.

At 31 March 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	154
Increase in interest receivable on variable rate investments	(627)
Increase in government grant receivable for financing costs	(672)
Impact on Income and Expenditure Account	(1,140)
Share of overall impact debited to the HRA	515
Decrease in fair value of fixed rate investment assets	Nil
Impact on STRGL	Nil
Decrease in fair value of fixed rate borrowings liabilities [no impact on I+E Account or STRGL)	46.6

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The authority does not generally invest in equity shares but does have shareholdings linked to its service objectives.

The authority has shares to the value of £250,000 in the Great Central Railway Company. This is a non-profit distributing company and on this basis the value of this investment is assessed as nil and no additional price risk is possible.

The authority also has shares to the value of £43,000 in the Lecester Millers Education Partnership. This shareholding is linked to the Council's participation in a "Building Schools for the Future" programme and it is possible that the level and/or value of the investment may increase in the future. It is difficult to assess the fair value of this investment, although it possible that it might be difficult to find a willing buyer. Given the small scale of this investment it is considered that there is no significant price risk.

The authority has an investment in HomeCome Ltd. This investment arises from the provision of affordable rent grants, in return for which the Council retains a proportionate equity share in the properties being purchased with the grant. This equity share is index linked and will therefore rise and fall according to property values. However, it is considered that much of this risk is mitigated by the fact that the authority provides significant support to Home Come in the form of grants and through a close working relationship. On this basis it is considered that there is no significant price risk.

The authority has no significant financial assets or liabilities denominated in foreign currencies and thus has no significant exposure to loss arising from movements in exchange rates.

Note re fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by using the following assumptions.

- The fair value of loans from the PWLB is estimated as the amount that the Council would have to pay to the PWLB to prematurely repay these loans. This calculation has been done for each individual loan and reflects the terms and conditions under which the PWLB accept the premature repayment of loans and the actual discount rates in force on 31st March.
- The fair value of the deferred debit in respect of assets transferred when the authority gained unitary status 1997 is shown at the balance sheet value as these charges are prescribed by statutory regulation.
- The fair value of other loans is assessed by calculating the present value of the cashflows. In the absence of an active market for these loans the fair values have been estimated on the basis of the terms and conditions under which the PWLB would accept the premature repayment had the loan been made by the PWLB.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31-Mar-07		31-Mar-08	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Short Term Liabilities	10	10	15	15
Long Term Liabilities	371.9	369.2	323.2	338.7

The fair value is more than the carrying amount because the authority's portfolio of loans includes a number of fixed rates loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest rates above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

Discount rates used to estimate fair values

The following table summarises the discount rates used to estimate the fair value of loans.

Discount Rate	Nominal value of loan@ 1/4/07		Nominal value of loan@ 1/4/08	
	PWLB £m	Loans from market sources £m	PWLB £m	Loans from market sources £m
3.5% - 4%	-	75.9	39.5	33.6
4% - 4.5%	148.9	29.0	132.2	71.3
4.5% - 5%	65.0	-	-	-
5% - 5.5%	4.5	-	-	-

	31-Mar-07		31-Mar-08	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Loans and receivables	88.7	88.7	78.6	78.6

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31-Mar-07 £m	31-Mar-08 £m	31-Mar-07 £m	31-Mar-08 £m
Financial liabilities at amortised cost	332.2	285.1	9.9	15.5
Financial liabilities at fair value through profit and loss	0.0	0.0	0.0	0.0
Total Borrowings	332.2	285.1	9.9	15.5
Loans and receivables	4.5	0.0	84.2	78.6
Available for sale financial assets	0.0	0.0	0.0	0.0
unquoted equity investment at cost	6.7	7.7	0.0	0.0
Total Investments	11.2	7.7	84.2	78.6

34. Deferred Liabilities

Total deferred liabilities are £38,181,602. This relates to debt raised by the County Council for which responsibility transferred to the City Council on Local Government Reorganisation. 4% of the outstanding debt at the previous balance sheet date (£39,772,500) has been repaid each year.

35. Provisions

The table below provides a list of provisions made by the authority at the end of the financial year:

	Note	Balance at 1st April 2007	Increase / (Reduction)	Balance at 31st March 2008
		£'000	£'000	£'000
Equal Pay	a	10,400	(9,700)	700
Insurance	b	7,282	(875)	6,407
Housing Benefits	c	2,537	3,709	6,246
Landfill Usage	d	1,188	(1,188)	0
Sec 117 Mental Health Act	e	848	(200)	648
Housing DSO - Stock	f	124	300	424
Job Evaluation	g	0	5,561	5,561
Total Provisions		22,379	(2,393)	19,986

These provisions are described in more detail on the following page.

a) Equal Pay

During 2006/07 the authority has established a provision of £10.4m in respect of potential equal pay settlements. Many of these cases have been settled during 2007/08 and the provision has been reduced to £0.7m.

b) Payment of Insurance Claims

The authority holds funds to meet the costs of insurance claims, for both claims received but not yet settled and claims that will be received in the future. The sum of £6.4m is held as a provision, being the amount estimated by the Council's actuaries that will be required to meet claims already received. A further sum of £4.2m is held as an earmarked reserve (as note 37 below), to meet the costs of liabilities incurred for which claims have not been received.

c) Housing Benefit Subsidy Claims

The 2005/06, 2006/07 and 2007/08 benefit subsidy grant claims are outstanding. This could potentially result in a claw back of subsidy from the City Council by the Department of Work and Pensions. Accordingly, provisions totalling £6.2m have been established within the accounts.

d) Landfill Usage

This liability relates to the Landfill Allowances Trading Scheme as outlined in note 30 to these Accounts. Due to the lack of trading taking place the fair value of both the landfill allowances and landfill usage has been written down to nil.

e) Section 117 Mental Health Act

The sum is a provision for refunds to people with mental health difficulties who have been charged for residential and nursing care. The sum provided for is based on known cases, which could be payable over the next two to three years depending on a number of factors.

f) Housing DSO Stock

This sum is held against obsolete or damaged stock within the Housing Direct Service Organisation as at 31st March 2008. During 2007/08 some DSO facilities have closed leading to a higher risk of residual obsolete stock, subsequently this provision has been increased.

g) Job Evaluation

The Council is in the process of completing a review of pay grading for most of its non-teaching staff. Whilst the new scheme has not yet been implemented, it is expected that pay increases will be backdated to July 2007. Therefore a provision has been made within the accounts for the estimated cost of these increases.

36. Movements on Reserves

The table below shows the movements in the authority's reserves during the year. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserves / Balances	Balance at 1st April 2007 £'000	Net Movement in Year £'000	Balance at 31st March 2008 £'000	Purpose	Further details of movements
Revaluation Reserve	0	160,622	160,622	Store of gains on revaluation of fixed assets not yet realised through sales	(a) below
Capital Adjustment Account	1,459,898	(30,584)	1,429,314	Store of capital resources set aside to meet past expenditure	(b) below
Financial Instruments Adjustment Account	2,176	9,023	11,199	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments	(c) below
Usable Capital Receipts	0	4,631	4,631	Proceeds of fixed asset sales available to meet future capital investment (see further details below)	(d) below
HRA Major Repairs Reserve	500	1,400	1,900	Resources available to meet capital investment in council housing	Note 13 to the HRA
Deferred Capital Receipts	112	(23)	89	Stores deferred receipts pending repayment of mortgages	-
Pension Reserve	(142,377)	43,374	(99,003)	Balancing account to allow inclusion of authority's share of pension liability in balance sheet	Note 42 to the Core Financial Statements
ESPO Reserve	805	167	972	Stores the City Council's estimated share of ESPO's net assets and liabilities.	Note 40 to the Core Financial Statements

Reserves / Balances	Balance at 1st April 2007 £'000	Net Movement in Year £'000	Balance at 31st March 2008 £'000	Purpose	Further detail of movements
Unequal Pay Back Pay Account	(10,400)	9,700	(700)	Temporary reserve to hold the deferred cost of providing for compensation until such time as any payment is made.	Note 17 to the Core Financial Statements
Earmarked Reserves	55,691	8,023	63,714	Reserves earmarked for a specific purpose	Note 37 to the Core Financial Statements
General Fund Balance	7,667	(119)	7,548	Resources available to meet future running costs for non housing services and as a contingency against any unforeseen circumstances	Statement of Movement on General Fund Balance
Housing Revenue Account Balance	2,911	1,663	4,574	Resources available to meet future running costs for housing services and as a contingency against any unforeseen circumstances	Statement of Movement on Housing Revenue Account Balance
Collection Fund Balance	2,140	(544)	1,596	The cumulative surpluses relating to council tax and NNDR collection. These are shared between the city Council and the precepting bodies (Leicestershire Police and Fire Authorities)	Collection Fund Account - Page 79
Total Reserves & Balances	1,379,123	207,333	1,586,456		

Capital Accounting

Accounting practice in local government requires the use of a number of technical and complex capital accounts, most of which are unique to local authorities. The following tables provide further analysis of these accounts:

(a) Revaluation Reserve	2007/08 £'000
Balance Brought Forward	0
Revaluation of Fixed Assets	172,995
Disposal of Fixed Assets	(10,533)
Impairment Reversal	113
Write down of Revaluation Gains	(1,953)
Balance at 31st March 2008	160,622

(b) Capital Adjustment Account	2007/08	
	£'000	£'000
<u>Balances Brought Forward</u>		
Capital Financing Account	162,790	
Fixed Asset Restatement Account	1,298,010	
Prior Year Adjustment (Investment Properties)	(902)	
		1,459,898
<u>Capital Financing</u>		
Revenue	2,453	
Usable Capital Receipts	15,814	
Major Repairs Reserve	11,468	
		29,735
<u>Transfers from Movement on the General Fund Balance</u>		
Minimum Revenue Provision	8,375	
Voluntary Set Aside	6,871	
Amortisation of Intangible Assets	(36)	
Depreciation & Impairment	(42,508)	
Written off Deferred Charges	(2,820)	
Loss on Disposal of Fixed Assets	(5)	
Government Grants Deferred - Amortisation	6,757	
		(23,366)
<u>Other Movements</u>		
Disposal of Fixed Assets	(29,436)	
Repayment of Debt from Receipts	151	
Disposal - Write out from Revaluation Reserve	10,533	
Additions - STRGL	1,221	
Revaluation Gains - Write down	1,953	
Depreciation - HRA (Major Repairs Reserve)	(21,375)	
		(36,953)
Balance at 31st March 2008		1,429,314

(c) Financial Instruments Adjustment Account	2007/08
	£'000
Balance Brought Forward	0
Writing down of Premia and Discounts held in the Balance Sheet as at 31st March 2007	2,176
Transfers from the Statement of Movement on General Fund Balance - 2007/08	9,023
Balance at 31st March 2008	11,199

2006/07 £'000	(d) Usable Capital Receipts	2007/08	
		£'000	£'000
229	Balance Brought Forward	0	
23,157	Receipts in year	29,346	
(12,343)	Housing Revenue Account Pooled Receipts	(8,750)	
			20,596
0	Applied to Repay Debt		(151)
(11,043)	Applied to fund Capital Expenditure		(15,814)
0	Balance at 31st March		4,631

37. Earmarked Reserves

The table below provides a list of earmarked reserves held by the authority at the end of the financial year. A brief explanation of the nature and purpose of the more significant reserves is also provided below.

	Balance at 1st April 2007 £'000	Receipts/ Transfers to reserve £'000	Payments/ Transfers from reserve £'000	Balance at 31st March 2008 £'000
Schools Balances	15,483	3,835	(19)	19,299
Childrens Services Funds	12,342	2,161	(5,648)	8,855
Building Schools for the Future	3,088	5,573	(53)	8,608
Insurance Reserve (see note 35)	6,466	2,536	(4,760)	4,242
Transforming Leicester's Learning	0	3,826	(20)	3,806
Job Evaluation	2,337	5,080	(4,652)	2,765
Supporting People	2,416	44	0	2,460
Equal Pay Reserve	0	982	0	982
Other - Misc	885	492	(438)	939
IT Fund	731	312	(139)	904
Housing Maintenance	467	361	0	828
On Street Parking	230	2,548	(1,997)	781
Central Maintenance Fund	28	5,524	(4,945)	607
Property - Schools Buy Back	274	1,257	(931)	600
Area Committee Grants	501	33	0	534
Butterwick House	409	0	0	409
Business Improvement Project	1,145	0	(768)	377
HR Improvement Plan	0	355	0	355
Economic Regeneration (LABGI Funds)	0	300	0	300
Department Investment Reserve	197	40	(90)	147
LPSA Rewards	799	0	(699)	100
Communiy Cohesion Fund	95	5	0	100
NNDR Revaluation	315	0	(218)	97
Cost of Elections	183	75	(183)	75
Landfill Allowances Trading Scheme	636	0	(636)	0
Payback Fund	338	30	(400)	(32)
Total Revenue Reserves	49,365	35,369	(26,596)	58,138
Capital Reserve	6,326		(750)	5,576
Total Earmarked Reserves	55,691	35,369	(27,346)	63,714

Schools' Revenue Balances

Statutory Schools Reserves provide for school surpluses to be carried forward into the following year and these reserves are retained by schools. The total level of balances at 31st March 2008 is £19.3m: this includes 4 schools with deficits totalling £0.1m offset against the remaining school surpluses of £19.4m.

Education Funds

This amount comprises £6m of ring-fenced school reserves which are not devolved to schools, and includes unspent Dedicated Schools Grant of £3.7m. These monies are ring-fenced to the schools block and not available for general spending. In addition, the department holds £2m of reserves, which are held as a contingency to deal with budgetary pressures that arise in a department with a number of volatile budgets, and to meet the cost of the ongoing transformation of Children's Services.

Building Schools for the Future (BSF)

Funding for the costs of borrowing to meet the BSF programme have already been made available by the DCSF. As this was provided in advance of need, it needs to be set aside until required.

Transforming Leicester's Learning

This is a major new initiative to improve educational attainment levels across the city and is the key priority for the Children's Services Department. This programme will require significant levels of resources during 2008/09 and 2010/11 and accordingly one off funds totalling £3.8m have been re-directed during 2007/08 for this purpose.

Job Evaluation

Job Evaluation is a project arising from the national Single Status Agreement in 1997 that requires the authority to carry out a pay and grading review. This reserve was established in 2004/05 to meet the expected costs of implementing a new job evaluation scheme, and the costs of pay protection when the scheme is operational.

Supporting People

This is a government programme working in partnership with local authorities, service users and support agencies to provide funding to support vulnerable people. The reserve relates to carried forward grant allocations that are ring-fenced for this programme and cannot be used for other purposes.

Capital Reserve

This reserve includes amounts set-aside from revenue to support the capital programme of expenditure.

38. Analysis of Net Assets Employed

A breakdown of the net assets employed by the General Fund and the Housing Revenue account is given below:

Balance as at 31st March 2007 £'000		Balance as at 31st March 2008 £'000
481,865	General Fund	632,707
897,258	Housing Revenue Account	953,749
1,379,123		1,586,456

In legal terms both elements disclosed above constitute part of the General Fund.

39. Trust Funds

Bradgate Park and Swithland Wood Charity

The City Council, jointly with the Leicestershire County Council acts as Holding Trustee for the property of the Bradgate Park and Swithland Wood charity. Separate Trustees, some of whom are appointed by the City Council, are responsible for the administration of the charity.

The net assets of the charity as at 31st March 2008 are estimated to be £0.6m (2007: £0.6m)

The total expenditure for the year ended 31st March 2008 was estimated to be £0.9m (£0.8m in 2006/7) and total income £0.9m (including contributions from trustees) (£0.8m in 2006/07).

The net assets are not included in the Balance Sheet and no account of the surpluses for previous years has been made in the Council's Income and Expenditure Account.

Education Trust Funds

The City Council acts as trustee for a number of education funds. These trust funds were transferred from Leicestershire County Council on 1 April 1999.

The total book values of investments plus cash balances of the funds are as follows:

	Balance at 1st April 2007 £'000	Income £'000	Expenditure £'000	Balance at 31st March 2008 £'000
Alderman Newton's School	13.3	1.1	0.0	14.4
Moat Community College	68.0	3.7	(35.0)	36.7
Others	82.4	5.1	(0.4)	87.1
TOTAL	163.7	9.9	(35.4)	138.2

40. Related Companies and Consortia

ESPO

The City Council along with six other local authorities is a member of the Eastern Shires Purchasing Organisation (ESPO). This is a Joint Committee involved in the letting of contracts for supplies and services to its members and others, together with the provision of a central warehouse for the supply of items in common use. During the year stores purchases and direct orders to ESPO from the City Council totalled £5.3m (£4.2m in 2006/07).

The City Council's estimated share of the assets and liabilities have been incorporated into the Balance Sheet for the first time in 2007/08 (comparative figures for 2006/07 have been amended (see note 3 – prior period adjustments).

The table below provides a summary of ESPO's assets and liabilities as at 31st March 2008, together with the City Council's estimated share – which has been incorporated into the Balance Sheet figures (shown on page 39)

31st March 2007			31st March 2008	
ESPO £'000	LCC's Share £'000		ESPO £'000	LCC's Share £'000
13,616	2,439	Fixed Assets	13,381	2,397
13,523	2,422	Current Assets	14,964	2,680
(11,143)	(1,996)	Current Liabilities	(11,917)	(2,135)
(11,500)	(2,060)	Long Term Borrowing	(11,000)	(1,970)
4,496	805	Total Assets less Liabilities	5,428	972
1,906	341	Capital Adjustment Account	2,171	389
2,590	464	Spendable Reserves	3,257	583
4,496	805	Net Worth	5,428	972

HomeCome Ltd

HomeCome Ltd is a not-for-profit limited company set up by the Council under its well being powers (Local Government Act 2000) in spring 2004. Other member bodies include the Leicestershire Chamber of Commerce and the Leicester Federation of Tenants Association. The company was set up to create new affordable housing by purchasing properties from the City Council, on the open market and building new properties. These properties are purchased by means of affordable rent grant from the Council (up to a maximum of 75% of the property value) with the remaining amount financed from external loans secured against the properties. In return for this affordable rent grant the Council retains a proportionate equity share in the properties, which has been treated as an investment in these accounts. The City Council has 49% of voting rights in the company and needs the support of one other member in order to change the constitution.

The company made a profit of £62,889 for the year ending 31st August 2007, with accumulated profits of £68,199, at 31st August 2007. As at 31st August 2007 the assets of the company stood at £10.9m, and liabilities were £10.8m of which £7.2m related to the City Council, and £3.6m external loans. Copies of the HomeCome's accounts are available from the City Council's Adults and Housing Department.

Leicester Millers Education Partnership (LMEP)

During the course of 2007/08, the authority has entered into a partnership agreement with the Miller Consortium. This is a contractual framework to establish a Local Education Partnership under the Building Schools for the Future programme. It is envisaged that this programme will result in over £230m of investment to transform secondary education in the City. The LMEP is mainly a private sector owned company in which the City Council has a 10% shareholding, with the Miller Consortium holding 80%, and PfS (an organisation created by the government) holding the remaining 10%. The City Council's investment of £45,277, which represents the 10% shareholding, is included within the Balance Sheet (Note 29).

The partnership is a relatively new arrangement and therefore no financial reports are available.

41. Group Accounts

The Council has considered the status of its relationships with partner organisations and has concluded that none of these necessitate the preparation of group accounts, as required by the CIPFA Statement of Recommended Practice.

42. Pensions

Introduction

The authority is required to account for its pension costs under FRS 17 Retirement Benefits. This means that FRS 17 based pension assets and liabilities are included in the accounts, rather than the actual payments made in relation to pension during the year. The objective of FRS 17 is to ensure that the authority's financial statements reflect the fair value of future pension liabilities which have been incurred, and the extent to which assets have already been set aside to fund them. This note explains the accounting requirements and the assumptions used in implementing FRS 17 in the accounts.

The Leicestershire County Council Pension Fund is treated as a defined benefit scheme under FRS 17, since the authority's liabilities to its current and former employees can be identified within the fund, and the authority will be liable to meet these irrespective of the future performance of the fund.

Impact on the Income and Expenditure Account

The Council pays employers' contributions into the Pension Fund that provides its members with defined benefits relating to pay and service. The contributions are based on rates determined by the fund's professionally qualified actuaries based on triennial valuations, the most recent of which was at 31 March 2007. The actuarial valuation states that assets held at the valuation date were sufficient to cover 93% of accrued liabilities assessed at that date. Employer contributions are set so as to achieve 100% funding at a future date, as advised by the actuary.

In 2007/08 the Authority paid a contribution of £25.1m (2006/07: £23.6m) based on 15.0% of employees' reckonable pay (2006/07: 15.0%). A further sum amounting to £1m (2006/07: £0.4m) was paid to compensate the pension fund for the additional strain placed on the fund as a result of employees retiring early. Under FRS 17 the current service cost (the increase in the value of scheme liabilities expected to arise from employee service in the current period) is charged to the income and expenditure account rather than the actual payments to the fund. The actuary's estimate of the current service cost in 2007/08 was £28.8m. (2006/07: £32.5m).

The following table is a summary of the transactions within the Income and Expenditure Account under FRS 17 during 2007/08. However, local authorities are not required to fund expenditure relating to FRS 17 and therefore the transactions are reversed before impacting on the General Fund Reserve balance as shown in note 3.

2006/07 £'000	a) Transactions in the Income and Expenditure Account	2007/08 £'000
32,500	Current Service Cost	28,820
32	Past Service Cost	473
845	Gains and Losses on Settlements and curtailments	345
(38,100)	Expected Return on Employer Pension Assets	(44,627)
37,500	Interest on Pension Liabilities	41,967
32,777		26,978
(23,600)	Reversal of Payments to the Pension Fund	(25,137)
(2,900)	Contributions in respect on Unfunded Benefits	(2,949)
(26,500)		(28,086)
6,277	Net Transfer from Pension Reserve	(1,108)

Further costs arise, not covered by the pension fund, in respect of discretionary additional benefits granted to retired employees, and in 2007/08 these amounted to £1.2m for employees in the Local Government Pension Scheme (2006/07: £1.2m) and £1.8m for employees in the Teachers' Pension Scheme (2006/07: £1.7m). These figures reflect decisions made over many years and include the costs arising from those employees retiring early as a result of Local Government Reorganisation (LGR).

The City Council also paid £12.9m to the Teachers' Pension Agency in respect of teachers' pension costs.(2006/07: £12.2m) This represented a contribution rate of 14.1% of pensionable pay. (2006/07: 13.65%). The Teachers' Pension scheme is an unfunded scheme administered by the Teachers' Pension Agency on behalf of the Department for Children, Schools and Families.

Impact on the Balance Sheet

The Authority had the following accumulated investment assets and estimated future pensions liabilities. The net pension liabilities and the corresponding pension reserve in the Balance Sheet represent a significant decrease in the overall level of reserves. However, this does not represent a reduction in the cash reserves held by the authority, and does not impact on council tax levels.

31 March 07 £'000	b) Analysis of Net Liability	31 March 08 £'000
767,777	Estimated Liabilities in scheme	705,121
625,400	Estimated Assets in scheme	606,118
142,377	Net Liability	99,003

The following table summarises the movement during the year on the Pension Reserve:

31 March 07 £'000	c) Summary of Movement on Pension Reserve	31 March 08 £'000
195,755	Brought Forward	142,377
6,277	Transfer from the Income and Expenditure Account - as detailed in table (a) above	(1,108)
(59,655)	Actuarial (Gains) / Losses - as detailed in table (f) below	(42,266)
142,377	Net Liability	99,003

Liabilities have been assessed using the “projected unit” method which makes assumptions about mortality rates, and future salary levels. The fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:

2006/07 per annum %	d) Assumptions made by the Actuaries	2007/08 per annum %
3.2	Price Increases	3.6
4.7	Salary Increases	5.1
3.2	Pensions Increase	3.6
5.4	Rate for Discounting Scheme Liabilities	6.9

Assets in the fund are valued at “fair value”, principally market value for investments, and consist of the following categories, by proportion:

Fund Value As at 31st March 2007 %	e) Assets: Whole Fund	Long Term Return Per Annum %	Fund Value As at 31st March 2008 %
71	Equity Investment	7.7	74
17	Bonds	5.7	16
9	Property	5.7	8
3	Cash	4.8	2
100	Total		100

The actuarial gains can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008.

f) Analysis of Actuarial (gain)/ loss	2003/04		2004/05		2005/06		2006/07		2007/08	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Differences between expected and annual return on assets	(55,400)	(14.7)	(14,300)	(3.3)	(75,795)	(13.6)	(11,355)	(1.8)	75,928	12.5
Differences between actuarial assumptions about liabilities and actual experience	200	0.0	17,100	1.3	5,700	0.8	1,500	0.2	30,605	5.0
Changes in demographic and financial assumptions used to estimate liabilities	-	-	107,800	18.0	93,800	12.5	(49,800)	(6.5)	(148,799)	24.5
Actuarial (gain)/loss recognised in Statement of Total Recognised (Gains) and Losses	(55,200)	(12.6)	110,600	18.5	23,705	3.2	(59,655)	(7.8)	(42,266)	7.0

The liability as at 31 March 2008 arising from discretionary additional benefits granted to employees has been assessed at £47.4m by the actuary in accordance with FRS17 principles, (2006/07: £48.9m) and this figure is included in the Pensions Liability shown on the Balance Sheet. This figure is (essentially) an estimate of the total amount the Council will have to pay in future years.

The figure of £47.4m comprises:-

	2006/07 £	2007/08
Amount arising from decisions taken in year	877,100	817,100
Amount arising from decisions taken in earlier years	48,022,900	46,576,900

For further information about the pension fund contact:

The Director of Resources
Leicestershire County Council
County Hall
Glenfield
Leicester, LE3 8RB.

43. Contingent Liabilities

There are no contingent liabilities to disclose.

Notes to the Cash Flow Statement

44. Net Cashflow From Revenue Activities

As at 31st March 2007	Reconciliation of (surplus) / deficit to net revenue cash flow	Note	As at 31st March 2008	
£'000			£'000	£'000
	(Surplus) / Deficit for the year:			
38,970	Income and Expenditure Account (surplus)/deficit		8,605	
575	Collection Fund (surplus)/deficit		544	
39,545				9,149
	Non-cash transactions:			
(17,707)	Depreciation and Impairment of Fixed Assets		(42,508)	
(7,910)	Transfer to Major Repairs Reserve		(8,507)	
(9,286)	Deferred Charges written down		(2,820)	
7,243	Government Grant Deferred Amortisation		6,757	
(13,888)	Net Charges for Premia and Discounts		9,416	
(6,277)	Transfers to the Pensions Reserve		1,108	
(17,617)	Internal capital financing and other non-cash transactions		(4,908)	
(65,442)				(41,462)
	Items on an accruals basis:			(32,313)
4,401	Increase/(decrease) in Revenue Debtors		(3,714)	
(14,562)	(Increase)/decrease in Revenue Creditors		(4,865)	
(265)	Increase/(decrease) in Stocks and W.I.P		(25)	
(10,598)	(Increase)/decrease in Provisions		2,393	
(21,024)		48		(6,211)
(46,921)	Net Cashflow from Revenue Activities			(38,524)

45. Movement in Financing Items

As at 31st March 2007 £'000	Movements in Borrowing	As at 31st March 2008 £'000	Movement £'000
(218,431)	Public Works Loan Board (PWLB):		
0	Long Term	(171,731)	46,700
	Short Term		0
(8,568)	Stock Issue	(8,568)	0
(6)	City of Leicester Bonds	(6)	0
(96,300)	LOBO Loans	(96,300)	0
(39,773)	Leicestershire County Council	(38,182)	1,591
(9,777)	Temporary Loans	(15,405)	(5,628)
(372,855)	Net Movement	(330,192)	42,663

46. Movement in Liquid Resources

As at 31st March 2007 £'000	Movements in cash and cash equivalents	As at 31st March 2008 £'000	Movement £'000
4,500	Longer Term Deposits	0	(4,500)
68,517	Liquid Deposits	62,226	(6,291)
73,017	Net cash (inflow)/outflow	62,226	(10,791)

47. Movement in Cash

As at 31st March 2007 £'000	Movements in cash and cash equivalents	As at 31st March 2008 £'000	Movement £'000
4,058	Cash and bank overdrawn	6,259	2,201
4,058	Net cash (inflow)/outflow	6,259	2,201

48. Items on an Accruals Basis

As at 31st March 2007 £'000	Movements in other current assets and liabilities	As at 31st March 2008 £'000	Movement £'000
49,345	Revenue Debtors	45,631	(3,714)
(83,864)	Revenue Creditors	(88,729)	(4,865)
2,791	Stock and W.I.P	2,766	(25)
(22,379)	Provisions	(19,986)	2,393
(54,107)	Net Movement	(60,318)	(6,211)

49. Analysis of Government Grants

Revenue Grants	2007/08 £'000
Childrens & Education Services	
Standards Fund	20,609
Other Education	28,079
Adults & Housing	
Youth Offending Team Grants	2,877
Mental Health Grants	965
Adult Learning	5,082
Carer Grants	1,098
Care Home - Dignity Grant	405
Community Safety	230
Supporting People	15,724
Other Adults & Housing	6,326
Regeneration and Culture	
SRB	650
Other Regeneration and Culture	515
Corporate	
LA Business Growth Incentives	486
Local Area Agreement	15,487
Waste PFI	2,591
Single Non Emergency Number	4,173
Other	352
Total	105,649

Capital Grants	2007/08 £'000
Building Schools for the Future	38,000
Standards Fund	11,113
Upperton Road Viaduct	6,675
Other	4,270
Home Improvement	2,854
Integrated Transport	2,567
Children's Centre	677
Total	66,156

50. Authorised for Issue

These accounts for the year ended 31st March 2008 were approved by the Audit Committee on 25th June 2008 and authorised for issue by Mark Noble CPFA, Chief Finance Officer.

Signed: *Mark Noble*

Date: *26/9/08*

**HOUSING REVENUE ACCOUNT (HRA)
INCOME AND EXPENDITURE ACCOUNT**

2006/07 (restated) £'000		Note	2007/08 £'000
	Income		
58,429	Dwellings Rents	4	60,755
1,121	Non- dwelling Rents	5	1,182
3,470	Service Charges	5	3,809
2,450	HRA Subsidy	9	2,719
291	Contributions from General Fund		297
65,761	Total Income		68,762
	Expenditure		
12,561	General Management		12,835
4,346	Special Management	2	3,208
24,849	Repairs & Maintenance		24,579
341	Rent, Rates, Taxes & Other Charges		363
195	Contribution to Bad Debt Provision	3	(96)
20,592	Depreciation and Impairment of Fixed Assets	12	23,140
65	Debt Management Expenses		49
62,949	Total Expenditure		64,078
(2,812)	"Net Cost of Services"		(4,684)
(199)	(Gain) or Loss on Sale of HRA Assets		5
9,106	Loan Charges - Interest		9,941
(569)	Investment Interest		(835)
4,797	Pensions - Interest on Liabilities	14	5,597
(4,874)	Pensions - Expected Return on Assets	14	(5,952)
(3)	Mortgage Interest		(2)
6,701	Amortisation of Premia and Discounts		(2,765)
12,147	Deficit for the Year		1,305

STATEMENT ON MOVEMENT OF HRA BALANCE

2005/06 (restated) £'000		2006/07 £'000
12,147	Income and Expenditure Account - Deficit for the Year	1,305
	Additional items required by Statute and non-statutory proper practices to be taken into account in determining the movement on the Housing Revenue Account Balance	
(5,154)	- Difference between amounts charged to Income and Expenditure - Account for amortisation of Premia and Discounts and the charge for the year determined in accordance with statute.	4,218
(1,012)	- HRA Share of contributions to/ (from) the Pension Reserve	14 (164)
199	- Gain or (Loss) on Sale of HRA Fixed Assets	(5)
-	- Impairment of Fixed Assets	12 (1,765)
1,550	- Capital Expenditure Financed from Revenue Account	10 2,400
640	- HRA Set-Aside (MRP)	855
(7,910)	- Transfers from Major Repairs Reserve	13 (8,507)
460	Net Movement on the Housing Revenue Account in Year	(1,663)
(3,371)	Balance Brought Forward	(2,911)
(2,911)	Balance Carried Forward - 31st March	(4,574)
(771)	Net Write-off of HRA Premia and Discounts held at 31st March 2007 to the balance	
771	Compensatory transfer to the Financial Instruments Adjustment Account	
(2,911)	Balance Carried Forward - 1st April 2007	

Notes to the Housing Revenue Account

1. Housing Revenue Account

The City Council is required by the provisions of the Local Government and Housing Act 1989 to maintain a separate Housing Revenue Account (HRA). The purpose of this account is to record transactions relating to dwellings available to provide accommodation and other properties ancillary to the housing function.

2. Special Services

These include group central heating schemes, caretaking services, security services to high rise complexes, maintenance of shrubberies and grassed areas and communal services.

3. Rent Arrears and Provision for Bad Debts

Rents and Service Charges:

The provision considered to be necessary at 31 March 2008 in respect of uncollectable debts amounts to £1.719m (£2.187m in 2006/07). This is calculated on a rent, water and service charge arrears balance of £2.492m (£2.931m in 2006/07).

4. Net Rent Income From Dwellings

2006/07		2007/08
£'000		£'000
58,429	Total Rent Income from Dwellings	60,755
(39,095)	Less Housing Benefit	(39,872)
19,334		20,883

5. Non-dwelling Rents and Service Charges

These include the charges made to tenants for central heating and garages; rents from shops; and security and cleaning services to flats.

6. Housing Stock

The City Council was responsible for managing a stock of 22,446 dwellings at 31st March 2008, of which 14,077 were houses or bungalows and 8,369 were flats. During the year the following movements took place:

2006/07		2007/08
293	Right To Buy Sales	210
42	Sales to H.A.s/Losses on Conversions/Others	8
335	Net decrease	218

7. Value of HRA Assets

Value at 1st April 2007 £'000		Value at 31st March 2008 £'000
952,179	Operational Dwellings	986,381
11,342	Other Land & Buildings	11,550
963,521		997,931
3,100	Non-Operational Other Land & Buildings	2,225
966,621		1,000,156

The values as at 1st April 2007 have been restated to reflect the reclassification of investment properties outlined in Note 2 to the core financial statements.

8. Vacant Possession value of Council Dwellings

The vacant possession value of council dwellings at 31st March 2008 was £1,973m. At the same date the balance sheet value of council dwellings was £986m. The difference of £987m reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. The value placed on operational assets in a commercial environment will reflect the required economic rate of return in relation to the income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for council housing will be reduced.

1st April 2007 £'000		31st March 2008 £'000
1,904,358	Vacant Possession Values	1,972,762

9. HRA Subsidy

The amount of HRA Subsidy in the 2007/08 HRA accounts is £2.719m, comprising:

2006/07 £'000		2007/08 £'000
19	Prior year adjustments	794
12,682	Major Repairs Allowance (MRA)	12,868
(10,251)	Notional Account Surplus (Housing Element)	(10,943)
2,450		2,719

10. Capital Expenditure

The Major Repairs Reserve and the Major Repairs Allowance

A large part of HRA capital expenditure is financed by the Major Repairs Reserve (MRR), which is itself funded by the Major Repairs Allowance (MRA). The MRA is part of housing subsidy and represents an annual amount intended to be equivalent to the cost of maintaining the housing stock in its current condition. It is calculated by the Government using a range of national and regional cost factors applied to the Council's stock profile. The calculated allowance is intended to reflect the annual cost to the authority of replacing individual building components as they reach the end of their useful life.

HRA capital expenditure on land, houses and other property in 2007/2008 totalled £22.270m, financed as follows: -

2006/07 £'000		2007/08 £'000
13,355	Major Repairs Reserve	11,468
4,296	Use of Supported Borrowing	5,500
5,366	Use of Unsupported Borrowing	488
-	Useable Capital Receipts	14
1,550	Financing from Revenue Account	2,400
1,204	Primary Care Trust (PCT) Grant	2,400
25,771	Total	22,270

11. Capital Disposals

HRA capital disposals in 2007/08 were as follows: -

2006/07 Total Receipts £'000		2007/08		
		Total Receipts £'000	Usable £'000	Pooled/Set-aside £'000
16,379	Right to Buy (RTB) Sales	12,076	3,334	8,742
449	Non RTB Sales	3,452	3,452	-
25	Mortgages	11	3	8
16,853	Totals	15,539	6,789	8,750

12. Depreciation & Impairment of Fixed Assets

A breakdown of the depreciation and impairment charges are provided in the table below (there were no impairment charges in 2006/07).

2006/07 Depreciation £'000		2007/08		
		Depreciation £'000	Impairment £'000	Total £'000
20,399	Dwellings	21,154	1,717	22,871
193	Other Land, Buildings and Garages	221	48	269
20,592	Total	21,375	1,765	23,140

As noted earlier in this document, the methodology used to calculate depreciation on council dwellings has been revised during 2007/08 (see Note 2 to the core financial statements). Accordingly the prior period figures relating to 2006/07 have been amended resulting in an increase of £7.7m. However this does not have any impact on the HRA balances, because it is reversed out by a transfer to the Major Repairs Reserve (see below). The impairment charge of £1.765m comprises capital expenditure (mainly on disabled adaptations) of £1.717m which does not increase HRA asset values, and £0.048m on downward revaluations; this charge has no impact on HRA balances since it is reversed out in the "Statement on Movement of HRA Balance".

13. Use of the Major Repairs Reserve

2006/07 £'000		2007/08 £'000
(1,173)	Balance 1st April	(500)
(20,592)	Depreciation credited	(21,375)
7,910	Transfer to HRA	8,507
13,355	Capital Expenditure on Land, houses and other property within the authority's HRA	11,468
(500)	Balance as at 31st March	(1,900)

14. HRA Contributions to the Pensions Reserve

This table identifies the total HRA share of contributions to and (from) the pensions reserve and breaks the figure down to show the type of contribution to or (from) the reserve. More detailed information on pensions is provided in note 42 to the core financial statements.

2006/07 £'000		2007/08 £000
	Pension Costs included in Net Cost of Service	
(1,089)	Current service cost	(519)
0	Past service cost	0
(1,089)		(519)
	Pension Interest Cost and Expected Return on Assets	
(4,797)	Interest on liabilities	(5,597)
4,874	Expected return on assets	5,952
77		355
(1,012)	Transfer to Pensions Reserve	(164)

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

2006/07 £'000		NOTE	2007/08	
			£'000	£'000
	INCOME			
70,744	Council Tax Collectable	2	74,601	
	Transfers from General Fund:			
22,743	Council Tax Benefits		22,275	
87,748	Income from Business Ratepayers		91,113	
181,235	Total Income			187,989
	EXPENDITURE			
	Precepts and demands:	3		
78,050	Leicester City Council		81,281	
9,990	Leicestershire Police Authority		10,643	
3,414	Leicestershire Fire Authority		3,637	95,561
	Business Rates:			
86,678	Payments to National Pool	4	90,268	
61	NNDR Interest Payment		83	
530	Costs of Collection		521	90,872
1,747	Contributions in respect of previous year's surplus	5		1,761
	Bad and Doubtful Debts:	6		
1,104	Write-offs		2,568	
418	Increase / (Reduction) to Provision		(1,862)	706
181,992	Total Expenditure			188,900
757	Fund (Surplus)/Deficit for the Year			911
(2,715)	Fund (Surplus)/Deficit brought forward			(2,140)
(182)	NNDR Discretionary Payments			(367)
(2,140)	FUND BALANCE AS AT 31ST MARCH	7		(1,596)

Notes to the Collection Fund

Income And Expenditure Account

1. General

This account fulfils the statutory requirement for the Council to maintain a separate Collection Fund.

2. Council Tax

The Council's Tax Base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Estimated No. of Taxable Properties After Effect of Discount	Ratio	Band D Equivalent Dwellings
-A	141	5/9	78
A	61,846	6/9	41,231
B	19,915	7/9	15,489
C	12,109	8/9	10,764
D	4,975	1	4,975
E	2,480	11/9	3,032
F	1,147	13/9	1,657
G	517	15/9	862
H	35	18/9	69
103,165			78,157
Less adjustments for collection rates and for anticipated changes to liability to pay the tax.			(1,564)
Council Tax Base			76,593

The Council Tax collectable during 2007/08 was £96.8m. (including sums paid by means of Council Tax Benefits). This figure equates to an average number of Band D dwellings of 77,643. This is an increase from the 76,593 dwellings existing when the 2007/08 budget was prepared due to the following:

- 1) New properties
 - 2) Changes in discounts and exemptions allowed
 - 3) Changes in the level of discount given to second homes and long term empty properties.
-

3. Precepts and Demands

The following sums were paid from the collection fund:-

2006/07 £'000		2007/08 £'000
9,990	Leicestershire Police Authority	10,643
78,050	Leicester City Council	81,281
3,414	Leicestershire Fire Authority	3,637
91,454		95,561

4. Income from Business Rates – 2007/08

Under the national arrangements for business rates, the Council collects rates payable in the city, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool, based on a standard amount per head of resident population.

The total non-domestic rateable value at 31 March 2008 was £246,177,450 (£245,245,495 at 31st March 2007). The national non-domestic multiplier for the year was 44.4p (43.3p in 2006/07).

5. Contributions to Collection Fund Surpluses and Deficits

Share of Surpluses:

Council Tax

Every January, the Authority has to estimate the surplus for the collection fund at the end of the financial year. This has to be notified to the police and the fire authority, which are entitled to receive a share of any surpluses made in respect of Council Tax. This is detailed in the table below.

	City £	Police £	Fire £	Total £
Estimate Jan 2007	1,503	192	66	1,761

6. Bad and Doubtful Debts

The table below provides more detail on the bad debt write-offs and the reduction in the provision for bad and doubtful debts.

Provisions	Bad Debt Provision			Bad Debt Write-offs in year £'000
	Balance at 1st April 2007 £'000	Increase / (Decrease) £'000	Balance at 31st March 2008 £'000	
Council Tax	4,582	(1,651)	2,931	1,913
NNDR	995	(211)	784	655
Total	5,577	(1,862)	3,715	2,568

7. Collection Fund Surpluses/Deficits

The Collection Fund account shows a cumulative surplus of £1,595,697 at 31 March 2008 (£2,140,407 at 31st March 2007). This is made up of £1,813,239 surplus on Council Tax, £42,322 surplus on Community Charge and £259,865 deficit on NNDR.

The surplus arising on the Council Tax during the financial year 2007/08 will be distributed between Leicester City Council, Leicestershire Police Authority and the Leicestershire Fire Authority in proportion to the respective precepts and demands.

Glossary

This Glossary explains terms that may be encountered in discussion of Local Government finance. Definitions are intended to assist a general audience, rather than reflecting exactly the technical sense in which the terms are used.

Accruals

The concept that items of income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Audit Commission

The Audit Commission is responsible for appointing external auditors to local authorities and setting standards for those auditors.

Best Value Accounting Code of Practice (BVACOP)

The authority's financial statements are produced in accordance with the BVACOP.

Capital Expenditure

Expenditure on the purchase, construction or enhancement of major items which have a lasting value to the authority.

Capital Financing

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.

Capital Financing Requirement

Reflects the authority's level of debt relating to capital expenditure.

Capital Programme

The capital schemes the Authority intends to carry out over a specified time period.

Capital Receipts

Money the Council receives from selling assets (buildings, land etc.). Capital receipts from sale of housing assets cannot be used entirely to fund new capital expenditure; a proportion must be paid to government.

CIPFA (Chartered Institute of Public Finance and Accountancy)

The principal accountancy body dealing with local government finance.

Collection Fund

An account kept by the Council into which *Council Tax* is paid, and through which *NDR* payments pass, and which pays out money to fund expenditure from the *General Fund*, and the *precept* made by the Police and Fire Authorities.

Balance Sheet

The Balance Sheet shows the assets and liabilities of the Authority.

Council Tax

This is a tax, which is levied on the broad (1990) capital value of domestic properties, and charged to the resident or owner of the property.

Creditors

Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the end of the financial year.

Debtors

Amounts due to the Authority but unpaid at the end of the financial year.

Dedicated Schools Grant

A ring-fenced grant from the government that has to be used to fund the delegated budget of each school, together with certain items of related central expenditure.

Deferred Charges

These are charges resulting from capital expenditure that does not result in the creation of a fixed asset and therefore has no continuing value to the authority.

Emoluments

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Finance Procedure Rules

These provide the framework within which the City Council conducts its financial affairs. Finance Procedure Rules are supplemented by Codes of Practice giving detailed guidance for financial practice in the Authority.

Financial Reporting Standards (FRSs)

Statements prepared by the Accounting Standards Committee. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

General Fund

The Council's main revenue account, covering the net cost of all services other than Council housing.

Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

Housing Revenue Account (HRA)

A separate account to the General Fund, which includes the expenditure and income arising with the provision of housing accommodation by the Authority. The HRA is ring-fenced: no cross subsidy is allowed between the HRA and the General Fund.

Impairment Loss

A material reduction in the value of fixed assets outside the normal periodic revaluations.

Income and Expenditure Account

This Statement reports the net cost of all services and functions for which the authority is responsible for, and demonstrates how this has been financed from general government grants and income from local tax payers.

Internal Audit

An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation.

Leasing

A method of financing the acquisition of assets, notably equipment, vehicles, plant, etc. over an agreed number of years.

Levy

A charge made by an outside organisation, which has to be met from within the Council's overall budget.

LOBO Loans

Lender Option, Borrower Option loans. This is a loan in which the lender can, at a predetermined time, request to change the interest rate at which the loan is being charged. If the borrower does not agree to the rate change, the borrower then has the option to repay the loan.

Long Term Borrowing

Loans raised to finance capital spending which have to be repaid over a period in excess of 1 year from the date of the accounts.

Major Repairs Allowance (MRA)

The MRA is an element of housing subsidy, and represents the capital cost of keeping the HRA dwellings stock in its current condition. It largely replaces credit approvals as a means of financing HRA capital expenditure.

National Non-Domestic Rate (NNDR)

Represents the rate of taxation on business properties. Central Government have the responsibility for setting the rate and Local Authorities are responsible for the billing and collection of the tax.

Operational Assets

Fixed assets held and occupied in the pursuit of strategic or service objectives.

Precept

An amount charged by another authority to the Council's *Collection Fund*. There are two preceptors on Leicester's collection fund: the Police and Fire Authorities.

Private Finance Initiative

This is an initiative for utilising private sector funding to provide public sector assets.

Provision

An amount of money set aside in the budget to meet liabilities that are likely or certain to arise in the future, but which cannot be quantified with certainty.

Prudential Borrowing

This gives local authority's freedom to borrow within prudent, affordable and sustainable limits.

Prudential Indicator

Linked to "Prudential Borrowing" above these are calculations that indicate if borrowing is within prudent, affordable and sustainable limits.

Public Works Loan Board (PWLB)

A government agency providing long and short-term loans to local authorities. Interest rates are generally lower than the private sector, and slightly higher than the rates at which the Government itself may borrow.

Reserves

The amount of money still held at the end of a year, after allowing for all of the expenditure and income that has taken place. Earmarked reserves are those established for a specific purpose.

Revenue

Represents expenditure on day-to-day running expenses, e.g. salaries, fuel etc.

Revenue Support Grant (RSG)

The main Government grant received to pay for expenditure from the *General Fund*.

Royal Institute of Chartered Surveyors (RICS)

A professional body for land, property, construction and environmental related issues.

Specific Grants

Grants paid to the Council for a specific purpose, including housing benefit, housing improvement, etc.

Statement of Recommended Practice (the 'SORP')

This document specifies the principles and practices of accounting required to prepare this document.

Statement of Total Recognised Gains and Losses (STRGL)

Demonstrates how the movement in net worth, shown in the balance sheet, is identified to the Income and Expenditure Account surplus or deficit.

Stocks and Work in Progress

Comprises the following categories; goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion, long term contract balances and finished goods.

Trading Services

These are services operated by the Council which largely trade with other departments of the authority, and with external clients.