



CORPORATE GOVERNANCE COMMITTEE – 24 NOVEMBER 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

EXTERNAL AUDITORS ANNUAL REPORT AND EXTERNAL AUDIT OF THE 2024/25 STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE STATEMENT AND PENSION FUND ACCOUNTS

Purpose of the Report

1. The purpose of this report is to:
 - Present the Auditor's Annual Report (Value for Money review) for 2024/25 for consideration,
 - Present the 2024/25 financial statements and letters of representation for approval,
 - Inform the Committee of the main areas of the financial statements, and
 - Report the key findings from the external audit of the accounts.

Background

2. Grant Thornton UK LLP, the County Council's external auditor, is required to communicate the results of the audit to those charged with governance prior to certifying the financial statements.
3. The Auditor's Annual Report (AAR) brings together a summary of all the work during 2024/25 that the auditor has undertaken for the County Council as the appointed external auditor. A core element of the report is a commentary on the value for money (VfM) arrangements at the Council.
4. The financial statements comprise the accounts for the County Council, the Annual Governance Statement and the accounts for the Pension Fund. The draft 2024/25 accounts were published on time at the end of June 2025 and were then subject to external audit.
5. Copies of the following reports are attached as Appendices to this report:
 - Auditor's Annual Report 2024/25 – covers the Council's arrangements for value for money (VfM) - Appendix A.
 - Updated Financial Statements (Appendix B)
 - Audit Findings Report (County Council) 2024/25 – Appendix C.
 - Audit Findings Report (Pension Fund) 2024/25 - Appendix D.

- Letter of representation for the County Council and Pension Fund – Appendix E and F.
6. The Committee received copies of the 2024/25 external audit plans at its meetings in March 2025 (County Council) and in June 2025 (Pension Fund). A progress report on the external audit was reported to the committee in September 2025.
 7. The external audit is almost complete and the auditor anticipates issuing an unmodified audit opinion on the financial statements by the end of December 2025.
 8. Representatives from Grant Thornton UK LLP, responsible for the audit will attend the Committee meeting to communicate any significant findings and answer any questions.
 9. The Accounts and Audit (Amendment) Regulations 2024 introduced 'backstop' dates by when local authorities must publish their audited accounts. For the financial year 2024/25 the deadline is the 27 February 2026. The 'backstop' dates then gradually move forward in subsequent years to the end of January 2027 for the 2025/26 accounts and then to the end of November 2027 for the 2026/27 accounts. The backstop dates were introduced to address delays in publishing local authority audited accounts.

Auditor's Annual Report - 2024/25

10. A copy of the Auditor Annual Report (AAR) is attached as Appendix A. The AAR covers the following areas:
 - Opinion on the financial statements.
 - Financial sustainability.
 - Governance.
 - Improving economy, efficiency and effectiveness.
11. Overall, the auditor's report is positive. They have concluded that the Council has appropriate financial management, has appropriate governance arrangements in place, and appropriate performance measurement, partnership working and procurement arrangements, but like many other councils faces significant financial challenges due to the Dedicated Schools Grant (DSG) deficit.
12. One significant weakness relating to the DSG deficit and two improvement recommendations have been made, further details below.

Opinion on the Financial Statements

13. The external audit of the financial statements is substantially complete and the auditor anticipates providing an unmodified opinion before the end of the year in accordance with the timeline in the external audit plan. The full opinion is included in the Audit Findings Reports covered later in this report.
14. In accordance with the Code of Audit Practice, the external auditor has also reviewed if the Annual Governance Statement does not comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting. They have noted that they have no issues to raise in this regard.

Financial Sustainability

15. This section covers the financial outturn position for 2024/25, financial planning as part of the Medium Term Financial Strategy (MTFS) for the four years 2025-29, the delivery of MTFS savings and the identification and management of risks to the financial resilience of the Council. The review noted:
 - that the Council achieved an underspend on its revenue budget in 2024/25.
 - the 2025/26 MTFS budget is balanced after the use of £4.7m earmarked reserves.
 - the 2025/26 budget (and later years of the MTFS) is based on reasonable assumptions.
 - the 2025-29 MTFS projects a revenue funding gap of £91m by 2028/29, and that the Council had recently commissioned an external efficiency partner to support it in identifying savings and closing the MTFS revenue gap.
16. The report further adds that the MTFS is aligned to its strategic priorities, is consistent with other Council plans, and identifies and manages risks to its financial resilience, for example: uncertainty over funding from central government, the impact of inflation, the national living wage, pay awards and increasing demand for service pressures.
17. The report notes the DSG deficit is forecast to increase by £42m during 2025/26 and that by 2030 the Council estimates the cumulative deficit could be as high as £400m. It comments that “the Council has been successful in reducing both Education Health Care Plan (EHCP) demand and the assessment backlog and that this is filtering through to ensuring appropriate decisions are made consistently and children placed in suitable settings. Through adopting an innovative approach that complies with the legislation, the Council has made significant progress in improving the time it takes to process EHCPs”. However the report also recognises that despite the measures put in place the deficit continues to grow and is a significant financial risk to the Council. The Government has announced that it will extend the statutory override allowing the overspend to be accounted for as a negative reserve to 31 March 2028 (previously 31 March 2026).
18. Within this section of the report one key recommendation and one improvement recommendation was made as summarised below.
19. Key recommendation 1: The Council urgently needs to work with schools and parents to develop and implement plans to ensure that specialist or independent school placements are only used for children where this is the most appropriate route. The Council also needs to continue to increase the number of places available for children in mainstream schools.
20. Management response: The Council is focused on implementing further mitigations to reduce demand for EHCP’s and the unit cost of providing them, alongside delivering current Transforming SEND and Inclusion in Leicestershire (TSIL) programme savings. The further mitigations include mainstream inclusion initiatives to reduce reliance on independent service providers (ISP’s), policy and commissioning reviews and accelerating provision of new special school places. The issue cannot be fully resolved by the Council alone, and the governments delayed

special educational needs and disabilities (SEND) White Paper will be fundamental to the long-term sustainability of SEND.

21. Improvement recommendation 1: In order to bridge the financial gap forecast in its Medium Term Financial Strategy, the Council needs to identify and bring forward additional savings or income generation schemes at pace in order to avoid having to use reserves to balance its annual budget. As increasingly difficult decisions are taken, public transparency on their effectiveness is important. The Council should therefore consider reporting separately on savings plans and savings delivery.
22. Management response: The Council is currently refreshing its MTFS as part of the budget process for 2026/27. This is challenging with the uncertainty over Fair Funding proposals and delay of the Policy Statement. The Council has commissioned an external Efficiency Review to undertake an unconstrained review of its cost base and identify further opportunities for savings or income generation. Some initial findings are expected to be included in the draft budget report in December. Opportunities with sufficient assurance over delivery will be included in the final budget proposals in February. Separately, Chief Officers are working to deliver additional savings targets and accelerate existing transformation workstreams where possible. The Efficiency Review will also recommend a revised Transformation Programme, incorporating new and existing projects, and this can be used to consider how savings delivery can be reported separately.

Governance

23. This section covers the arrangements around risk management, budget setting and budget monitoring, informed decision making, and that appropriate governance standards are maintained. The report summarises that the Council has arrangements in place to identify and manage risks, has an effective internal audit function, and has appropriate budgeting setting and budget monitoring arrangements in place. It adds that arrangements are in place to ensure that appropriate and properly informed decisions are made, governance arrangements are in place for all external bodies where the Council has a key role, and that arrangements are in place to monitor standards, including legal and regulatory standards where it procures or commissions services. However a prior year recommendation to report contract exceptions more frequently (currently annually) is in progress and has been carried forward.

Improving Economy, Efficiency and Effectiveness

24. This section covers financial and performance measurement, the effectiveness of the Councils role within significant partnerships, and how it commissions or procures services.
25. The report noted; the Council has arrangements in place to monitor and report on performance of the Council, engages in and responds to external inspections appropriately, has reduce the time taken to issue EHCPs from 52 weeks to around 25 weeks at the same time as demand for assessments continued to increase. It adds that the Council ensures it delivers its role within significant partnerships and engages with stakeholders, and has contract and monitoring arrangements in place where it commissions or procures services. This section of the report also includes the recent Care Quality Commission (CQC) inspection report that gave an overall

rating of “Requires Improvement”, with waiting lists being the key area for improvement. The Council is developing an action plan to act on the issues identified.

26. One improvement recommendation has been made in this section as summarised below.
27. Improvement recommendation 2: The Council should ensure that the action plan developed in response to the Care Quality Commission September 2025 inspection report is fully costed, with clear milestones and progress is publicly reported on a regular basis.
28. Management response: The CQC action plan has been costed and is included as growth as part of the 2026/27 budget process and MTFS refresh. Immediate actions for 2025/26 are being funded through available earmarked reserves. Progress against the plan will be reported to the Adult and Communities Overview and Scrutiny Committee.

Pension Fund

29. The reported noted the strong financial sustainability position of the fund (a funding level of 140% compared to liabilities); that governance arrangements are appropriate and that effective performance management is in place.
30. No recommendations we made in respect of the pension fund.

Statement of Accounts – 2024/25

31. A copy of the updated Statement of Accounts for 2024/25 is attached as Appendix B. The main areas of the financial statements are set out below.

Narrative Statement

32. The purpose of the Narrative Statement is to offer interested parties an effective guide to the most significant matters reported in the accounts. It includes a summary of the economy, efficiency and effectiveness, and the financial and non-financial performance of the Authority, and an explanation of the contents of the accounts.

Movement in Reserves Statement (MIRS)

33. This statement shows the movement in year on the different reserves held by the County Council, analysed into ‘usable reserves’, i.e. those that can be applied to fund expenditure and ‘unusable reserves’ which cannot be used to fund services.
34. Unusable reserves include reserves that hold unrealised gains and losses as well as adjustments for the differences between amounts charged in accordance with accounting standards and amounts charged for statutory purposes. An example is the short term accumulating compensated absences adjustment account. This account holds the estimated value of untaken annual leave as at the balance sheet date. The charge is required to be recognised by accounting standards, but statutory mitigation then requires it to be reversed out via an unusable adjustment account to avoid it being a charge to the General Fund. Other examples include capital charges

for depreciation, gains and losses on investments, and a time limited mitigation for the deficit on the Dedicated Schools Grant (DSG).

35. Overall, usable reserves which comprise the general fund and earmarked revenue and capital reserves total £316m as at 31 March 2025:

Usable Reserves	31/3/24	31/3/25
	£m	£m
General Fund – Delegated Funding for Schools	5.0	0.7
General Fund – Uncommitted Balance	21.0	25.0
Subtotal - General Fund	26.0	25.7
Earmarked Revenue Reserves:		
Capital/Repairs	136.0	126.5
Risk	84.3	111.1
Revenue projects	17.5	23.2
Ring-fenced grants etc.	21.4	17.9
Partnerships	1.7	1.2
Subtotal – Earmarked Reserves	260.9	279.9
Earmarked Capital Reserves	29.8	10.5
Total Usable Reserves	316.7	316.1

General Fund

36. The General Fund includes delegated funding for schools and the uncommitted balance of the Council which is held for unforeseen risks that require short term funding. The balance of £25m represents 4.1% of the net 2025/26 revenue budget (excluding schools' delegated budgets). The target range is between 4% and 7% of net budget, excluding schools. The new MTFS for 2026-30 includes plans to increase the uncommitted fund to £29m by the end of 2029/30 to reflect increasing uncertainty and risks over the medium term.

Earmarked Revenue and Capital Reserves

37. Details of the earmarked revenue reserves can be found in Note 11 to the accounts. The main earmarked reserves held are:
- Capital Financing £111m. This reserve holds MTFS revenue contributions required to fund the approved capital programme in future years. The reserve is fully committed to finance the 2025-29 MTFS capital programme and will be used before the planned £84m unsupported borrowing included in the MTFS 25-29 is required. Holding this fund is an essential part of the Council's approach to avoid incurring additional debt where possible.
 - Budget Equalisation £92m. This reserve is held to manage variations in funding across financial years including MTFS funding gaps. It also includes the increasing pressures on the High Needs element of the DSG which was in deficit by £64m as at 31 March 2025 (part of £48m overall DSG deficit) and is now projected to rise to £111m at the end of 2025/26. If future demand remained on a similar trajectory to 2025/26, the cumulative DSG deficit could increase to

upwards of £400m by March 2030.

- Insurance £17m. Funds held to meet future claims, or parts of claims, that are not covered by insurance policies. This could be due to policy limits and deductibles or claims relating to periods when the insurer has failed, such as Municipal Mutual Insurance or The Independent Insurance Company.
38. Capital receipts and capital grants unapplied total £11m. The balance held represents funds received but not yet applied as at year end. The amounts vary as and when capital projects complete.
39. The required level of earmarked reserves is kept under review during the year. Formal assessments are undertaken during the summer, in February as part of the Medium Term Financial Strategy (MTFS) and at year end.

Comprehensive Income and Expenditure Statement (CIES)

40. The CIES shows the accounting cost of providing services in accordance with accounting standards rather than the amount funded from taxation and income. The Council raises taxation to cover expenditure in accordance with statutory regulations which can be different from the accounting cost.
41. The headings used in the CIES align with the main reporting areas of the Council. However, the CIES cannot be directly compared to the outturn position reported to the Cabinet because the financial accounts comply with various reporting standards whereas the management accounts are compiled on a slightly different basis. The key differences relate to the way depreciation, impairment and movements to and from reserves are reported.
42. The CIES shows a net surplus on the provision of services for 2024/25 of £50m compared with a net surplus of £113m the year before. The change is a combination of factors including changes in the valuation of land and buildings and the pension fund, and increasing service department expenditure. This compares to an actual outturn position against budget of a £9m surplus.

Balance Sheet

43. The Balance Sheet shows the value of the assets and liabilities of the Council as at the balance sheet date. As at 31 March 2025 net assets were £1.2bn (same as in prior year).
44. The net deficit on the pension fund totals £28m (prior year net deficit £33m). The amount included in the accounts is assessed under International Accounting Standard 19 (IAS19) adjusted for a restriction on any net surplus. The reported position is after a technical accounting assessment required (per IFRIC14) on the LGPS net position – which was a net surplus of £453m. IFRIC 14 places a restriction over the amount of a net asset that can be recognised. In principle, the amount recognised as an asset may not exceed its recoverable amount due to the future minimum funding requirements of the LGPS. This assessment resulted in the £453m being removed leaving a net liability of £28m relating to unfunded LGPS and Teachers pensions.

45. The pension fund balance represents all pension entitlements that have been earned to date, but which are not yet in payment. Where there is a net deficit, statutory arrangements will result in the deficit being made good through increased contributions by the employer over the remaining working life of employees as assessed by the pension fund scheme's actuary. However, it is the triennial fund valuation that actually informs the levels of future contributions required. The triennial valuation of the Fund as at 31 March 2025 will be completed during 2025/26 with outcomes and recommendations presented to the Local Pension Committee and new employer contribution rates effective from the 1 April 2026. The latest estimates show that the Fund had increased to a 140% funded position (105% previously), which was a significant improvement, largely driven by investment returns over the last 3 years.
46. Investments held by the Council include cash and cash Equivalents (highly liquid investments that mature within 3 months or less from the date of acquisition) and short and long term investments. They total £461m as at 31 March 2025, compared with £506m at the same time last year.
47. At year end accounting Provisions totalled £5.8m compared with £6.4m last year. overall. Provisions are held to fund liabilities of uncertain timing or amount and are shown in greater detail in Note 27 to the accounts. The main provisions held are for Insurance, representing the estimated value of outstanding unsettled claims as at 31 March 2025, and Business Rates (the Council's 'notional' share of district councils' business rates appeals). The share of business rates appeals is notional as it is required to be reversed out via the Collection Fund Adjustment Account (shown at the bottom of the Balance Sheet) in order that it is not a charge to the General Fund.
48. The capital financing requirement (CFR) is shown in Note 39 to the accounts and totals £198m at the year end. The CFR is a measure of capital expenditure incurred historically that has yet to be financed. Actual debt as at the balance sheet was £175m. The difference between the CFR and actual debt is a temporary under-borrowed position of £23m. Actual external debt has reduced during the year by £45m due to favourable opportunities taken to repay external debt early. The position is kept under regular review.

Annual Governance Statement

49. The financial statements are accompanied by the Annual Governance Statement (AGS). The statement sets out the purpose of the system of internal control, how it operates in the Council and how its effectiveness has been reviewed. The AGS included in the financial statements has been updated for the latest position. The AGS is due to be approved by the Constitution Committee at its meeting on 24 November 2025, and signed by the Chief Executive and Leader of the County Council.

Pension Fund Accounts

50. The financial statements also include the Pension Fund Accounts for the Local Government Pension Scheme (LGPS) administered by the County Council.
51. There were 195 active employers within the fund and over 109,000 members in the pension scheme as at 31 March 2025.

52. The overall net assets of the fund increased during the year from £6.4bn to £6.7bn. The increase was due to an increase in net returns on investments of £310m. Details of the investments held are shown in Note 12 to the Pension Fund Accounts.
53. As mentioned earlier in the report, the latest triennial valuation of the Fund as at 31 March 2025 will be completed during 2025/26. The latest estimates show that the Fund had increased to a 140% funded position (105% previously). Although the funding level of individual employers will vary the positive position indicated that the contribution rates for the majority of employing bodies is expected to have peaked and can be reduced.

Audit Findings Report 2024/25 (County Council)

54. The committee received an interim audit progress report in September 2025. Good progress has continued to be made and the audit is substantially complete. The audit was undertaken between August and November as planned. The auditor anticipates issuing an unmodified audit opinion on the financial statements by the end of December 2025.
55. A copy of the audit findings report is attached as Appendix C. The auditor will provide a verbal update at the meeting.
56. The remaining items being reviewed by the auditor are:
- Review of responses provided regarding 6 land and buildings valuation queries.
 - Receipt of evidence from the Council to support a sample of assets written off in year with a net nil carrying value.
 - Final review of the net pensions liability.
 - Final review of land and building asset valuations between 1 October (valuation date) and year end.
 - Final review of operating expenditure, income and employee benefits.
 - Auditor review of the final set of financial statements
 - Final quality reviews by the audit manager and key audit partner.
57. Officers are not expecting any significant issues to arise from these remaining areas, and so the accounts are being presented for approval, with delegated authority being requested for the Director of Corporate Resources in consultation with the Chair of the Committee to make any minor amendments required at the conclusion of the audit. If any amendments required are not considered minor then they would require the accounts to be brought back to the committee in January.
58. During the course of the audit one unadjusted item has been identified. This related to the valuation of the Council's net pension liability which is estimated to be a reduction of £1.7m. In order to meet the publication dates for the draft accounts the Pension Fund uses estimates for some asset valuations which are then received at a later date. Based on materiality for the County Council this item has not been adjusted for, materiality in the financial statements is £20m.
59. The audit has identified some classification and disclosure changes required to the accounts which have been made in the final set of financial statements. These include minor presentational and casting points, enhanced disclosures for some notes and corrections to the financial instruments Note 20.

60. The auditor has reported that the key judgements and estimates used in respect of the:
- Valuation of land and buildings and the valuation of the net pensions liability are nearing completion, and are 'to be confirmed'.
 - Minimum revenue provision are appropriate.
 - The IT environment (Oracle Fusion) – reported an overall medium risk, including security management, relating to system access roles within the system. The issues have been addressed and no issues were noted in the specific audit procedures performed.
61. There were six improvement recommendations raised and four items re-raised from 2023/24. All other prior year recommendations have been implemented.
62. The new improvement areas were (all medium/low):
- Medium:
- Off ledger adjustments for the final statements – recommend to process in the ledger, e.g. balances analysed between short and long term journalled rather than manually adjusted in the final statements.
 - ContrOCC invoicing – accuracy of data when setting up charges.
 - Financial Instruments note – enhanced review controls for note compilation.
- Low
- Instructions to the external valuer – formal terms are agreed upfront.
 - Journal authorisation – journals are reviewed by senior team members.
 - Journal processing – formalise policy to ensure adequate cover for journal processing during staff absences.
63. The recommendations have been agreed / will be reviewed as part of 2025/26.
64. The following areas were re-raised from 2023/24:
- Processing of capital accounting entries in the fixed asset register, including the valuation date used of 1 October. This has been changed to 31 March 2026 for 2025/26.
 - Fixed Asset Register – the valuation method category used when entering the 2023/24 valuations has not yet been updated. This will be updated during 2025/26. This has no impact on the asset valuations/ carrying values.
 - Journal approval less than £20,000. Access to enter and approve a journal is restricted in Oracle Fusion to the central finance team only and overall numbers of journals at this level are very low. Consideration has to be given to the level of resources required compared with the risk and that there are other controls, such as budget monitoring that mitigate the risks. Internal Audit have also reviewed the process and have reported substantial assurance.
65. The final audit fee for the Council is £282,063, the same as advised in the external audit plan.
66. A copy of the letter of representation for the Council is attached as Appendix E.

Audit Findings Report 2024/25 (Pension Fund)

67. As reported in their progress report to the committee in September 2025 the auditor has substantially completed their work on the pension fund audit and anticipate issuing an unmodified opinion. The final audit opinion will be provided once the audit of the County Council (as the Administering Authority) is complete. A copy of the audit findings report is attached as Appendix D.
68. No material adjustments were required to the accounts. One immaterial adjustment was identified which has not been adjusted for relating to the valuation of pension fund assets. The difference is caused by timing differences and the need to use estimates to meet the publication deadlines for the draft accounts, 30 June 2025, compared with receipt of the valuation statements. This had a net impact of the pension Fund Account of an understatement of £5.95m. The materiality level for the Fund Account is £27m.
69. The auditor reported that the key judgements and estimates made in respect of the valuation levels of pension fund investments were appropriate and that the IT controls relevant to the pension management system 'Altair' are effective. The Pension Fund uses the same accounting system as the County Council, Oracle Fusion, and therefore the same risks have been reported. As mentioned earlier, the issues have been addressed and no issues were noted in the specific audit procedures performed.
70. The final audit fee for the Pension Fund is £98,470, the same as advised in the external audit plan.
71. A copy of the letter of representation for the Pension Fund is attached as Appendix F.

Summary

72. Given the length and complexity of the accounts, the very minimal number of adjustments required is a significant achievement.

Recommendation

73. The Committee is asked to note the Auditor's Annual Report and consider the issues raised in the County Council and Pension Fund Audit Findings Reports and approve delegated authority to the Director of Corporate Resources and Chairman of the Committee to approve and sign the financial statements and letters of representation for 2024/25, once the final outstanding items have been resolved.

Background Papers

External Audit of the 2024/25 Statement of Accounts – Audit Progress Report – 19 September 2025.

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7962&Ver=4>

External Audit Plan 2024/25 (Pension Fund), Corporate Governance Committee – 23 June 2025. <https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7961&Ver=4>

External Audit Plan 2024/25 (LCC), Corporate Governance Committee – 31 March 2025

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CIId=434&MIId=7960&Ver=4>

Terms of Reference, Corporate Governance Committee – 6 December 2024

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CIId=434&MIId=7724&Ver=4>

Circulation Under the Local Issues Alert Procedure

None.

Equal Opportunities Implications

None.

Appendices

Appendix A - Annual Auditor's Report 2024/25

Appendix B - Statement of Accounts, AGS and Pension Fund Accounts 2024/25

Appendix C - Audit Findings Report - County Council

Appendix D - Audit Findings Report – Pension Fund

Appendix E - Letter of Representation – County Council

Appendix F - Letter of Representation – Pension Fund

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Leicestershire County Council

Interim Auditor's Annual Report
Year ending 31 March 2025

13 November 2025



Contents

01	Introduction and context	03
02	Executive summary	07
03	Opinion on the financial statements and use of auditor's powers	11
04	Value for Money commentary on arrangements	15
	Financial sustainability	17
	Governance	24
	Improving economy, efficiency and effectiveness	29
	Pension Fund	35
05	Summary of Value for Money Recommendations raised in 2024/25	37
	Appendices	40
A	Responsibilities of the Council	41
B	Value for Money Auditor responsibilities	42
C	Follow-up of previous improvement recommendations	43

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Leicestershire County Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 31 of the Local Audit and Accountability Act 2014, the auditor of a local authority may make an application for judicial review of a decision of that authority, or of a failure by that authority to act, which it is reasonable to believe would have an effect on the accounts of that body. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National		Present		Future	
Past					
	Funding Not Meeting Need The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.		Financial Sustainability Many councils continue to face significant financial challenges, particularly in relation to demand led services. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.		Funding Reform The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.
	Workforce and Governance Challenges Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.		External Audit Backlog Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.		Reorganisation and Devolution Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.
Local					

Leicestershire County Council is an upper tier local authority with 55 councillors who are elected every four years. The Council has around 6,100 employees (excluding schools). Leicestershire covers an area of 208,000 hectares, with a population of around 734,000 people. 82% of Leicestershire’s area is classified as rural while 70% of the population live in towns and urban areas. The annual budget is around £570m. The Council recognises it faces significant financial challenges, needing to save a total of £176m, across the General Fund and Dedicated Schools Grant, by 31 March 2029. The Council is also one of those affected by the government’s plans for Local Government Reorganisation – please see the next page for more information.

It is within this context that we set out our commentary on the Council’s value for money arrangements in 2024/25.

Grant Thornton Insights – Local Government Reorganisation (LGR)

National perspectives – devolution and LGR

In December 2024, the English Devolution White Paper set out the government's vision for a simpler form of local government. The intention is to produce better outcomes, save money for reinvestment in local services and to improve local accountability. All councils with a two-tier county and district system of local government (together with neighbouring small unitary councils) were required to set out the plans for a programme of devolution and local government reorganisation.

On 5 February 2025, the government's Devolution Priority Programme was announced to establish six new regional Mayoral Strategic Authorities. Those selected for the programme submitted plans by May 2025 with the ambition of holding Mayoral elections in May 2026.

On the same date, all remaining councils with a two-tier system were required to develop proposals to reconfigure county and district services into one or more new unitary councils. Plans are required to be submitted by 28 November 2025 with the ambition of establishing the new Unitary Councils from April 2028.

Local perspectives – LGR in the Leicestershire and Rutland region

Leicestershire County Council and Leicester City Council believe that the best option for Leicester and Leicestershire is a two unitary model, one City, one County, although there are differing views on the need for boundary extension.

The seven district councils in Leicestershire and Rutland County Council have proposed creating three unitary councils to govern the region. This would see the creation of three unitary councils: one for North Leicestershire and Rutland, one for South Leicestershire, and one for Leicester City, based on existing boundaries.

Our discussions with the councils in the region indicate there has been collaboration between officers to progress the LGR agenda but there is currently no consensus around a single model.



Grant Thornton insight

What the Council is already doing

- Active participation of Officers in the governance and options appraisal process.
- Consideration of LGR compatibility in contract renewal and capital investment decisions.
- Safeguarding responsible financial decisions in the medium-term including use of reserves.
- Modelling potential outcomes to discuss with Members and establish political priorities.

What the Council should consider

- Continuing to engage constructively with the LGR process
- Working with partners towards a single proposal which maximises Value for Money for Leicester, Leicestershire and Rutland.
- Making advance preparations for member and public engagement within a tight timeframe.
- The potential cost of transition for the council and how this will be funded.

02 Executive Summary

19

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council’s arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	A No significant weaknesses identified; two improvement recommendations raised in respect of developing savings and one in respect of the Dedicated Schools Grant deficit.	Two risks of significant weakness identified in relation to developing further savings plans and addressing the Dedicated Schools Grant deficit.	R One significant weakness identified in respect of the Dedicated Schools Grant deficit and a key recommendation made. One improvement recommendation raised in respect of bridging the Medium-Term Financial Strategy funding gap.
Governance	A No significant weaknesses identified; three improvement recommendations raised in relation to internal audit, decision making and the Freeport.	No risks of significant weakness identified.	A No significant weaknesses identified; two prior year recommendations in respect of a three year Internal Audit plan and reporting on contract exceptions are in progress and carried forward.
Improving economy, efficiency and effectiveness	A No significant weaknesses identified; two improvement recommendations raised in respect of Education Health Care Plans and contract award exceptions.	No risks of significant weakness identified.	A No significant weaknesses identified; one improvement recommendation raised in respect of responding to the September 2025 Care Quality Commission inspection report.

- G

No significant weaknesses or improvement recommendations.
- A

No significant weaknesses, improvement recommendation(s) made.
- R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

In 2024/25 the Council reported an underspend against its £567.6m budget of £8.8m, which meant that the planned use of reserves was not needed. The Medium-Term Financial Strategy includes significant sums for increased demand in key services and pay and price inflation. The Council has appropriate arrangements to identify savings. However, the forecast is for a gap of £91m by 2028/29. While some benefits are expected, which will reduce the gap, the Council still faces a significant challenge in bridging the gap and we have raised an improvement recommendation.

Like many others, the Council faces a significant and growing threat to its finances due to the Dedicated Schools Grant deficit which is forecast to be £118m by 2028/29 and, by March 2030, the cumulative deficit could be £260m. At period six 2025/26 this figure has increased to £400m. We have made a Key Recommendation.



Governance

The Council has reasonable risk management, counter fraud and internal audit arrangements in place. Whistleblowing, complaints and compliments are monitored and reported.

Budget setting and in-year financial reporting provides a timely and clear picture of the Council's financial position and challenges.

Reporting to Cabinet is appropriate, but there is scope for Members to work more constructively together.

The Council has appropriate arrangements to ensure that it meets legislative and regulatory standards where it procures or commissions services and the Constitution was refreshed to include the changes to the Procurement Act.



Improving economy, efficiency and effectiveness

Cabinet receives annual performance reports, with Overview and Scrutiny Committees receiving reports covering their areas. There is scope to report to Cabinet more frequently.

The Council responds positively to external inspections and is developing an action plan in response to the Care Quality Commission report released in September 2025 which assessed arrangements as "Requires Improvement". We have raised an improvement recommendation.

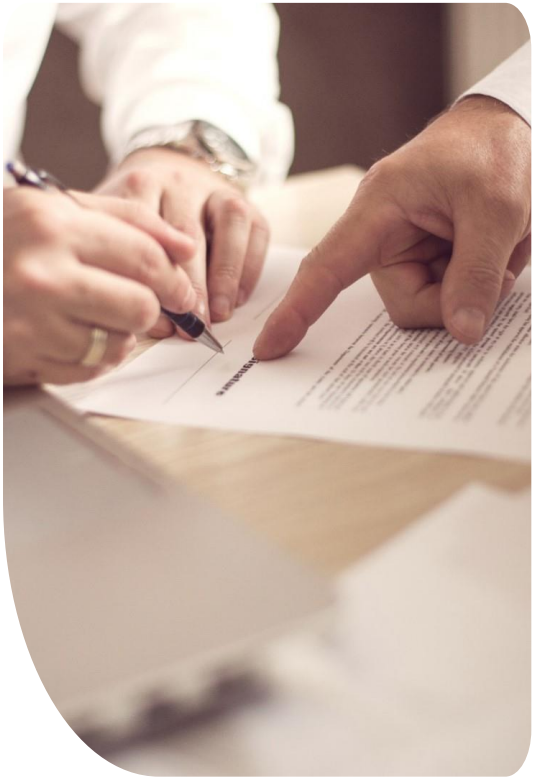
An innovative approach to processing Education Health Care Plans has seen a significant improvement in performance.

The Council has appropriate partnership working and procurement arrangements.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome
Opinion on the Financial Statements	Our audit is substantially complete, and we anticipate providing an unmodified opinion before the end of the year in accordance with the timeline in the initial audit plan.
Use of auditor’s powers	We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Our audit is substantially complete, and we anticipate providing an unmodified opinion before the end of the year in accordance with the timeline in the initial audit plan.

The full opinion will be included in the Council's Annual Report for 2024/25, which will be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

Draft financial statements were of a reasonable standard and supported by detailed working papers. However, certain aspects of the audit and accounts process took longer than anticipated. In particular, some initial data provided required further detailed analysis, which extended the time between receipt of the working papers and the audit team being able to generate samples to share with the Council.

To date we have not identified any adjusted misstatements, however we have identified a number of misclassification and disclosure adjustments that the Council are planning to amend.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. Requests for this Audit Findings Report should be directed to the Council.

Opinion on the pension fund statements

This page set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

We are required to issue:

- our opinion on the pension fund financial statements contained within the Council's Statement of Accounts and,
- our auditor's consistency report that the 2024/25 Leicestershire County Council Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the Council's audited 'Statement of Accounts, Annual Governance Statement and Pension Fund Accounts'.

We will present our Audit Findings Report to the Corporate Governance Committee on 24 November 2025. We intend to issue an unqualified opinion and an unqualified consistency report following the completion of the Council's audit (as Administering Authority).

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial transaction of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at the date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

We have not identified any adjustments to the financial statements that impact upon the Pension Fund's reported financial position. We identified two unadjusted misstatements as follows:

- Level 3 investments as at 31 March 2025 were overstated by £5.946m due to timing delays of receipt of March valuations from Fund managers.
- interest income is overstated by £3.991m as management used the maturity date of the short-term loans instead of the year end date. This led to interest income being overstated. Investment income was overstated in the 2023/24 financial statements, as such the reversal of this accrual into 2024/25 means investment income is understated by the same value.

We also identified a number of presentation adjustments the Pension Fund are proposing to amend for. We have not raised any new recommendations for management as a result of our audit work this year but there are two from the prior year which are still being progressed.

We propose to issue our 'consistency' statement at the same time as we issue our final audit opinion on the Pension Fund financial statement as noted above. The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. If this is before the Council audit is completed the Fund will need to publish its Annual Report without our consistency report but with an explanation for the delay on its website.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued)	For 2024/25 the Council reported a revenue underspend of £8.8m on an updated budget of £567.6m. This included an overspend of £5m on the Children's Social Care Placement budget due to an increase in the number of placements and an underspend of £17.3m in Adults and Communities primarily due to lower demand than anticipated. Forecasting need for demand-led services is difficult, and the Council has reasonable arrangements in place to do this. The planned £6.4m contribution from reserves was not needed. £4m will be added to the General Fund reserve, taking it to £25m. This equates to 4.1% of the net revenue budget and is in-line with the reserves policy. The capital programme was underspent by £34.1m on an updated budget of £168.2m, with the underspend carried forward into 2025/26. The underspend sits largely in the Environment Directorate (£20.6m) and Corporate Services (£14.0m). Key items of expenditure and variances are explained and considered reasonable. The 2025/26 budget is balanced only through the planned use of £4.7m of earmarked reserves. The Council is clear that use of reserves allows time for the funding gaps to be addressed without cutting services. To ensure that the Medium Term Financial Strategy (MTFS) is a credible financial plan, the Council has built in unavoidable cost pressures. By 2028/29 this represents an investment of £107m, primarily to meet the forecast increase in demand for social care. The MTFS also includes a net £92m provision for pay and price inflation in 2025/26 and later years. Both it, and the 2025/26 budget, are based on reasonable assumptions.	R

29

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
(continued) identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	In respect of the Dedicated Schools Grant (DSG), for 2025/26 the Council reported a net overspend of £16.3m, comprising £23.2m on High Needs Block (HNB) and a £5.0m underspend on Early Years. The cumulative HNB deficit is now £64m and is forecast to be £118m by 2028/29. This represents a significant financial risk to the Council and we have raised a Key Recommendation on page 21. The MTFS 2025-29 projects a gap of £4.7m in 2025/26; £38m in 2026/27, £62m in 2027/28 and £91m in 2028/29. £85m of savings have been identified, with a further £91m of GF savings requiring identification. Unless savings are achieved this will be funded through reserves. The Budget Equalisation reserve, to manage funding gaps, is £92.1m at 31 March 2025. Whilst the MTFS gap is significant, the Council has a reasonable level of reserves and is anticipating some additional income which may reduce the gap in future years. Despite this, the level of unidentified savings represents an area of financial risk to the Council and we have raised an Improvement Recommendation on page 22. We understand the Council has commissioned an external Efficiency Review to support it in identifying savings and closing the budget gap. Some initial findings are expected to be reflected in the draft budget report in December. We have also identified some notable practice in respect of managing costs within Adult Social Care and have highlighted this on page 23.	R

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	The Council does not publicly report savings against a tracker or risk rating. Savings are taken out of the budget and Officers believe that reporting on savings targets separately could cause confusion with reporting against the budget as a whole. While this approach is not unreasonable, many councils do report savings delivery in some detail within quarterly finance reports as it enhances transparency for Members, service users and the public, especially where savings are the result of difficult decisions. Reporting savings separately would also enable an analysis of year on year performance and provide greater transparency on the level of savings the Council has already made. The Council begins looking at potential savings with the Corporate Management Team generating ideas alongside support from business partners. This is shared with Members in early Summer and then again in November before the draft MTFS is published in December. Officers develop a list of savings initiatives, for Member consideration before further work being undertaken to fully develop the schemes going forward. This enables appropriate stakeholder engagement. We tested a small number of 2025/26 savings schemes, totalling £5.2m, and found them to support the planned savings. The 2025/26 budget includes £13m of savings with £33.4m across the MTFS. Recognising the scale of the challenge the Council faces to address its forecast funding gap, particularly with increasing demand and costs for key services coupled with uncertainty over future funding, we have raised an improvement recommendation in the previous criterion. As that also applies here, we have rated this criterion as “Amber”.	A
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council's MTFS and annual budget, together with supporting strategies, are aligned to its Strategic priorities and aims. For example, the capital programme includes £2m to improve recycling household waste sites, which is one action within the Strategic Plan. The Council also ensures it prioritises statutory services such as children's services and adult social care.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council's strategic objectives are underpinned by, and aligned to, other key plans such as the People Strategy , Corporate Asset Management Plan and Capital Programme. Each of these plans include objectives and how they will be achieved. The Capital Programme includes projects to support the Council in moving towards "Net Zero", including £8.8m for zero emission buses which is linked to the aim of reducing CO2 emissions. The Capital Programme invests in priority areas of growth including roads, infrastructure, economic growth and to support delivery of essential services. It is clear that no discretionary capital schemes will be added to the programme unless fully funded by external sources.	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	In-year finance reports clearly explain the key financial challenges and risks the Council faces. These tend to be demand-led services. The Corporate Risk Register includes an overarching MTFS risk, with eight specific sub risks covering service areas. The 2025/26 budget setting report includes key risks which are accompanied by explanations and mitigations plus a risk rating. Risks include inflation, none achievement of savings, SEND growth, the impact of increases to the National Living Wage, Local Government finance reforms and the impact of national service reforms. Mitigations include holding reserves and £8m a year contingency. The report also includes some scenario analysis on key variables such as pay, non pay and business rates growth.	G

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

 Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness identified in relation to the Dedicated Schools Grant deficit

Key Finding: For 2024/25 the Council has reported a net Dedicated Schools Grant (DSG) overspend of £16.3m, comprising £23.2m on High Needs Block and a £5.0m underspend on Early Years. The cumulative funding gap is now £64m and is forecast to be £118m by 2028/29. In our prior year report we note "At the start of 2023/24, the Council had an accumulated deficit on the High Needs Block (HNB) of DSG amounting to £35.5 million and by the end of 2023/24 this had increased to £41.2 million." We raised an improvement recommendation.

Evidence: The Council is part of the Department for Education's "Delivering Better Value" programme and has been successful in making use of service information and key performance indicators to identify opportunities for further improvement. The Council has also been successful in reducing both Education Health Care Plan (EHCP) demand and the assessment backlog. This is filtering through to ensuring appropriate decisions are made consistently and children placed in suitable settings. Through adopting an innovative approach that complies with the legislation, the Council has made significant progress in improving the time it takes to process EHCPs. The Council recognises that it can do more to support and encourage parents that EHCPs are not always required and that enabling children to stay in mainstream schools can be better for them. Despite the measures put in place the deficit continues to grow.

Impact: The Government intends to extend the Statutory Override allowing the overspend to be treated as a negative reserve to 31 March 2028. However, the Council still needs to fund the in-year overspending. The draft 2024/25 financial statements show a General Fund balance of £25.7m and Earmarked Reserves of £279.9m. Of these, £92.1m relates to a "Budget Equalisation" reserve, which could potentially be repurposed should the need arise. The Council therefore has sufficient reserves to cover the forecast £118m deficit, but would essentially use all of its reserves in doing so, leaving no resilience for other risks. For 2025/26 the Council is forecasting a £41.8m overspend on DSG, with the High Needs Block forecast overspend of £45m which is £30m more than budgeted for. This is after the Transforming SEND in Leicestershire Programme savings of £12m. The Council estimates that, by March 2030, the cumulative deficit could be £260m. At period six 2025/26 this figure has increased to £400m. This represents a significant weakness in the Council's arrangements to ensure financial sustainability and we have made a Key Recommendation.

Key recommendation 1

KR1: The Council urgently needs to work with schools and parents to develop and implement plans to ensure that specialist or independent school placements are only used for children where this is the most appropriate route. The Council also needs to continue to increase the number of places available for children in mainstream schools.

Financial sustainability (continued)

Area for Improvement identified: identifying and delivering recurrent savings

Key Finding: The Council's Medium Term Financial Strategy (MTFS) 2025-29 projects a gap of £4.7m in 2025/26; £38m in 2026/27, £62m in 2027/28 and £91m in 2028/29. £85m of savings has been identified, with a further £91m of GF savings requiring identification. Unless savings are achieved this will be funded through reserves. The Budget Equalisation reserve, to manage funding gaps, is £92.1m at 31 March 2025.

Evidence: In our prior year report we raised two Improvement Recommendations to support the Council in financial planning and identifying savings. While recognising that the Council achieved an underspend of £8.8m in 2024/25 and did not need to use reserves as it had planned, the need to identify a further £91m savings by 2028/29 represents a significant challenge, especially given the savings already made and identified. The annual savings amounts identified in the MTFS give total cumulative savings of £33.4m, over its life. The level of savings needed therefore represents a significant increase from those currently identified. Forecasting over a four year time horizon is challenging, but the Council is expecting demand for core services to continue to increase, particularly in adults and children's social care. Factors include a growing population, ageing population, and lack of foster parents. Initial indications are that the Comprehensive Spending Review and Fair Funding will help, and could contribute additional income of between £10m and £20m a year, but the Council recognises that government is yet to announce final figures. Other benefits are also anticipated, for example the pension fund triennial review could result in savings of up to £10m a year. We understand the Council has commissioned an external Efficiency Review to support it in identifying savings and closing the budget gap. Some initial findings are expected to be reflected in the draft budget report in December.

The Council does not report savings delivery separately. While this is not unreasonable, it is something many other councils do in order to better demonstrate the impact and effectiveness of difficult decisions around savings and income generation.

Impact: Whilst the MTFS gap is therefore significant, the Council has a reasonable level of reserves and is anticipating some benefits. This represents an area of financial risk to the Council and we have raised an Improvement Recommendation. Given the scale of the challenge, this will be an area that the audit team will monitor closely, and should the situation deteriorate further reporting may be necessary.

Improvement Recommendation 1

IR1: In order to bridge the financial gap forecast in its Medium Term Financial Strategy, the Council needs to identify and bring forward additional savings or income generation schemes at pace in order to avoid having to use reserves to balance its annual budget.

As increasingly difficult decisions are taken, public transparency on their effectiveness is important. The Council should therefore consider reporting separately on savings plans and savings delivery.

Grant Thornton insights – notable practice

The Council has notable arrangements in Adult Social Care financial management.



What the Council is doing well

- The Council has a "Fair Outcomes Policy" which is intended to ensure that it meets the identified care need, but no more. The Council revisited the policy to ensure that it was being applied consistently.
- The Council introduced a multi disciplinary panel which reviewed every new application. This was not popular as it removed the decision-making authority from social workers and caused some delay in care packages being approved. However, it was considered appropriate given the scale of its financial challenge. At its height the panel was reviewing 30-40 packages a day.
- Any delays in applications being processed were offset by ensuring that people had the most appropriate care.
- The Council no-longer use the panel for every new application, instead reviewing a sample of assessments to ensure they are completed in line with the policy.



What is the impact?

- The Council estimates that the first year savings were £6m.
- In 2024/25 the directorate underspent its budget by £17.5m.

Governance – commentary on arrangements

We considered how the Council: **Commentary on arrangements**

Rating

monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council has reasonable arrangements to manage strategic risks with a Risk Management Policy Statement and Strategy in place. The Corporate Governance Committee holds responsibility for risk management and is informed of changes to the Corporate Risk Register (CRR). We noted that the CRR itself does not capture risk controls and assurances nor name risk owners. A separate update report provided alongside the CRR provides good commentary and reasonable assurance, although the Council may wish to consider refreshing this and adding subheadings to identify the controls and assurance, action taken and further action planned in order to further reduce risk if appropriate. The Council has an effective Internal Audit function, which conforms with the 2017 Public Sector Internal Audit Standards. The five-yearly external quality assessment was undertaken in Spring 2024. New standards apply from 1 April 2025. In our prior year report we raised an improvement recommendation around a three-year Internal Audit Strategy and Charter. We note that these have yet to be presented, so we have carried our recommendation forward. The Council has adequate Counter Fraud arrangements in place. The Corporate Governance Committee has agreed to receive annual reporting in response to the recommendation we raised last year. The Council provides mandatory Fraud Awareness training. The Corporate Governance Committee receives information relating to Whistleblowing concerns and the Ombudsman complaints review. We saw no evidence that staff survey results are shared with the Committee to enable triangulation. In addition, the Corporate Complaints and Compliments Annual Report 2024/25 was shared with Cabinet in September 2025. We noted that the Council's Corporate Complaints and Compliments Policy is dated April 2023 although the document refers to this as the Corporate Complaints Procedure throughout, and states that the document should be reviewed on an annual basis.	A
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- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	The Council has appropriate budget setting arrangements in place. These include Cabinet being presented with a draft budget and MTFS in mid-December, prior to Committee scrutiny and public consultation. The appropriate Cabinet Member attends each scrutiny committee, with minutes being included in the final budget setting papers, along with the results of public consultation. Assumptions used to set the budget are considered reasonable. The base budget is uplifted for inflation and growth, with savings removed.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	In-year financial reporting is sufficiently timely and clearly sets out the forecast revenue and capital outturn and the associated impact on reserves. Key variances and the reasons are explained, including analysis of changes in demand as appropriate. Our audit of the Council's financial statements is ongoing, but at the end of September there were no issues that impact our value for money work.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Council has arrangements in place to ensure that appropriate and informed decisions are made, and these are reflected in the Constitution. Following an improvement recommendation we raised last year, Cabinet agendas now identify reports that require a key decision. However, we noted some inconsistencies, and the Council may wish to monitor that key decisions are identified consistently on reports and agendas. Our review did not identify any inappropriate tone from the top. There is evidence of the Chief Executive and Directors contributing to the agenda. However, minutes do not show any discussion, debate or challenge at Cabinet meetings compared to the level of information we have observed in the minutes of other Committees. While it is possible to watch the meetings, having robust minutes is good practice. In addition, we were made aware of some strained relationships since the elections in May 2025, with some unrest and slowed decision-making. We have highlighted this as an Insight for the Council to consider on page 28. The Corporate Governance Committee holds responsibilities for all non-executive functions. Minutes show a good account of the reports presented and a clear indication of the decision made. There is evidence of discussion, with questions and concerns raised to presenters. Non-attendance or apologies received are not recorded, which is unusual. There are governance arrangements in place for external bodies where the Council has a key role. Joint arrangements are detailed well in the Council’s Constitution and reported in the Annual Governance Statement (AGS) 2024/25.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The Council has responded to the Government's consultation to introduce measures to strengthen the standards and conduct regime for Local Authorities in England. The Council's Code of Conduct is included in the Council's Constitution. We were made aware of issues relating to the conduct of a small number of new Members, leading to several complaints being received. Conduct issues are being managed internally, with the Member Conduct Panel working to achieve a change and have developed a reasonable way forward. We have noted that while the Council has a Code of Corporate Governance, this hasn't been updated since 2022, with an update planned during 2025. Updates to the constitution have also been delayed as a result of resource capacity. Members are asked to declare any interest in respect of agenda items at all meetings, and these are recorded on an interactive tool on the Councils website, although it is not easy to use. Gifts and Hospitality valued over £50 and received within the last 12 months are published within each Councillors profile page. We noted that profile pages are removed when a seat on the Council changes and therefore prior declarations are not publicly available. Information is held digitally on file for three years in line with retention and destruction procedures. The Council has arrangements to ensure that it meets legislative and regulatory standards where it procures or commissions services and the Constitution was refreshed to include the changes to the Procurement Act. The Council has created a set of rules and guidelines, and a programme of learning and development to support implementation of the new Act. Looking ahead, Internal Audit reviews relating to procurement feature on their 2025/26 Audit Plan. In the prior year we made an improvement recommendation that the Council should report on contract exceptions more frequently. We note that the Council is still implementing this recommendation and have therefore carried it forward and assessed this criterion as "Amber".	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Grant Thornton insights – learning from others

The Council could challenge itself to go further in respect of organisational culture, based on the best arrangements we see across the sector.



What the Council is already doing

- The Council does not have one majority political party, but has managed to form a Cabinet.
- The Council has a high percentage of Members with no previous local government experience.
- Following the elections in May, the Council delivered its standard training package for new Members.



What others do well

- Provide regular and tailored training and ongoing support to new Members to ensure they understand their roles and responsibilities.
- Recognise that there are political differences, but avoid this becoming personal.
- Support Officer and Members in appropriate use of social media.
- Ensuring that Cabinet minutes capture the discussion and debate.



The Council could consider

- Providing further training and ongoing support for Members, particularly around the Code of Conduct and Seven Principles of Public Life (the Nolan Principles).
- Provide training on the social media policy
- Enhancing Cabinet minutes.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	Our review of publicly available meeting documentation did not evidence that corporate performance reports detailing operational services, workforce and finance are prepared and presented on a regular basis. However, there was evidence that the Council receives annual performance reports, with the Annual Delivery Report and Performance Compendium 2024 shared with Cabinet and Scrutiny Commission in November 2024, prior to being presented to Full Council. In addition, performance is reported to Overview and Scrutiny Committees. Reports are clear and concise, use a RAG rating and directional arrows to show progress, and compare performance to the prior year and to the National average where appropriate. A further improvement the Council may wish to make is to inform the reader of what actions are planned to tackle areas where performance is below the National average and/or is not as good as last year. Our review did not identify evidence of the arrangements the Council assesses the quality of data reported in performance reports. We have provided an Insight on page 34. The Council has arrangements in place to learn from other organisations to improve its performance and engages in benchmarking activity.	G

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

 Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council: **Commentary on arrangements**

Rating

evaluates the services it provides to assess performance and identify areas for improvement	The Council engages in, and responds to, external inspections appropriately. The Adult and Communities Overview and Scrutiny Committee actively monitored progress to deliver Care Quality Commission (CQC) improvement plans including site visits. In September 2025 CQC shared their latest draft report with the Council, giving an overall rating of "Requires Improvement", with waiting lists being the key area for improvement. The Council is developing an action plan. The Council recognises that managing demand is a key challenge and there is a need for additional capacity. The service will now develop an improvement plan to act on the issues identified, and acknowledges that there will be additional costs associated with this. We have raised an improvement recommendation on page 33. The Leicestershire Adult Learning Service (LALS) received an Ofsted inspection in January 2025, receiving a "Good" rating. The findings have been reported to Cabinet along with actions to address issues set out in a quality improvement plan. Last year we raised an improvement recommendation that the Council needed to continue to progress the Transforming SEND and Inclusion in Leicestershire (TSIL) programme to ensure a sustained trajectory of improvement in the % of new Education and Health Care Plans (EHCPs) issued within 20 weeks. We note that Special Educational Needs Assessments are included on the Council's Corporate risk register, and that the Children and Family Service is working on the backlog of assessments. Progress to reduce the backlog has been hindered by a significant increase in requests for new EHCPs since January 2025. Education Psychologists have a pivotal role in undertaking the EHCP assessments, but are in short supply. The Council changed their role to one of triaging all referrals to decide whether an Education Psychologist needs to undertake the assessment or if other professionals can complete the assessment for final review and sign-off by the Education Psychologist. This change has improved timeliness – at the end of March 2025 the average waiting time for an assessment was around 52 weeks, but by mid-August had come down to around 25 weeks. At the same time demand for assessments continued to increase.
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A

42

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The Council has signed up to the Consultation Charter created by the Consultation Institute and has published the seven principles of the Charter on a webpage dedicated to Engagement Standards. The webpage includes details of current and previous consultations, and engagement activities show how people’s comments were used. Last year we reported that the Council's Strategic Plan for 2022-26 was approved in May 2022 and detailed the consultation and how responses were used. The Council has since refreshed its Strategic Plan for 2024-26, and shows that engagement is valued by the Council, for example, engaging the community to protect the environment as part of its goal to be Clean and Green. Progress against the Strategic Plan is monitored and reported, with the 2024 Annual Delivery Report covering the period September 2023 to 2024 being shared with Cabinet in October 2024. The Council’s commercial and collaborative partnerships are detailed in the Draft AGS 2024/25 which sets out governance and reporting arrangements, for example, Investing In Leicestershire Programme (IILP) guides the Council’s investments that contribute to the outcomes of the Strategic Plan, and the Annual Performance Report 2023/24 was presented to the Scrutiny Commission and Cabinet in November 2024. The Council address issues relating to partnership working, for example, tackling the major concern of resourcing the Internal Audit work plan of the EMSS (East Midlands Shared Service), which led to a re-prioritisation of resources to deliver the 2024/25 programme.	G

43

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

 Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
commissions or procures services, assessing whether it is realising the expected benefits	The Council has arrangements in place to manage key on-going contracts in accordance with the Procurement Act. The Procuring Officer or nominated Contract Manager is responsible for managing a contract including ensuring Key Performance Indicators (KPIs) are monitored. The Council’s interactive contract register is accessible to the public but does not include any performance measures. Looking ahead, we note the Internal Audit Plan 2025/26 includes a review of Contract Management. There are arrangements in place to monitor and report on the Capital Programme. The Council has addressed a significant weakness it identified in a prior year Annual Governance Statement regarding the risk management approach of the capital programme and has completed a lessons learned exercise using a previous large capital scheme. In addition, we note that a review of the Capital Strategy and Programme features on the Internal Audit Plan for 2025/26. The Council is part of the Eastern Shires Purchasing Organisation (ESPO), a local authority purchasing consortium made up of six local authorities with a role to a comprehensive cost-effective contracting and procurement service through a diverse range of commodities, products and services. ESPO is governed by a management committee and meeting documentation is accessible via the Council’s website. In relation to Local Government Reorganisation (LGR), since the Government provided feedback on the interim plans submitted the Council has spent time developing its own proposal for reorganisation for submission by the end of November 2025. Conversations with other local authorities in the area continue, and we understand that plans are progressing to enable individual proposals to be submitted by the November 2025 deadline prescribed by MHCLG.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness

Area for Improvement: responding to the Care Quality Commission

Key Finding: In their September 2025 inspection report the Care Quality Commission (CQC) assessed the Council as “Requires Improvement”.

Evidence: CQC were positive about how easy it is to access Council services. It also noted the efforts to reduce waiting times, rehabilitation after a hospital admission and the range of care home and residential care settings offering choice to people. An observation was however made that nursing care was limited across the county. CQC reported that leaders demonstrated an inclusive and positive culture of continuous learning and improvement.

CQC noted there was a high number of Deprivation of Liberty Safeguards (DoLS) applications made to the local authority and there was a backlog in assessments and authorisations.

Across nine themes, CQC assessed eight as level two (Evidence shows some shortfall) and one at level three (Evidence shows a good standard).

The Council now plans to develop a costed action plan to address the points CQC noted.

Impact: Addressing the points raised by CQC will support the Council in achieving its “Safe and Well “ priority which aims to ensure that people are safe and protected from harm, live in a healthy environment and have the opportunities and support they need to live active, independent and fulfilling lives.

Improvement Recommendation 2

IR2: The Council should ensure that the action plan developed in response to the Care Quality Commission September 2025 inspection report is fully costed, with clear milestones and progress is publicly reported on a regular basis.



Grant Thornton insights – learning from others

The Council could challenge itself to go further in respect of performance reporting, based on the best arrangements we see across the sector.



What the Council is already doing

- Our review of available meeting documentation did not evidence that corporate performance reports detailing operational services, workforce and finance are prepared and presented publicly regularly throughout the year.
- The Annual Delivery Report and Performance Compendium 2024 was shared with Cabinet and Scrutiny Commission in November 2024, prior to being presented to Full Council.
- Performance is reported to Overview and Scrutiny Committees.
- The Council has a Data Standards document that details the method of data entry for core data, e.g. name, address, date of birth. The document stresses the importance of only collecting information that is required for the purpose, and that it is vital that data is accurate, although it does not include details of how data quality is checked or validated.
- There was no evidence of the arrangements the Council utilises to assess the quality of data, including that reported in performance reports. However, there was evidence that preparers are made aware that data reported may be subject to change.



The Council could consider

- Increasing the frequency performance reports are shared with Cabinet to ensure it is assured performance is on track and actions are in place to address any low performance.
- Use Data Quality indicators in performance reports to provide information to decision makers on the level of assurance underpinning metrics reported. These indicators would give Officers and Members more confidence that reported performance reflects actual activity.

Pension Fund

The Council is the administering authority for the Leicestershire County Council Pension Fund. As part of our VfM work we are required to consider the Council’s arrangements in respect of the Pension Fund.

We considered the Pension Fund’s: Commentary on arrangements		Rating
Financial Sustainability: sufficiency of funds to meet liabilities	The Pension Fund is revalued every three years by an independent actuary, to assess future liabilities and set employers’ contribution rates. The most recent formal valuation, as at 31 March 2022, assessed the whole Pension Fund as being 105% funded. This is a strong position whereby the Fund is estimated to be able to meets its pension liabilities with its available assets. A full valuation is required during 2025, and while the results of this are not yet finalised, the actuary expects a funding level of around 140%.	G
Governance: appropriateness of governance arrangements	Governance arrangements are appropriate. The Fund is part of the LGPS Central pool, which is one of the eight pools approved by Government to go forward. In 2024/25 Internal Audit had 12 planned audits, nine of which were complete by June, two in progress and one deferred. None of the audits received low levels of assurance. For 2025/26 the Internal Audit plan will include 90 days. The scope of the work is appropriate. Risk Management is reported to the Local Pension Committee. The June 2025 report includes 19 risks with comprehensive explanations of any changes and those risks Officers have discussed but are not changing. The risk register is reported in full and contains the information we would expect. However, Investment Subcommittee meetings in December 2024, April and July 2025 were cancelled with the next one scheduled for October 2025. There will therefore be a one year gap between meetings. This does not represent a weakness as there are compensating arrangements in place through the other Committees and Boards.	

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Pension Fund (continued)

We considered the Pension Fund's:	Commentary on arrangements	Rating
Improving Economy, Efficiency and Effectiveness: annual report findings	Reports to the Local Pensions Board include Key Performance Indicators, with explanations for changes in performance. Only one of 17 was "Red" in the final quarter of 2024/25. The Fund is making progress in: • implementing the McCloud remedy – implementation requires lots of complex calculations so could potentially impact heavily on administration teams. The Fund considers itself on track to implement the McCloud remedy with underpinning calculations included in the 2025 Annual Benefit Statements for most eligible members. The Fund has elected to utilise its powers to postpone implementation until 2026 for a few specific groups of members of the Fund. The Local Pensions Board have been consulted on this decision. • preparing for the Pensions Dashboard - the Department for Work and Pensions (DWP) has designed an online platform (Pension Dashboard), public sector schemes are required to be connected by October 2025 per the guidance provided, with a statutory deadline of 31 October 2026. The Fund is on track to achieve this, with a report to the June 2025 Local Pension Board highlighting mismatches or incomplete data, but none of these have been assessed by the external contractor as "high" risk.	G

- G

No significant weaknesses or improvement recommendations.
- A

No significant weaknesses, improvement recommendations made.
- R

Significant weaknesses in arrangements identified and key recommendation(s) made.

05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR1	The Council urgently needs to work with schools and parents to develop and implement plans to ensure that specialist or independent school placements are only used for children where this is the most appropriate route. The Council also needs to continue to increase the number of places available for children in mainstream schools.	Financial sustainability (page 21)	Actions: The Council is focused on implementing further mitigations to reduce demand for EHCP's and the unit cost of providing them, alongside delivering current TSIL programme savings. The further mitigations include mainstream inclusion initiatives to reduce reliance on ISP's, policy and commissioning reviews and accelerating provision of new special school places. The issue cannot be fully resolved by the Council alone, and the governments delayed SEND White Paper will be fundamental to the long-term sustainability of SEND. Responsible Officer: Director of Children and Family Services. Due Date: Ongoing. Further mitigations to be built into 2026/27 budget.

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	In order to bridge the financial gap forecast in its Medium Term Financial Strategy, the Council needs to identify and bring forward additional savings or income generation schemes at pace in order to avoid having to use reserves to balance its annual budget. As increasingly difficult decisions are taken public transparency on their effectiveness is important. The Council should therefore consider reporting separately on savings delivery.	Financial sustainability (page 22)	Actions: Refresh of MTFS and further savings proposals – Feb 2026 Reporting of savings delivery – May 2026 Responsible Officer: Director of Corporate Resources. Due Date: As above.
IR2	The Council should ensure that the action plan developed in response to the Care Quality Commission September 2025 inspection report is fully costed, with clear milestones and progress is publicly reported on a regular basis.	Economy, Efficiency and Effectiveness (page 33)	Actions: The CQC action plan has been costed and is included as growth as part of the 2026/27 budget process and MTFS refresh. Immediate actions for 2025/26 are being funded through available earmarked reserves. Progress against the plan will be reported to the Adult and Communities Overview and Scrutiny Committee. Responsible Officer: Director of Adults and Communities. Due Date: milestones per the action plan.

07 Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council 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 to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

**A range of different recommendations can be raised by the Council’s auditors as follows:**

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should ensure that its financial governance framework remains robust in the face of ongoing pressures in the revenue budget. The Council should continue to perform regular reviews of the financial outlook to highlight any deterioration in the expected position, as well as continuing current work to identify areas of improvement.	2023/24	The MTFS forecasts a further £91m of General Fund revenue savings to be identified. Unless savings are achieved this will be funded through reserves. The Budget Equalisation reserve, to manage funding gaps, is £92.1m at 31 March 2025.	Incorporated with PY IR2 into new IR1.	Yes
IR2	The Council should continue to work to identify savings so that the use of reserves to balance the revenue budget is minimised. When savings opportunities are identified, these should be converted to realisable savings as quickly as possible.	2023/24	As above.	As above	Yes

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	To reduce the annual deficit on the High Needs Block of the DSG and protect the Council’s reserves, the Council should continue to work to identify opportunities to reduce the increasing demand for SEND provision as well as reduce the costs of SEND provision.	2023/24	The Council has sufficient reserves to cover the forecast £118m deficit, but would essentially use all of its reserves in doing so. For 2025/26 the Council is forecasting a £41.8m overspend on DSG, with the High Needs Block forecast overspend of £45m being £30m more than budgeted for. This is after the Transforming SEND in Leicestershire Programme savings of £12m. The Council estimates that, by March 2030, the cumulative deficit could be £260m.	Incorporated with PY IR7 into new KR1.	Yes

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	To improve and strengthen the arrangements in place for providing Internal Audit, the Council must ensure: - The Chief Internal Auditor provides for CGC approval, a Three Year Internal Audit Strategy and Annual Internal Audit Plan documenting its Internal Audit Charter, which outlines the purpose, authority and responsibility of the internal audit activity. - Reporting to CGC provides clarity in terms of actual progress against the plan, identifies any slippage or changes to the plan and enables the CGC to provide appropriate approval. (cont.)	2023/24	Internal Audit The three-year internal audit strategy was due be presented to CGC in January 25. However, progress has been delayed and this was planned to be reported to CGC in September 25. We understand that the Internal Audit Charter was last updated in January 24 and review of the AGS confirmed this. However, further development is to be undertaken and is planned for reporting to CGC in September 25. Lastly, slippage of the Internal Audit Plan is now reported as business as usual and was evident in the IA progress report to CGC in March 2025. These reports were not actually presented, so we have carried this forward.	Internal Audit three year plan and Charter to be reported.	No

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	(cont.) - Slippage is appropriately managed to enable the HOIA to provide a timely annual opinion and provide assurance that this does not expose the Council to prolonged or additional risk. - There is year end reporting of Fraud activity.	2023/24	Counter Fraud The annual Counter Fraud report 2024/25 was shared in June 25. We note that the Committee agreed that unless a major issue arises or there is a government requirement for more regular reporting, to dispense with in-year counter fraud updates which currently form part of the wider Risk Management Update reports presented at each meeting of the Committee. Review of the coversheet to the annual report shows that it was recommended to the committee to receive further reports on an annual basis, although we note that no rationale for this change in reporting arrangements was given either in the report or the minutes. The Counter Fraud annual report 2024/25 provides a clear account of activity undertaken during the year and shows there were 21 investigations closed during the year.	We will close this recommendation and monitor the full delivery of the recommendation as part of our usual work.	No

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR5	To enhance the decision making arrangements in place and provide further clarity to those charged with Governance, the Council should: - Document on meeting agenda's what action should be taken by the Cabinet i.e. whether the paper requires a key decision to be made or is being presented for information and noting. - Ensure supporting overview reports also document whether the recommended action requires a key decision to be made.	2023/24	A review of Cabinet agendas identifies reports that require a key decision to be made, and the individual presenting the reports. Triangulation of the agenda, reports presented, and minutes of the Cabinet meeting held March 2025 provided evidence that the reports labelled as requiring key decisions on the agenda also stated that a key decision was required, although it is not clear why other reports did not state that a key decision was required, for example, if this was because the Cabinet was asked to give authorisation for an act. If this is the case, we also saw another report which required authorisation to be given which was not identified as requiring a key decision.	We will close this recommendation as the Council has acted on it although the Council may wish to monitor that key decisions are identified consistently on reports and agendas.	No

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR6	As the Accountable Body, the Council must take a lead in ensuring that the formal governance documents required to support the Freeport (Members' Agreement, Articles of Association, Tax site Operator's Code of Conduct and undertaking, Occupier's Code of Conduct and undertaking, Accountable Body Agreement, Security agreement etc are signed and agreed by all parties and presented for approval to the EMF Board meeting in November 2024.	2023/24	The Draft AGS 2024/25 detailed the arrangements of East Midlands Freeport (EMF), confirming the Council is the 'accountable body' and that it participated in a governance assurance review with MHCLG officials and no adverse issues were identified. Two actions were highlighted in respect of any conflicts of interest and the management of commercial information. An action plan was prepared and reported to Freeport Board in October 2024. In addition, the outcome of the annual security review of the Freeport Security Forum produced a small number of recommendations and the Internal Audit service will work with Freeport Officers to progress these actions. The Government has now asked that responsibility for the Freeport is transferred to the East Midlands Combined County Authority by February 2026, if possible.	Due to the work undertaken by the Council, and the Government request to transfer responsibilities, we will close this recommendation.	No

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR7	The Council needs to continue to progress the TSIL programme to ensure a sustained trajectory of improvement in the % of new EHCPs issued within 20 weeks, with a view to meeting compliance with the statutory deadlines, as set out in the SEND Code of Practice (2014).	2023/24	The Council has sufficient reserves to cover the forecast £118m deficit, but would essentially use all of its reserves in doing so. For 2025/26 the Council is forecasting a £41.8m overspend on DSG, with the High Needs Block forecast overspend of £45m being £30m more than budgeted for. This is after the Transforming SEND in Leicestershire Programme savings of £12m. The Council estimates that, by March 2030, the cumulative deficit could be £260m. The Council changed the role of Education Psychologists to triaging all referrals to decide whether an Education Psychologist needs to undertake the assessment or if other professionals can complete the assessment for final review and sign-off. This change is proving very effective in improving timeliness.	Incorporated with PY IR3 into new KR1	Yes

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR8	The Council should continue the work it is undertaking to reduce the number of contract exceptions and extensions and ensure that any cultural or historical practise which does not promote or provide for robust, economical or effective processes is identified and rectified. To further improve oversight, we recommend that compliance reports are provided to CGC on a quarterly basis to provide assurance that new processes are positively impacting outcomes. In addition, reporting should include themes or departments etc to enable a targeted approach to accountability.	2023/24	The Contract Procedure Rules have been refreshed for the Procurement Act and includes the requirement for all Exceptions above threshold to have a lessons learned, mitigations and action plan completed. We will close this part of the recommendation	Our review did not identify evidence that compliance reports are provided to CGC on a quarterly basis and we will carry forward the improvement recommendation raised last year regarding this.	Yes



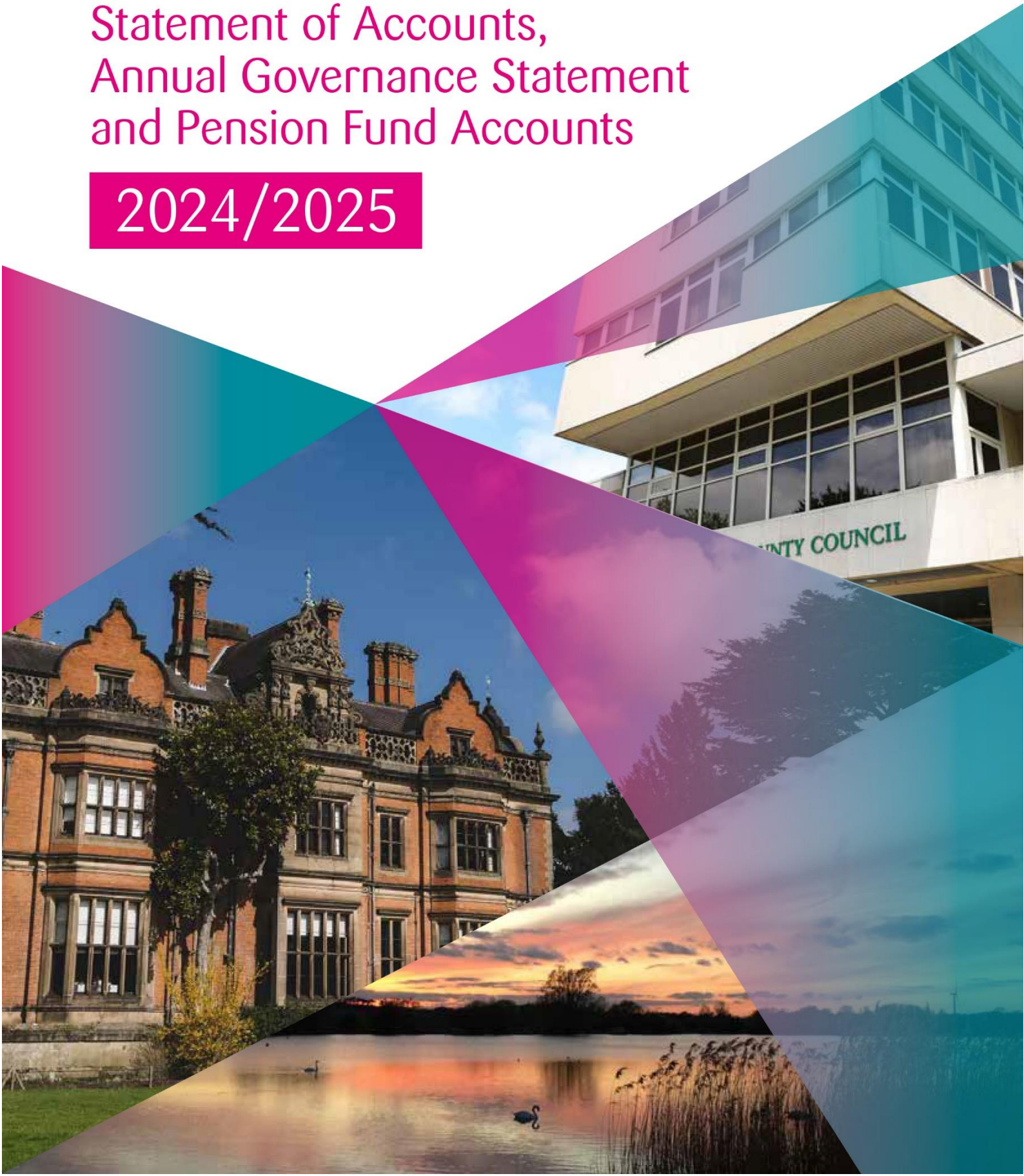
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Statement of Accounts, Annual Governance Statement and Pension Fund Accounts

2024/2025



Leicestershire County Council, Statement of Accounts, Annual Governance Statement and Pension Fund Accounts 2024/25

	Page
Leicestershire County Council Accounts	
Introduction	2
Narrative Statement	3
Movement in Reserves Statement (MIRS)	9
Comprehensive Income and Expenditure Statement (CIES)	10
Balance Sheet	11
Cash Flow Statement	12
Notes to the Primary Statements	13
Statement of Responsibilities for the Statement of Accounts	83
 Leicestershire County Council Pension Fund Accounts	 84
Fund Account	86
Net Assets Statements	86
Notes to the Pension Fund Accounts	87
Pension Fund Actuarial Statement	116
Pension Fund Accounts Reporting Requirement	118
Statement of Responsibilities for Leicestershire County Council Pension Fund	120
 Audit Opinion (to follow)	 121
 Annual Governance Statement	 122
 Glossary of Terms	 143

Introduction to the Statement of Accounts

Councillor Preface

The County Council continues to face significant financial challenges as a result of inflationary and service demand pressures. The latest Medium Term Financial Strategy (MTFS), approved in February 2025, sets a balanced budget for 2025/26 after the use of £5m from reserves. With hard work and focus I am confident the use of reserves will not be required. There are gaps in funding for the following three financial years; £38m in 2026/27 rising to £91m by 2028/29. This position is after identified savings in the MTFS of £33m that need to be delivered. In addition, there are continuing significant pressures on the high needs block within the dedicated schools grant (DSG) with an accumulated deficit of £64m as at 31st March 2025 which is forecast to increase to around £117m by 2028/29. To bridge the gap several initiatives are being investigated to generate further savings.



The Council is on track to meet these challenges because of the forward planning and its excellent track record in delivering savings.

Mr Harrison Fowler

Cabinet Lead Member for Corporate Resources

Foreword from the Director of Corporate Resources



The County Council is operating in an extremely challenging financial environment following more than a decade of austerity and spending pressures, particularly from social care and special education needs, and more recently from the cost of living pressures. There is also significant uncertainty and risk around future funding levels.

Despite these challenges the 2024/25 revenue and capital outturns were both delivered within budget. During 2024/25, the Council has invested in a number of capital projects, all funded without the need for any new borrowing, including:

£49m investment in Children and Family Services, including the creation of 415 additional school places, £22m investment in highways maintenance, and £47m on major projects around the County

Delivery of the Capital Programme will continue to be challenging, especially given rising inflation and increased demand for new schools and roads. However, with continued hard work and careful planning we expect to continue to deliver value for money capital projects.

I would like to thank all our staff for their work to manage the Council's budget in what has been another incredibly challenging year.

D Keegan

Director of Corporate Resources

Narrative Statement

1. Organisational Overview and External Environment

The Council has consolidated its priority outcomes into its Strategic Plan for 2022-26. The Strategic Plan sets out the Council's long-term vision for Leicestershire and its priorities over a four-year period. It is a key strategy which shapes how the Council plans and delivers services.

Leicestershire remains the lowest funded county council in the country with greater risks as a result. The Council's financial position continues to be extremely challenging, with £276m saved since 2010 and a further £176m to save by 2028/29. The position is serious with major implications for the provision of services to the people of Leicestershire. Reductions in government funding, rising demands and rising inflation have made it increasingly difficult to maintain good service delivery levels and target service improvements where required.

The current funding system does not share national resources fairly, and this view is shared by many others in local government. A move to a fairer funding model is an urgent requirement to help tackle the Council's financial challenges. Whilst a consultation on funding reform has recently been released, the Council is not confident that the proposals will lead to a fairer funding allocation for the residents of Leicestershire.

Leicestershire as a Place

Leicestershire covers an area of 208,000 hectares, with a population of around 734,000 people. The population grew by 9.5% between 2011 and 2021, which is faster than the national and regional growth rates. The County population is predicted to reach 860,000 by 2043, with particular growth among the over 70s. 82% of Leicestershire's area is classified as rural while 70% of the population live in our towns and urban areas.

Out of work benefit claimant rates are consistently below national and regional levels but remain higher than before the COVID-19 pandemic. Manufacturing is the largest industrial sector in the county, accounting for 12.0% of all employment, followed by Professional, Scientific and Technical (11.4%) and Transport and Storage (11.1%). 92% of our residents tell us that they are satisfied with the County as a place to live, significantly higher than the equivalent national figure.

The Council plays an active role in place shaping and responding to local needs such as working with partners to agree a Strategic Planning Framework, working sub-regionally (with Leicester City and the Leicestershire district authorities) and working regionally on economic and transport planning, such as with the Midlands Engine and Freeport.

Leicestershire County Council

Leicestershire County Council is an upper tier of local government with 55 councillors who are elected every 4 years. The Council has 6,071 employees (excluding schools) organised into 6 departments:

- Children and Family Services
- Adults and Communities
- Environment and Transport
- Public Health
- Chief Executives
- Corporate Resources

2. Governance

The Council's Annual Governance Statement (AGS) summarises the outcome of the Council's review of the Governance Framework that has been in place during 2024/25. The statement demonstrates that the Council has in place effective arrangements, but that it recognises the need to continuously review, adapt and develop its governance arrangements to meet the changing needs of the authority. There were 4 significant governance issues in 2024/25 which are further explained in section 8 of the AGS.

3. Risks and Opportunities

A risk management strategy is in place to identify and evaluate risk. The Council's corporate risk register contains the most significant risks which the Council is managing. Separate risk registers are in place for key departmental and service risks. Central government funding reductions and rising demands have seen a higher level of risk needing to be managed.

4. Strategy & Resource Allocation

The Council has developed five strategic outcomes that are essential for good quality of life in Leicestershire. These set out aspirations for local people and places, describing the results we want people to see and experience in their daily lives:

Narrative Statement

- **Clean, green future:** The environment is protected and enhanced, and we tackle climate change, biodiversity loss and unsustainable resource usage.
 - **Great Communities:** Leicestershire has thriving, inclusive communities in which people support each other and participate in service design and delivery.
 - **Improving Opportunities:** Every child gets the best start for life with access to a good quality education and everyone has the opportunities they need to fulfil their potential.
 - **Strong economy, transport and infrastructure:** Leicestershire has a productive, inclusive and sustainable economy and infrastructure which meets the demands of a growing population and economy.
 - **Keeping people safe and well:** The people of Leicestershire are safe and protected from harm.
- These key strategic outcomes form part of the Council's medium-term financial planning process which covers a four-year period and is refreshed annually.

5. Financial Performance

Revenue Budget

A summary of the net revenue outturn for 2024/25 is set out below:

2023/24			2024/25		
Budget	Outturn	Variance	Budget	Outturn	Variance
£m	£m	£m	£m	£m	£m
210.2	212.8	2.6	241.1	223.7	(17.3)
16.2	15.1	(1.1)	16.8	16.0	(0.8)
106.7	118.5	11.9	124.2	132.9	8.8
41.2	39.8	(1.3)	41.0	40.0	(1.1)
101.6	99.3	(2.3)	112.9	111.1	(1.8)
(1.8)	(1.8)	0	(2.6)	(2.6)	0
38.2	40.8	2.6	34.2	40.2	6.0
0	0	0	0	8.8	8.8
512.1	524.4	12.3	567.6	570.2	2.5
(80.6)	(92.9)	(12.3)	(97.9)	(100.4)	(2.5)
(375.9)	(375.9)	0	(399.8)	(399.8)	0
0	0	0	0	0	0
(55.6)	(55.6)	0	(69.9)	(69.9)	0
(512.1)	(524.4)	(12.3)	(567.6)	(570.2)	(2.5)
0.0	0.0	0.0	0.0	0.0	0.0
NET OUTTURN					

The 2024/25 net outturn showed a balanced position, after funding of £8.8m was set aside for additional commitments in the Transformation reserve - towards future expenditure on an invest to save basis to support the MTFS and other issues facing the Council.

The financial year saw additional inflationary pressures and also increasing demand pressures on children's social care services. Adults and Communities had a net underspend of £17.3m, mainly due to managing demand well and more efficient commissioning. When setting the new MTFS 2025-29 a total of £9m was reduced from the 2025/26 A&C budget in light of the ongoing impact of the variances from 2024/25 forecast at that time. Following the outturn position another review will be undertaken to determine if there are any further reductions that can be made to the 2025/26 budget.

The Authority has made significant progress in achieving the savings in the MTFS, but there is still a long way to go. The 2025-29 MTFS includes a savings requirement of £176m, including High Needs DSG savings.

Capital Budget

A summary of the capital outturn for 2024/25 is set out below:

2023/24			Capital	2024/25		
Budget	Outturn	Variance		Budget	Outturn	Variance
£m	£m	£m		£m	£m	£m
5.9	4.8	(1.1)	Adults & Communities	7.1	5.6	(1.5)
41.4	33.9	(7.5)	Children & Family Services	44.4	48.7	4.4
2.3	0.9	(1.4)	Corporate Programme	16.3	2.3	(14.0)
4.7	1.8	(2.9)	Corporate Resources	4.5	2.2	(2.3)
85.0	66.0	(19.0)	Environment & Transport	95.9	75.3	(20.7)
139.3	107.4	(31.9)		168.2	134.1	(34.1)

Overall, there has been a net variance of £34.1m compared with the updated budget. The net variance has been carried forward to the 2025-29 capital programme to fund the rephasing of expenditure on projects.

Further details of the budget outturn variances for revenue and capital can be found in the Cabinet report dated 17 June 2025 available on the Council's Website.

6. Operational Performance

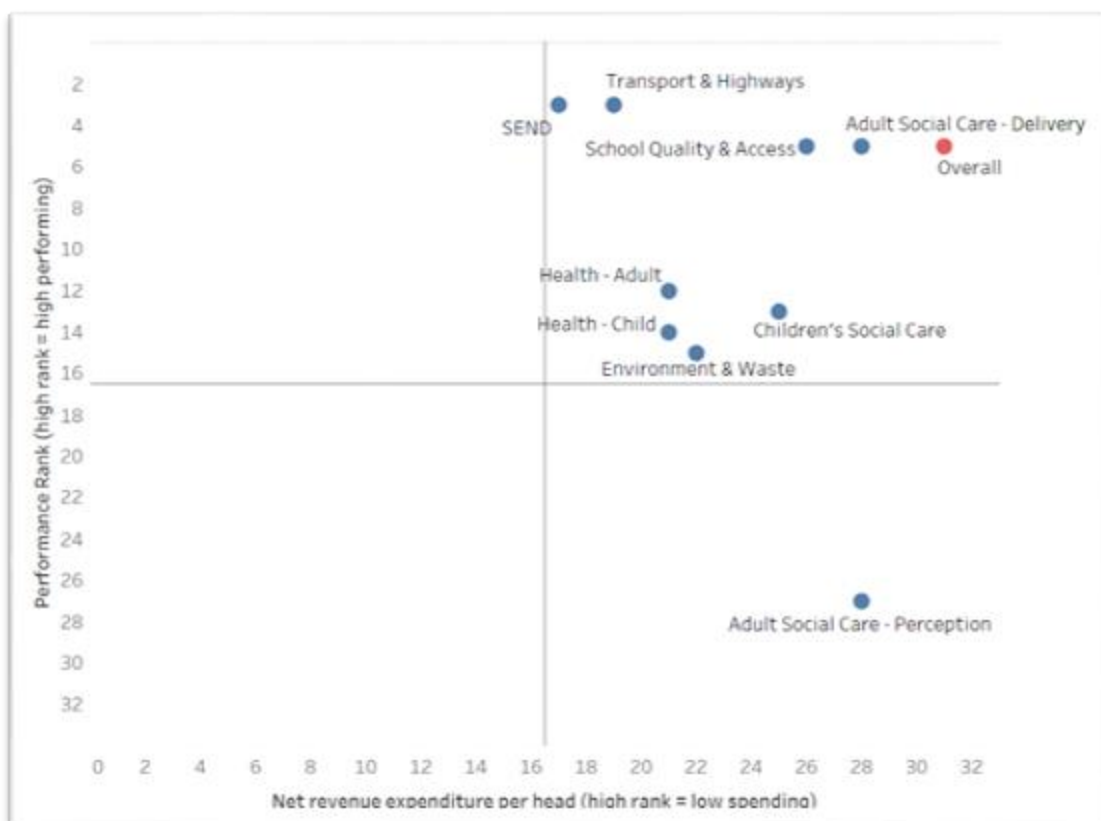
The Council maintains a strong focus on performance management through its corporate performance management, commissioning and benchmarking arrangements. Performance management is well embedded through regular performance reporting across organisational governance arrangements.

The Council regularly monitors its performance position and areas for improvement through service benchmarking. Looking at published data for 2023/24, the Council's overall performance position was 5th of 31 two-tier county and county unitary authorities, using a basket of over 250 performance indicators spanning Council and partnership activity.

The chart below summarises County Council spend and performance relative to the 31 counties and county unitaries that we use as our main comparison group. The chart shows rank of net revenue expenditure per head across the horizontal axis and performance rank on the vertical axis. The top right quadrant represents low relative spend and high relative performance. The chart shows performance positions for various delivery themes. All themes display have below average spend per head.

In a separate exercise, analysis has been undertaken of the relative cost effectiveness of local authorities. This work brings together input data in the form of core spending power per head and outputs/outcomes data from over 200 performance indicators covering core council services. The resulting Cost Effectiveness Index suggests that Leicestershire is the most cost-effective of our comparator group of 31 counties and county unitary authorities.

The Authority's [Annual Delivery Report](#) and Performance Compendium provides a more detailed account of performance during the year.

Chart: Theme performance benchmarking rank vs. rank of net revenue expenditure per head

7. Medium Term Financial Strategy

Medium Term Financial Strategy (MTFS)

The County Council continues to operate in an extremely challenging financial environment following more than a decade of austerity and spending pressures, particularly from social care and special education needs and disabilities (SEND). These are challenges being faced by all upper tier authorities. These pressures continue to increase. There is also additional financial strain arising from significant increases in inflation affecting all service areas.

The Authority's latest 4 year Medium Term Financial Strategy (MTFS) agreed in February 2025 is based on an approved council tax increase of 4.99% for 2025/26, followed by annual increases of 2.99% in the following years. Delivery of the MTFS requires General Fund savings of £124m to be made between 2025 and 2029. The MTFS sets out in detail £33m of savings and proposed reviews that will identify further savings to offset the forecast £91m funding gap by 2028/29.

A further £52m of savings is planned over the MTFS period regarding High Needs. This is in addition to a forecast High Needs deficit of over £117m by 2028/29.

Strong financial control plans and discipline will be essential in the delivery of the MTFS. In setting the MTFS the Authority does not anticipate that it will need to issue a Section 114 notice (Local Government Finance Act 1988) in 2025/26 but future years are uncertain given ongoing demand pressures and the unknown impact of the government's Spending Review and funding reform. This position will be reviewed each year as part of the exercise to roll forward the MTFS.

There is little doubt that the Authority faces the most uncertain and risky financial environment for a generation. The MTFS is reviewed annually in the autumn to reflect the latest view on available resources. The current MTFS is available on the Authority's website - leicestershire.gov.uk/mtfs

8. English Devolution

The English Devolution White Paper (published on 16 December 2024) set out the government's vision for simpler local government structures. Alongside this, the government also set out plans for a joint programme of devolution and local government reorganisation.

On the 5 February 2025 the Minister of State for Local Government and English Devolution issued a statutory invitation to all councils in 2-tier areas and small neighbouring unitary authorities to develop proposals for unitary local government. These will bring together lower and upper tier local government services in new unitary councils to deliver local government reorganisation. This invitation requested that councils produce interim plans and submit these to government by 21 March 2025, setting out their progress on developing proposals in line with the criteria and guidance.

Three interim plans covering Leicester, Leicestershire and Rutland have been submitted in proposals to the Government:

- one by Leicestershire County Council.
- a north/south (Rutland) approach – with North West Leicestershire, Charnwood and Melton in the north, Hinckley, and Bosworth, Blaby, Oadby and Wigston, Harborough and Rutland in the south, and
- a third by Leicester City Council

Full business cases are to be submitted in November 2025. A decision on the Government's preferred option is not expected until 2026.

9. Current Borrowing / Investments

The Capital Financing Requirement (CFR) shown in note 39 to the financial statements measures the Authority's need to borrow for capital purposes. The total of non-current assets was £1.1bn as at 31 March 2025 (£1.1bn, 31 March 2024). The CFR was £198m as at 31 March 2025 (£202m, 31 March 2024) and actual debt was £175m as at 31 March 2025 (£220m, 31 March 2024). The difference between the CFR and the actual debt is temporarily funded by internal borrowing using the Authority's investment balances. During 2024/25 no new external loans were raised (£0m 2023/24). Details of the loans held by the Authority are shown in note 44 to the financial statements. The level of capital borrowing is within the Authority's 2024/25 Prudential Indicators that inform the Authority whether its capital investment plans are affordable, prudent and sustainable.

Investments held by the Authority total £410m as at 31 March 2025 (£421m, 31 March 2024). Investments are made in accordance with the Annual Investment Strategy that ensures that deposits are only made with financial institutions that meet certain minimum credit criteria as laid down by the Authority's Treasury Management advisors.

10. Basis of Preparation and Contents of the Statement of Accounts

The Statement of Accounts which follows sets out the Authority's income and expenditure for the year, and its financial positions as at 31 March 2025. It comprises primary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, which in turn is underpinned by International Financial Reporting Standards adapted for use in a public sector context. The Statement of Accounts consists of:

a. Movement in Reserves Statement:

This financial statement shows the movement during the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. This statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/ decrease line shows the statutory general fund balance movements in the year following those adjustments.

b. Comprehensive Income and Expenditure Statement (CIES):

This financial statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Authority

raises taxation to cover expenditure in accordance with statutory regulations which may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis note to the accounts, and the Movement in Reserves Statement. The CIES has two sections:

- Surplus or Deficit on the Provision of Services – the increase or decrease in the net worth of the Authority as a result of incurring expenses and generating income.
- Other Comprehensive Income and Expenditure – shows any changes in net worth which have not been reflected in the Surplus or Deficit on the Provision of Services. These include the change in the net worth of the Authority as a result of movements in the fair value of its assets and actuarial gains or losses on pension assets and liabilities.

c. Balance Sheet:

The Balance Sheet shows the value as of 31st March 2025 of the assets and liabilities recognised by the Authority. It incorporates all the funds of the Authority, both capital and revenue, with the exception of the Pension Fund and Trust funds.

The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e., those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statements line 'Adjustments between accounting basis and funding basis under regulations'.

d. Cash Flow Statement:

The Cash Flow Statement shows the changes in Cash and Cash Equivalents of the Authority during the reporting period. This financial statement shows how the Authority generates and uses Cash and Cash Equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from recipients of services provided by the Authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e., borrowing) to the Authority.

e. Disclosure Notes:

Provides more detail about individual transactions and balances. The supplementary Financial Statements are The Annual Governance Statement, and the Pension Fund Account.

f. Pension Fund:

The Pension Fund statement of account details the annual results of the Leicestershire Authority administered Local Government Pension Fund, covering both Authority employees and those of other admitted bodies.

11. Date of Authorisation of Accounts

The accounts were authorised for issue by the Director of Corporate Resources on the 24 November 2025. This was the last date when events after the Balance Sheet date have been considered.

D KEEGAN
DIRECTOR OF CORPORATE RESOURCES
24 NOVEMBER 2025

Primary Statements

Movement In Reserves Statement

	General Fund Balance	Earmarked Reserves Balance	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	No te
	£m	£m	£m	£m	£m	£m	£m	£m	
Movement In Reserves During 2024/25									
Balance at 31 March 2024	26.0	260.9	286.9	5.2	24.7	316.7	856.1	1,172.8	
Total Comprehensive Income and Expenditure	49.7	0	49.7	0	0.0	49.7	2.4	52.1	8
Adjustments between accounting basis & funding basis under regulation	(49.9)	0	(49.9)	(5.0)	(14.3)	(69.3)	69.3	0	
Transfers (to)/from Earmarked Reserves	0	19.0	19.0	0	0	19.0	(19.0)	0	
Increase/ (Decrease) in Year	(0.3)	19.0	18.7	(5.0)	(14.3)	(0.6)	52.7	52.1	
Balance at 31 March 2025	25.7	279.9	305.6	0.2	10.3	316.1	908.8	1,224.9	

Movement In Reserves During 2023/24

Balance at 31 March 2023	28.1	222.3	250.4	0.2	4.9	255.5	733.5	989.0	
Total Comprehensive Income and Expenditure	112.5	0	112.5	0	0	112.5	71.3	183.8	8
Adjustments between accounting basis & funding basis under regulation	(114.6)		(114.6)	5.0	19.8	(89.9)	89.9	0	
Transfers (to)/from Earmarked Reserves	0	38.6	38.6	0	0	38.6	(38.6)	0	
Increase/ (Decrease) in Year	(2.1)	38.6	36.5	5.0	19.8	61.2	122.6	183.8	
Balance at 31 March 2024	26.0	260.9	286.9	5.2	24.7	316.7	856.1	1,172.8	

Description	2023/24	Net Expenditure	Note	2024/25			
	Gross Income			Gross Expenditure	Net Expenditure		
	£m			£m	£m		
			CONTINUING SERVICES				
8	(144.1)	190.7	Adults and Communities	352.9	(158.0)	194.9	
9	(10.6)	10.3	Chief Executive's Department	20.0	(7.1)	12.9	
1	(278.2)	127.8	Children and Family Services	494.4	(327.3)	167.1	
9	(43.6)	50.3	Corporate Resources	88.3	(42.9)	45.4	
6	(25.6)	121.0	Environment and Transport	157.4	(26.1)	131.3	
9	(36.1)	(1.2)	Public Health	34.2	(33.6)	0.6	
1	(5.1)	(4.0)	Central Items	1.7	(4.6)	(3.0)	
2	(543.3)	494.9	NET COST OF SERVICES	1,149.0	(599.6)	549.3	
3	(1.7)	(1.4)	Other Operating Expenditure (Excluding transfer of Academies)	12	0.3	(0.1)	0.2
2	0	3.2	Other Operating Expenditure (Transfer of Academies)	12	7.2	0	7.2
7	(104.6)	(12.8)	Financing and Investment Income and Expenditure	13	109.1	(117.2)	(8.1)
0	(596.4)	(596.4)	Taxation and Non-specific Grant Income	14	0	(598.3)	(598.3)
		(112.5)	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES				(49.7)
			Items that will not be reclassified to the (surplus) or deficit on the provision of services:				
		(89.2)	Surplus on Revaluation of Property, Plant and Equipment	(notes 16,18)			(21.9)
		17.9	Remeasurement of the Net Defined Benefit Liability/(Asset)	(note 15)			19.5
		(71.3)	Total Items that Will Not Be Reclassified to the (Surplus) or Deficit on the Provision of Services				(2.4)
		(183.8)	TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE				(52.1)

Primary Statements

Balance Sheet

31 March 2024 £m		Note	31 March 2025 £m
481.4	Land and Buildings	16	485.7
11.9	Vehicles, Plant, Furniture & Equipment	16	13.8
463.6	Infrastructure Assets	17	470.2
11.3	Community Assets	16	11.3
84.0	Assets Under Construction	16	131.3
1.4	Surplus Assets	16	1.0
1,053.7	Total Property, Plant and Equipment		1,113.3
2.4	Investment Property	19	2.5
6.4	Heritage Assets	18	6.4
1.1	Intangible Assets	16	0.4
86.2	Long Term Investments	20	54.8
26.4	Long Term Debtors	22	24.9
1,176.2	TOTAL NON-CURRENT ASSETS		1,202.4
10.0	Assets Held for Sale	16	18.5
1.8	Inventories	21	1.8
127.6	Short Term Debtors	23	137.5
85.8	Cash and Cash Equivalents	24	51.0
334.4	Short Term Investments	20	355.1
559.5	TOTAL CURRENT ASSETS		563.7
(8.4)	Short Term Borrowing	20	(3.0)
(191.8)	Short Term Creditors	26	(221.3)
(28.4)	Short Term Capital Grants Receipts in Advance	36	(25.6)
(0.1)	Short Term Lease Liabilities	40	(1.2)
(4.4)	Short Term Provisions	27	(4.7)
(233.0)	TOTAL CURRENT LIABILITIES		(256.0)
(216.8)	Long Term Borrowing	20	(177.1)
(0.8)	Long Term Lease Liabilities	40	(1.8)
(5.2)	Long Term Creditors	25	(8.0)
(2.0)	Long Term Provisions	27	(1.1)
(33.3)	Net Pensions Liability	9	(28.0)
(71.8)	Long Term Capital Grants Receipts in Advance	36	(69.4)
(329.9)	TOTAL NON-CURRENT LIABILITIES		(285.3)
1,172.8	NET ASSETS / (LIABILITIES)		1,224.9
26.0	General Fund	10	25.7
260.9	Earmarked Revenue Reserves	11	279.9
5.2	Capital Receipts Reserve		0.2
24.7	Capital Grants Unapplied		10.3
316.7	TOTAL USABLE RESERVES		316.1
292.9	Revaluation Reserve	9	303.5
631.7	Capital Adjustment Account	9	686.7
(3.4)	Financial Instruments Adjustment Account	9	(3.2)
(33.3)	Pension Reserve	9	(28.0)
0.7	Collection Fund Adjustment Account	9	0.9
(4.6)	Accumulated Absences Adjustment Account	9	(5.8)
4.2	Pooled Investment Funds Adjustment Account	9	3.0
(32.0)	Dedicated Schools Grant Adjustment Account	9	(48.3)
856.1	TOTAL UNUSABLE RESERVES		908.8
1,172.8	TOTAL RESERVES		1,224.9

Cash Flow Statement

2023/24 £m		Note	2024/25 £m
(112.5)	Net (surplus) or deficit on the provision of services	1	(49.7)
0.7	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	28	(45.5)
91.6	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	28	64.7
(20.2)	Net cash flows from Operating Activities		(30.5)
(37.0)	Net cash flows from Investing Activities	29	20.8
42.6	Net cash flows from Financing Activities	30	44.5
(14.6)	Net (Increase)/Decrease in Cash and Cash Equivalents		34.8
(71.1)	Cash and Cash Equivalents at the Beginning of the Reporting Period	24	(85.8)
(85.8)	Cash and Cash Equivalents at the End of the Reporting Period	24	(51.0)

The notes to the financial statements are detailed on pages 13 – 83.

Notes to the Accounts

Note 1: Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and the way in which it is funded from resources (e.g. grants, council tax and business rates) by the Authority in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure and Funding Analysis Statement 2024/25

Service Segment	As Reported to the Cabinet June 2025	Adjustments to arrive at the net amount funded from General Fund ¹	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£m	£m	£m	£m	£m
Adults and Communities Department	223.7	(25.2)	198.5	(3.5)	194.9
Chief Executive's Department	16.0	(1.8)	14.2	(1.3)	12.9
Children and Family Services Department	132.9	4.2	137.1	30.0	167.1
Corporate Resources Department	40.0	(0.1)	39.9	5.6	45.4
Environment and Transport Department	111.1	2.0	113.1	18.2	131.3
Public Health Department	(2.6)	4.0	1.4	(0.8)	0.6
Central Items	49.2	(18.1)	31.1	(34.1)	(3.0)
Net Cost of Services	570.2	(35.1)	535.2	14.1	549.3
Other Income and Expenditure	(570.2)	16.3	(553.9)	(45.1)	(599.0)
(Surplus) or Deficit	0	(18.7)	(18.7)	(30.9)	(49.7)
Opening General Fund Balance					(286.9)
Less /Plus Surplus or (Deficit) on General Fund Balance in Year					(18.7)
Closing General Fund Balance					(305.6)

Expenditure and Funding Analysis Statement 2023/24

Service Segment	As Reported to the Cabinet May 2024	Adjustments to arrive at the net amount funded from General Fund ¹	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£m	£m	£m	£m	£m
Adults and Communities Department	212.8	(18.8)	194.0	(3.3)	190.7
Chief Executive's Department	15.1	(3.9)	11.2	(0.9)	10.3
Children and Family Services Department	118.5	8.2	126.7	1.2	127.8
Corporate Resources Department	39.8	4.6	44.4	5.8	50.3
Environment and Transport Department	99.3	4.4	103.7	17.2	121.0
Public Health Department	(1.8)	1.3	(0.5)	(0.6)	(1.2)
Central Items	40.8	(40.9)	0	(4.0)	(4.0)
Net Cost of Services	524.4	(45.0)	479.5	15.5	494.9
Other Income and Expenditure	(524.4)	8.5	(515.9)	(91.5)	(607.5)
(Surplus) or Deficit	0	(36.6)	(36.5)	(76.1)	(112.5)
Opening General Fund Balance					(250.4)
Less /Plus Surplus or (Deficit) on General Fund Balance in Year					(36.5)
Closing General Fund Balance					(286.9)

Notes to the Accounts

¹ Due to differences in the Cabinet report compared with the requirements for the CIES. For example, capital financing costs are reported to the Cabinet as part of Central Items but are shown within Other Income and Expenditure for the CIES, and also movements to reserves made in the accounts after the Cabinet report (use of the surplus to earmarked reserves).

Note 2: Expenditure and Funding Analysis (a)

This note provides reconciliation for the main adjustments to Net Expenditure chargeable to the General Fund (GF) to arrive at the amounts in the CIES. The relevant transfers between reserves are explained in the Movement in Reserves Statement (MIRS).

Adjustments Between Funding and Accounting Basis 2024/25

Adjustments from the GF to arrive at the CIES	Adjustments for Capital Purposes £m	Adjustments for Pensions Purposes £m	Other Adjustments £m	Total Adjustments £m
Service Segment				
Adults & Communities Department	1.8	(1.8)	0	0.1
Chief Executive's Department	0	(5.0)	1.1	(3.8)
Children and Family Services Department	22.8	(8.8)	16.4	30.4
Corporate Resource Department	9.9	(1.5)	0	8.4
Environment & Transport Department	22.1	(4.8)	0	17.4
Public Health Department	0	(4.1)	0	(4.1)
Central Items	(35.1)	1.1	0	(34.1)
Net Cost of Services	21.5	(24.8)	17.5	14.1
Other Income and Expenditure from the Expenditure and Funding Analysis	(46.3)	0	1.2	(45.1)
Difference between the GCF surplus or deficit and the CIES surplus or deficit on provision of services	(24.9)	(24.8)	18.7	(30.9)

Adjustments Between Funding and Accounting Basis 2023/24

Adjustments from the GF to arrive at the CIES	Adjustments for Capital Purposes £m	Adjustments for Pensions Purposes £m	Other Adjustments £m	Total Adjustments £m
Service Segment				
Adults & Communities Department	1.1	(1.7)	0	(0.6)
Chief Executive's Department	0.0	(3.6)	(1.7)	(5.3)
Children and Family Services Department	8.8	(6.7)	1.9	4.0
Corporate Resource Department	9.4	(1.2)	0.0	8.2
Environment & Transport Department	20.2	(3.7)	0.1	16.5
Public Health Department	0.0	(3.4)	0.0	(3.4)
Central Items	(5.1)	1.2	0.0	(3.9)
Net Cost of Services	34.4	(19.2)	0.3	15.5
Other Income and Expenditure from the Expenditure and Funding Analysis	(89.5)	0.0	(2.0)	(91.5)
Difference between the GCF surplus or deficit and the CIES surplus or deficit on provision of services	(55.2)	(19.2)	(1.7)	(76.1)

1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – The adjustments for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – The statutory charges for capital financing i.e., Minimum Revenue Provision (MRP) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – Where capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services - This represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For financing and investment income and expenditure - This represents the net interest on the defined benefit liability is charged to the CIES.

3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For Financing and investment income and expenditure - The other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under taxation and non-specific grant income and expenditure – This represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code.

Note 2: Expenditure and Funding Analysis (b)

The Authority's expenditure and income is analysed as follows:

2023/24 £m		2024/25 £m
	Expenditure	
359.8	Employee Benefits Expenses	377.1
(17.7)	IAS 19 and Other Pension Cost Adjustments	(23.3)
654.9	Other Service Expenses	755.3
42.5	Depreciation, amortisation, and impairment	41.5
12.8	Interest Payments	20.1
0.3	Precepts and Levies	0.3
1.4	Loss on Disposal of Non-Current Assets	7.1
1,054.1	Total Expenditure	1,178.1
	Income	
(188.6)	Fees, Charges and Other Income	(197.8)
(25.6)	Interest and Investment Income	(29.8)
(467.7)	Council Tax and NNDR	(500.6)
(484.7)	Government Grants and Contributions	(499.5)
(1,166.6)	Total Income	(1,227.8)
(112.5)	(Surplus) or Deficit on Provision of Services	(49.7)

Revenue from contract with service recipients:

2023/24 £m		2024/25 £m
(95.3)	Revenue from contracts with service recipients	(104.1)
(35.9)	Receivables which are Included in debtors	(41.2)

Note 3: Accounting standards issued but not yet adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- The effects of changes in Foreign Exchange rate (amendment to IAS21)
- IFRS 17 Insurance contracts replaces IFRS 4
- Changes to the measurement of non - investment assets within 2025/26 code (adaptations and interpretation of IAS16 and IAS38)

These changes are not expected to have a material impact on the Council's statements of accounts.

Note 4: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 47, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. There were no critical judgements made that need reporting.

Note 5: Assumptions Made about the Future and Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Items	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	The valuation of the Council's Property, Plant and Equipment (PPE) is a significant area of estimation uncertainty. The Council's valuer uses a combination of methodologies to value these assets, including Depreciated Replacement Cost and Existing Use Value and market/comparable methods. These methods can cause estimation uncertainty due to the indices and inputs that must be used to applying valuations. If the actual values differ from the assumptions used to value PPE, there is a risk of material adjustment to the carrying value of PPE. The Council's external valuers provided valuations as at 31 March 2025 for over 50% of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The carrying value of Property, Plant and Equipment at 31 March 2025 is £1.1bn.	The net book value of non-current assets subject to potential revaluation is £540m. A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. As an example, if the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement and or Revaluation reserve of approximately £54m.
Pensions Liability	The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. An independent firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied, although ultimate responsibility for forming these assumptions remains with the Authority. The carrying value of the net Pension Liability at 31 March 2025 is £28m.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £24m. A one-year increase in member life expectancy compared with the assumption used would increase the liabilities by £58m. However, the assumptions interact in complex ways. During 2024/25, the Authority's Actuary advised that the net pension liability had decreased by £39m as a result of estimates being corrected as a result of experience and decreased by £423m attributable to updating of the assumptions.

Note 6: Material Items of Income and Expense

There are no significant material items of income and expense that need reporting.

Note 7: Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 24 November 2025. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 8: Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Authority are to be paid into and out of, which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and when this has to take place by.

Notes to the Accounts

	Usable Reserves			
2024/25	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Movement in Usable Reserves £m
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension Costs	(24.8)	0	0	(24.8)
Financial Instruments	(0.2)	0	0	(0.2)
Council Tax and NDR	(0.2)	0	0	(0.2)
Accumulated Absences	1.2	0	0	1.2
Pooled Investment Funds	1.2	0	0	1.2
Transferred to DSG Adjustment Account	16.3	0	0	16.3
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	66.1	0	(14.3)	51.8
Total Adjustments to Revenue Resources	59.5	0	(14.3)	45.2
Transfer of Non-Current asset sale proceeds from revenue to the Capital Receipts Reserve	(5.8)	5.8	0	0
Statutory provision for the repayment of debt (MRP)	(7.3)	0	0	(7.3)
Principal repayments of transferred Debt	1.3	0	0	1.3
Capital expenditure financed from revenue balances	(29.4)	0	0	(29.4)
Total Adjustments between Revenue and Capital Resources	(41.3)	5.8	0	(35.5)
Use of the Capital Receipts Reserve to finance capital expenditure	0	(10.8)	0	(10.8)
Application of capital grants to finance capital expenditure	(49.2)	0	0	(49.2)
Total Adjustments to Capital Resources	(49.2)	(10.8)	0	(60.0)
Total Adjustments	(30.9)	(5.0)	(14.3)	(50.3)

Notes to the Accounts

	Usable Reserves			
2023/24	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Movement in Usable Reserves £m
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension Costs	(19.2)	0.0	0.0	(19.2)
Financial Instruments	(0.3)	0.0	0.0	(0.3)
Council Tax and NDR	1.1	0.0	0.0	1.1
Accumulated Absences	(1.6)	0.0	0.0	(1.6)
Pooled Investment Funds	(2.0)	0.0	0.0	(2.0)
Transferred to DSG Adjustment Account	1.9	0.0	0.0	1.9
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	50.4	0.0	19.8	70.2
Total Adjustments to Revenue Resources	30.3	0.0	19.8	50.1
Transfer of Non-Current asset sale proceeds from revenue to the Capital Receipts Reserve	(5.6)	5.6	0.0	0.0
Statutory provision for the repayment of debt (MRP)	(6.2)	0.0	0.0	(6.2)
Principal repayments of transferred Debt	1.3	0.0	0.0	1.3
Capital expenditure financed from revenue balances	(3.0)	0.0	0.0	(3.0)
Total Adjustments between Revenue and Capital Resources	(13.5)	5.6	0.0	(7.9)
Use of the Capital Receipts Reserve to finance capital expenditure	0.0	(0.6)	0.0	(0.6)
Application of capital grants to finance capital expenditure	(92.9)	0.0	0.0	(92.9)
Total Adjustments to Capital Resources	(92.9)	(0.6)	0.0	(93.5)
Total Adjustments	(76.1)	5.0	19.8	(51.3)

Note 9: Unusable Reserves

Revaluation Reserve

The revaluation reserve contains the gains made by the Authority arising from increases in the value of Property, Plant and Equipment, and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2023/24 £m		2024/25 £m
215.0	Balance at 1 April	292.9
125.5	Upward revaluation of assets	44.8
(36.4)	Downward revaluation of assets losses not charged to the Surplus or (Deficit) on the Provision of Services	(22.9)
(5.9)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(5.0)
(5.2)	Difference between fair value depreciation and historical cost depreciation	(6.3)
292.9	Balance at 31 March	303.5

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 to the accounts provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Notes to the Accounts

2023/24 £m		2024/25 £m
589.1	Balance at 1 April	631.7
	<i>Reversal of items relating to capital expenditure debited or credited to Comprehensive Income and Expenditure:</i>	
(16.9)	Charges for depreciation of non-current assets	(32.5)
(12.1)	Revaluation losses on Property, Plant and Equipment	(8.2)
(0.8)	Amortisation of intangible assets	(0.7)
(7.6)	Revenue expenditure funded from capital under statute	(15.7)
(12.2)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(12.9)
0	Leases – Gain on recognition of non-commercial leases	3.3
539.6		565.0
11.1	Adjusting amounts written out of the revaluation reserve	11.3
550.7	Net written out amount of the costs of non-current assets consumed in year	576.3
	Capital financing applied in year:	
0.5	Use of the Capital Receipts Reserve to finance new capital expenditure	10.8
73.2	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	49.2
0.0	Application of grants to capital financing from the Capital Grants Unapplied Account	14.3
6.2	Statutory provision for the financing of capital investment charged against the General Fund Balance	7.3
(1.7)	Fair value profit and (loss) valuations	0.5
(1.2)	Principal Repayments of transferred Debt	(1.3)
3.0	Capital expenditure charged against the General Fund Balance	29.4
0.9	Movements in the Fair Value of Investment Properties	0.1
631.7	Balance at 31 March	686.7

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Authority uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums and discounts are taken to the CIES when they are incurred but reversed out of the General Fund Balance to the Account in the MIRS.

Over time, the expense is posted back to the General Fund Balance in accordance with the statutory arrangements for spreading the burden on council tax. For early external debt repayments since 1 April 2007, this period is the lesser of the remaining period of the loan(s) being repaid or a maximum of 10 years. All premiums and discounts prior to this date are charged over a period of up to 25 years.

2023/24 £m		2024/25 £m
(3.7)	Balance at 1 April	(3.4)
	Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements:	
(3.1)	Transfers in – rescheduled debt premiums paid in year	(8.4)
3.1	Transfers out – rescheduled debt discounts received in year	1.1
0.7	Annual write down of premiums paid on rescheduled debt	8.0
(0.4)	Annual write down of discounts received on rescheduled debt	(0.6)
(3.4)	Balance at 31 March	(3.2)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflations, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2023/24 £m		2024/25 £m
(34.6)	Balance at 1 April	(33.3)
(17.9)	Remeasurements of the net defined benefit liability	(19.5)
(40.0)	Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the CIES	(37.1)
59.2	Employer's pensions contributions and direct payments to pensioners payable in the year	61.9
(33.3)	Balance at 31 March	(28.0)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the CIES as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Funds (of billing authorities).

2023/24 £m		2024/25 £m
1.8	Balance at 1 April	0.7
	Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements.	
(1.1)		0.2
0.7	Balance at 31 March	0.9

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

2023/24 £m		2024/25 £m
(6.2)	Balance at 1 April	(4.6)
6.2	Settlement or cancellation of accrual made at the end of the preceding year	4.6
(4.6)	Amounts accrued at the end of the current year	(5.8)
1.6	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1.2)
(4.6)	Balance at 31 March	(5.8)

Pooled Investment Funds Adjustment Account

The pooled investment funds adjustment account is a mechanism that is required by the Capital Finance and Accounting regulations to hold the fair value movements in those pooled investment funds specified by the regulations. The difference between the amount charged or credited in the year to the surplus or deficit on the provision of services in accordance with the Code and the amount charged or credited to the General Fund in accordance with regulations should be debited or credited to the General Fund with the double entry going to the pooled investment funds adjustment account such that the General Fund is charged or credited with the amount that accords with the applicable regulations.

2023/24 £m		2024/25 £m
2.2	Balance at 1 April	4.2
2.0	Fair value movements transferred to/from the General Fund in accordance with the statutory regulations	(1.2)
4.2	Balance at 31 March	3.0

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools' budget. Where the authority has incurred a deficit on its schools' budget in years beginning 1 April 2020 ending 31 March 2028, the Local Authorities (Capital Financing and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

2023/24 £m		2024/25 £m
(30.2)	Balance at 1 April	(32.0)
(1.8)	School budget deficit transferred from General Fund in accordance with statutory requirements	(16.3)
(32.0)	Balance at 31 March	(48.3)

Note 10: General Fund Balance

The balance of the fund includes the following sums:

2023/24 £m		2024/25 £m
5.0	Delegated Funding for Schools	0.7
21.0	Uncommitted balance	25.0
26.0	Balance at 31 March	25.7

Note 11: Movements in Earmarked Revenue Reserves

The following table outlines the movements in the Authority's earmarked reserves:

	Balance at 31 March 2023 £m	Transfers From Revenue £m	Transfers To Revenue £m	Balance at 31 March 2024 £m	Transfers From Revenue £m	Transfers To Revenue £m	Balance at 31 March 2025 £m
Insurance	15.9	0.8	(1.3)	15.4	1.6	(0.3)	16.7
Renewals of Vehicles & Equipment	2.0	0.5	(1.1)	1.4	1.1	(0.3)	2.2
Children & Family Services							
- C&FS Developments	2.8	2.2	(2.9)	2.1	2.2	(2.0)	2.3
Adults & Communities							
- A&C Developments	1.8	0.4	(0.8)	1.4	0.0	(0.1)	1.4
- Health & Social Care Outcomes	13.1	0.8	(3.9)	10.0	1.3	(1.1)	10.2
Public Health							
- General	8.4	0.8	(0.2)	9.0	0.0	(3.3)	5.8
- Active Together	1.5	0.0	(0.2)	1.2	0.0	(0.2)	1.1
Environment & Transport							
- Commuted Sums	2.7	0.5	(0.8)	2.4	0.1	(0.7)	1.9
- Major projects – advanced design	0.7	0.4	(0.3)	0.8	0.8	(0.4)	1.2
- Pan regional transport model (PRTM)	1.3	0.5	(1.3)	0.5	1.0	(0.4)	1.1
Corporate Resources							
- Central Maintenance Fund	0.0	0.1	(0.0)	0.1	1.4	(0.1)	1.4
Corporate							
- Capital Financing	111.3	8.3	(4.4)	115.3	30.3	(34.5)	111.0
- Capital Major Scheme Risk Contingency	0.0	9.3	0.0	9.3	0.0	(9.3)	0
- Budget Equalisation	39.5	32.0	(4.6)	66.8	25.3	(0.0)	92.1
- Transformation Fund	9.3	2.5	(2.8)	8.9	5.8	(2.7)	12.0
- IiLP Sinking Fund	0.4	2.2	(0.0)	2.6	4.8	(1.7)	5.8
- Broadband	2.1	2.1	(0.3)	3.9	0.5	(1.6)	2.7
- Carbon Neutral Investment Fund	2.0	0.0	(0.0)	2.0	0.0	(0.0)	2.0
- Elections	0.3	0.2	(0.0)	0.5	0.9	(0.0)	1.4
- Flooding Restoration Works	0.0	1.0	(0.0)	1.0	0.0	(0.0)	1.0
Other (reserves below £1m at 31 March 25)	7.2	1.0	(1.9)	6.2	1.5	(1.0)	6.8
TOTAL	222.3	65.4	(26.8)	260.9	78.6	(59.6)	279.9

Notes to the Accounts

Note - the table above showing earmarked revenue reserves excludes the Dedicated Schools Grant reserve which had a deficit of £48.3m as at 31 March 2025 (£32m deficit 31 March 2024) which is shown separately on the balance sheet per statutory requirements.

The following are the main reserves held by the Authority, as at 31st March 2025:

Insurance - the insurance policies held by the Authority require a significant level of self-insurance, the level of this being recommended by independent advisers. The monies set aside for self-insurance are split between a provision representing outstanding liabilities, unsettled at 31 March 2025, and a reserve to meet future claims.

Health & Social Care Outcomes - reserve used in conjunction with Health partners across Leicestershire.

Public Health - to fund Public Health initiatives within Leicestershire. The Department has a detailed plan of public health initiatives, including those relating to Covid-19, to be implemented over the next two to three years.

Capital Financing - revenue contributions to fund capital expenditure in future years.

Budget Equalisation - funding set aside to manage variations in funding across financial years.

Transformation Fund - a programme of projects to deliver efficiency savings and service improvements across the Authority and to fund potential restructuring costs of reconfiguring those services.

Note 12: Other Operating Expenditure

2023/24 £m		2024/25 £m
0.3	Flood Defence Levies	0.3
(1.7)	(Gains)/losses on the disposal of non-current assets (Excluding Academies)	(0.1)
3.2	(Gains)/losses on the disposal of Academies	7.2
1.8	Total	7.4

Note 13: Financing and Investment Income and Expenditure

2023/24 £m		2024/25 £m
12.7	Interest payable and similar charges	20.1
1.2	Net Pensions interest cost and expected return on pensions assets	1.0
(25.6)	Interest receivable and similar income	(29.8)
(0.9)	Income & Expenditure in relation to investment properties and changes in their fair value	(0.1)
(0.3)	Gains/losses on financial instruments classified as fair value through profit or loss	0.7
0.1	Other investment income & Expenditure	0
(12.8)	Total	(8.1)

Note 14: Taxation and Non-Specific Grant Incomes

2023/24 £m		2024/25 £m
(375.1)	Council tax income	(401.2)
(92.6)	Non-domestic rates	(99.4)
(35.8)	Non ring-fenced government grants	(45.2)
(92.9)	Capital grants and contributions	(52.5)
(596.4)	Total	(598.3)

Note 15: Pensions Revenue Costs

a) Local Government Pension Scheme – A defined benefit scheme

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS) for employees, administered locally by Leicestershire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Leicestershire County Council Pension Scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Local Pension Committee of Leicestershire County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the committee.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note 47.

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The IAS 19 balance sheet net pension deficit as at 31st March 2025 has decreased since the previous year. The discount rate used in the valuation has increased (in line with AA rated corporate bond yields) from 4.9% to 5.8%, which had the impact of decreasing the present value of future liabilities. Overall the net pension liability decreased to £28m (31 March 2024, £33m).

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

2023/24 £m		2024/25 £m
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	Service cost comprising:	
39.6	Current service cost	36.8
0.3	Past service costs	0.2
(0.2)	Settlements and Curtailments	(0.9)
(0.9)	Effects of business combinations and disposals	0
	Financing and Investment Income and Expenditure:	
1.2	Net Interest expense	1.0
40.0	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	37.1

Notes to the Accounts

	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(80.8)	Return on planned assets (excluding the amount included in the net interest expense)	(21.3)
(10.1)	Actuarial gains/losses arising from changes in demographic assumptions	(2.9)
(92.9)	Actuarial gains/losses arising from changes in financial assumptions	(249.4)
201.6	Other	293.1
57.8	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	56.6
	Movements in Reserves Statement	
40.0	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the code	37.1
	Actual amount charged against the General Fund Balance for Pensions in the year	
(56.4)	Employers contributions payable to scheme	(59.0)
(2.8)	Unfunded benefits	(2.9)
(19.2)	Total amount charged against the General Fund Balance for Pensions in the year	(24.8)

b) Pension Assets and Liabilities in Relation to Post-employment Benefits

The fair value of the assets of the Authority at 31 March is as follows:

2023/24 £m		2024/25 £m
1,619.2	As at 1 April	1,636.6
77.2	Interest Income	79.4
80.8	Remeasurement gain/(loss): Return on plan assets	21.3
56.0	Employer contributions	59.0
12.2	Contributions by scheme participants	12.7
(71.0)	Benefits paid	(69.5)
7.1	Effects of business combinations and disposals	0
2.9	Contributions in respect of unfunded benefits	2.9
(0.4)	(Losses) / Gains on settlements	(2.1)
(162.4)	Asset ceiling adjustment	(481.3)
14.9	Changes in the effect of Asset ceiling	170.2
1,636.6	As at 31 March	1,429.2

Notes to the Accounts

The present value of the liabilities (defined benefit obligation) of the Authority as at 31 March is as follows:

2023/24 £m		2024/25 £m
(1,619.2)	Present value of funded obligations	(1,636.6)
(7.7)	Present value of unfunded obligations:	
(26.9)	- Local government pension scheme	(7.5)
	- Teacher's scheme	(25.9)
(1,653.8)	As at 1 April	(1,670.0)
(39.6)	Current service cost	(36.8)
(78.3)	Interest Cost	(80.4)
(12.2)	Contributions by scheme participants	(12.7)
	Remeasurement (gains) and losses:	
10.1	Changes in demographic assumptions	2.9
92.9	Changes in financial assumptions	249.4
(54.1)	Other experience	18.0
	Past service costs:	
(0.3)	(Losses) / Gains on curtailments	0
(6.3)	Effects of business combinations and disposals	0
71.0	Benefits paid	69.5
0.6	Liabilities extinguished on settlements	2.9
(1,670.0)	As at 31 March	(1,457.2)
(1,636.6)	Present value of funded obligations	(1,429.2)
(7.5)	Present value of unfunded obligations:	
	Local government pension scheme	(6.6)
(25.9)	Teacher's scheme	(21.4)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

In 2024/25, the local government pension scheme (LGPS) has net assets of £481.3m (31 March 2024, £162.4m) due to an improvement in the return on Investment assets and changes in the financial assumptions. In accordance with proper accounting practice, an asset ceiling calculation has been undertaken which shows that the net asset cannot be realised. As a result, the Councils net assets (and the net pension liability) is reduced by £481.3m (31 March 2024, £162.4m).

Local Government Pension Scheme assets comprised:

2023/24 £m	% of total assets		2024/25 £m	% of total assets
5.8	0%	Equity Securities	12.4	1%
79.2	4%	Debt Securities: UK Government	70.1	4%
7.2	0%	Debt Securities: Other	9.8	1%
110.1	6%	Private Equity	110.8	6%
116.7	6%	Real Estate: UK Property	130.8	7%
		<u>Investment Funds and Unit Trusts:</u>		
768.3	43%	Equities	812.8	43%
41.7	2%	Commodities	38.4	2%
154.5	9%	Infrastructure	176.3	9%
371.8	21%	Other	371.2	19%
0.1	0%	Derivatives - Foreign Exchange	(9.5)	0%
143.6	8%	Cash and Cash Equivalents	187.4	10%
1,799.0	100%	As at 31 March	1,910.5	100%

Notes to the Accounts

The scheme history of the pension fund is as follows:

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Present value of liabilities:	(2,342.4)	(2,257.2)	(1,653.8)	(1,670.0)	(1,457.2)
Fair value of assets:	1,506.9	1,680.8	1,633.5	1,799.0	1,910.5
Asset Ceiling Adjustment	0	0	(14.2)	(162.4)	(481.3)
Surplus / (Deficit)	(835.5)	(576.4)	(34.6)	(33.3)	(28.0)

The liability shows the underlying commitment that the Authority has in the long run to pay post-employment (retirement) benefits. This total liability of £28m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit will result in the deficit being made good by increased contributions by the employer, over the remaining working life of employees, as assessed by the actuary.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Authority's Pension fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council fund being based on the latest full valuation of the Pension Fund as at 31st March 2022.

The principal assumptions used by the actuary have been:

31 March 2024		31 March 2025
	Mortality assumptions (in years):	
	Longevity at 65 for current pensioners:	
21.4	▪ Men	21.3
24.1	▪ Women	24.0
	Longevity at 65 for future pensioners:	
22.1	▪ Men	22.0
25.5	▪ Women	25.4
3.3%	Rate of inflation	3.3%
3.3%	Rate of increases in salaries	3.3%
2.8%	Rate of increase in pensions	2.8%
4.9%	Rate for discounting scheme liabilities	5.8%
	Proportion of employees opting to commute part of their annual pension to a retirement lump sum:	
55%	Pre April 2008 Service	55%
55%	Post April 2008 Service	55%

The estimation of the defined benefit obligations is sensitive to actual assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

Notes to the Accounts

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, on an actuarial basis, using the projected credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in previous years.

Sensitivities regarding the principal assumptions used to measure the scheme liabilities at 31 March 2025:

	Approximate % Increase in Employer Liability	Approximate monetary amount (£m)
0.1% decrease in Real Discount Rate	2%	24.5
1 year increase in member life expectancy	4%	58.3
0.1% increase in the Salary Increase Rate	0%	0.1
0.1% increase in the Pension Increase Rate	2%	24.2

The impact of a change, either from increase to decrease or vice versa, would be as above but with the values being reversed.

Pension Fund Risk Management Strategy

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's required cash flows. These investment risks are managed as part of the overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Management Board and is monitored annually or more frequently if required. Further details can be found within the Pension Fund Statement of Accounts, included at the end of this document.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 17 years. The last triennial valuation was completed on 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, The Local Government Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipates to pay £58.1m expected contributions to the scheme in 2025/26. The weighted average duration of the defined benefit obligation for scheme members is 17 years, (2023/24, 17 Years).

c) Teachers and Lecturers

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement. The Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2024/25 the Authority paid £12.1m (2023/24 £10.1m) to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 28.7% (2023/24 28.7%) of teachers' pensionable pay. This is also the amount recognised as an expense in the Comprehensive Income and Expenditure Statement with regards to this scheme. In addition, the Authority is responsible for all pension payments relating to pension enhancements for added years' service it has awarded, together with the related increases. In 2024/25 these amounted to £2.0m (2023/24 £2.0m), representing 5.0% (2023/24 4.9%) of pensionable pay.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 15b.

d) Public Health

Public Health staff who transferred to the Authority with effect from 1 April 2013 are and will continue to be members of the NHS pension scheme administered by NHS Pensions. Any new employees to the Authority since this transfer will be in the Local Government Pension Scheme (LGPS), administered locally by Leicestershire County Council.

The NHS pension scheme provides public health staff with specified benefits upon their retirement. The Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. However, the arrangements for NHS schemes mean that liabilities of these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the balance sheet.

In 2024/25 the Authority paid £0.1m to the NHS pension scheme (£0.1m in 2023/24) in respect of public health staff. This amount is recognised as an expense in the CIES under the Public Health services line.

Notes to the Accounts

Note 16: Property, Plant and Equipment, Intangible and Held for Sale Assets

	Land and Buildings*	Vehicles Plant and Equipment	Community Assets	Assets Under Construction**	Surplus Assets	Total	Intangible Assets	Assets Held for Sale
	£m	£m	£m	£m	£m	£m	£m	£m
Gross Carrying Amount as at 31 March 2024	491.3	34.8	11.3	84.0	1.4	622.8	7.4	10.0
Lease Recognition – at 1.4.24	4.3	1.1				5.4		
Additions	6.3	5.5	-	51.5	-	63.4	-	-
Capital Expenditure Not Adding Value	(4.0)	(0.3)	-	-	-	(4.3)	-	-
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	13.4	-	-	-	2.1	15.5	-	-
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	(4.0)	-	-	-	-	(4.0)	-	-
Derecognition - Disposals	(7.6)	-	-	-	(0.2)	(7.9)	-	(0.2)
Derecognition - Other	(0.7)	(16.4)	-	-	-	(17.2)	(5.3)	-
Asset Reclassifications	(2.2)	-	-	(4.2)	(2.3)	(8.7)	-	8.7
Gross Carrying Amount as at 31 March 2025	496.7	24.7	11.3	131.3	1.0	665.0	2.1	18.5
Accumulated Depreciation as at 1 April 2024	(9.9)	(22.8)	0	0	0	(32.7)	(6.3)	(0.1)
Depreciation	(11.5)	(4.5)	-	-	-	(16.0)	(0.7)	-
Depreciation written out to the Revaluation Reserve	6.4	-	-	-	-	6.4	-	-
Depreciation written out to the Surplus/ Deficit	0.1	-	-	-	-	0.1	-	-
Impairment Losses/(reversals) recognised in the Surplus/Deficit on the provision of services	2.8	-	-	-	-	2.8	-	-
Derecognition – Disposals	0.3	-	-	-	-	0.3	-	-
Derecognition - Other	0.7	16.4	-	-	-	17.2	5.3	-
Accumulated Depreciation as at 31 March 2025	(11.1)	(10.9)	0	0	0	(21.9)	(1.7)	(0.1)
Net Book Value as at 31 March 2025	485.7	13.8	11.3	131.3	1.0	643.1	0.4	18.5

*Includes Travellers' Sites valuation of £2.5m not shown under Council Dwellings due to materiality.

** Includes Infrastructure Assets AUC of £125m as at 31.3.25 (£80m as at 31.3.24), which will transfer to Infrastructure Assets category on completion of the respective capital projects.

Notes to the Accounts

	Land and Buildings*	Vehicles Plant and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total	Intangible Assets	Assets Held for Sale
	£m	£m	£m	£m	£m	£m	£m	£m
Gross Carrying Amount as at 31 March 2023	420.7	32.2	11.3	58.3	3.4	525.9	7.4	11.2
Additions	7.5	3.0	-	38.1	-	48.6	-	-
Capital Expenditure Not Adding Value	(9.5)	(0.4)	-	(2.2)	-	(12.1)	-	-
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	83.1	-	-	-	0.2	83.3	-	-
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	(7.6)	-	-	-	-	(7.6)	-	(0.8)
Derecognition - Disposals	(3.9)	-	-	-	(2.3)	(6.2)	-	(1.0)
Derecognition - Other	(1.0)	-	-	-	-	(1.0)	-	-
Asset Reclassifications	2.0	-	-	(10.2)	0.1	(8.1)	-	0.6
Gross Carrying Amount as at 31 March 2024	491.3	34.8	11.3	84.0	1.4	622.8	7.4	10.0
Accumulated Depreciation as at 1 April 2023	(16.6)	(18.3)	0	0	0	(34.9)	(5.5)	(0.1)
Depreciation	(9.8)	(4.5)	-	-	-	(14.3)	(0.8)	-
Depreciation written out to the Revaluation Reserve	4.3	-	-	-	-	4.3	-	-
Depreciation written out to the Surplus/ Deficit	0.7	-	-	-	-	0.7	-	-
Impairment Losses/(reversals) recognised in the Surplus/Deficit on the provision of services	10.4	-	-	-	-	10.4	-	-
Derecognition – Disposals	0.1	-	-	-	-	0.1	-	-
Derecognition - Other	1.0	-	-	-	-	1.0	-	-
Accumulated Depreciation as at 31 March 2024	(9.9)	(22.8)	0	0	0	(32.7)	(6.3)	(0.1)
Net Book Value as at 31 March 2024	481.4	12.0	11.3	84.0	1.4	590.1	1.1	9.9

*Includes Travellers' Sites valuation of £1.7m not shown under Council Dwellings due to materiality.

Capital Commitments

As of 31 March 2025, the Authority has entered into a number of contracts for the acquisition, construction or enhancement of Property, Plant and Equipment in 2024/25 and future years budgeted to cost £65m. Similar commitments at 31 March 2024 were £73m). The following table outlines the major contracts:

Major Contracts	As at 31 March 2025 £m
Melton Mowbray Distributor Road – North East	31.9
Airfield Business Park	16.4
Zouch Bridge	11.9
Burbage Hastings High	3.2
Shepshed Iveshead Secondary	1.1

Revaluations

The Authority carries out a rolling programme that ensure that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out by an external firm of valuers, Align Properties Ltd, who are Royal Institution of Chartered Surveyors (RICS) qualified Valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS.

	Land and Buildings £m	Surplus Assets £m	Total £m
Carried at Historical Cost:	5.9	0.0	5.9
Valued at Fair Value as at:			
31 March 2025	371.4	0.4	371.8
31 March 2024	50.1	0.0	50.1
31 March 2023	31.2	0.0	31.2
31 March 2022	17.3	0.6	17.9
31 March 2021	9.8	0.0	9.8
Total Cost or Valuation	485.7	1.0	486.7

Non-Current Intangible Assets

The Authority has non-current intangible assets of £0.4m (£1.1m 2023/24). This includes ICT software licences required to support and safeguard the ICT systems operated by the Authority.

Fair Value Hierarchy

The Authority's surplus property portfolio has been assessed as Level 2 for valuation purposes. Please refer to Note 47 for further details concerning fair value and the input hierarchy.

	Level 1 <i>Quoted Prices in Active Markets for Identical Assets</i> £m	Level 2 <i>Other Significant Observable Inputs</i> £m	Level 3 <i>Significant Unobservable Inputs</i> £m
Total - Surplus Assets 2023/24	-	1.4	-
Total - Surplus Assets 2024/25	-	1.0	-

Note 17: Highway Infrastructure Assets

Movements on balances

In accordance with the temporary relief offered by the update to the code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets, because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2023/24 £m	2024/25 £m
Net Book Value (modified historical cost) at 1 April	446.1	463.6
Additions	27.9	26.0
Depreciation	(18.0)	(19.3)
Impairment	-	-
Disposals	-	-
Asset Reclassifications*	7.6	-
Net book Value at 31 March	463.6	470.2

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

*Excludes Infrastructure Assets held as Assets Under Construction, see Note 16.

Note 18: Heritage Assets

	Historic Buildings	Museum Art Collection	Art Works Collection	Archaeo- logical Collection	Fashion Collection	Working Life Collection	Civic Collection	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Net book value as at 31 March 2024	0.4	0.7	4.0	0.4	0.1	0.4	0.4	6.4
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	-	-	-	-	-	-	-	-
Net Book Value as at 31 March 2025	0.4	0.7	4.0	0.4	0.1	0.4	0.4	6.4

Notes to the Accounts

Net book value as at 31 March 2023	0.4	0.7	2.5	0.4	0.1	0.4	0.2	4.7
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	-	-	1.5	-	-	-	0.2	1.7
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	-	-	-	-	-	-	-	-
Net Book Value as at 31 March 2024	0.4	0.7	4.0	0.4	0.1	0.4	0.4	6.4

As per the accounting policy for Heritage Assets within note 47, assets and additions are initially recognised at cost. Revaluations are based on specialist or insurance valuations. Sale proceeds are accounted for in accordance with statutory requirements as these assets would meet the definition of a capital receipt.

Heritage Asset Collections:

Historic Buildings

This category includes a number of historical ancillary buildings at Snibston Museum and Country Park that were part of the former colliery. At the same location, it includes the Blue Box Century Theatre. This is the only fully equipped solid structure, mobile theatre in the world. The dream of John Ridley, an engineer, was turned into reality in a Hinckley yard between 1948 and 1952. Many famous names are associated with the theatre including Laurence Olivier, Agatha Christie, Enid Blyton, Judi Dench, Helen Mirren, Tom Courtney, Derek Fowlds and Eileen Derbyshire. Also included is the medieval Manor House Museum at Donington le Heath.

The Museum Art Collection

Some of the notable paintings of most value are works by the nineteenth century local artist John Ferneley Snr.

The Artworks Collection

The collection consists of works of art which were initially acquired by the former Education Authority for loan to schools and colleges. Artists represented include Christopher Wood and William Scott.

The Archaeological Collection

This collection includes the Hallaton treasure, the largest hoard of British Iron Age coins, which was initially discovered near Hallaton in 2000. The hoard includes over 5,000 silver and gold coins, a silver-gilt Roman parade helmet, jewellery and other objects. Most of the items date to around the time of the Roman Conquest of Britain in the 1st century AD.

The Fashion Collection

This collection includes the Symington collection which was created by the Market Harborough Company R. & W. H. Symington, which began to make corsets in the 1850s. The company eventually grew into an international concern and one of its most famous products, the Liberty Bodice, was produced for almost seventy years. This unique collection was donated to the Authority's Museums Service in 1980 and tells the story of the Company over a period of one hundred

Notes to the Accounts

and thirty years. It includes garments and supporting advertising material, which provide an insight into the development of corsetry, foundation garments and swimwear from the late 19th century through to the beginning of the 1990s.

The Working Life Collection

The collection includes steam and diesel locomotives (from the mid to late 20th century) the Whitwick hearse; steam traction engines, battery electric vehicles (including a local ice cream van).

The Civic Collection

This collection includes the ceremonial insignia and presentation silver held by the Authority. It also includes the painting 'The Melton Mowbray Horse Fair' by John Ferneley Snr which was presented to the County council by Major Guy Paget in the 1930s.

Note 19: Investment Property

Investment property assets are held specifically to generate rental income and/or for capital appreciation and are considered within the scope of IFRS 13 Fair Value measurement.

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2023/24 £m		2024/25 £m
(0.1)	Rental Income from Investment Property	(0.1)
-	Direct Operating Expenses	-
(0.1)	(Surplus) / Deficit	(0.1)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to maintain, enhance or develop investment properties.

The following table summarises the movement in the fair value of investment properties over the year:

2023/24 £m		2023/24 £m
1.6	Opening Balance as at 1st April	2.4
-	Additions – Purchases	-
-	Additions – Construction	-
-	Additions - Subsequent Expenditure	-
-	Disposals	-
0.8	Gain/Loss from Fair Value Adjustments	0.1
	Transfers:	
-	(To)/From Inventory	-
-	(To)/From Property, Plant & Equipment	-
2.4	Closing Balance as at 31st March	2.5

As of 31 March 2025, no investment properties are classified as assets held for sale.

Notes to the Accounts

Fair Value Hierarchy

The Authority's investment property portfolio has been assessed as Level 2 for valuation purposes. Note 47 provides details of fair value and the input level hierarchy as specified by IFRS 13.

	2024/25		
	£m	£m	£m
	Level 1 <i>Quoted Prices in Active Markets for Identical Assets</i>	Level 2 <i>Other Significant Observable Inputs</i>	Level 3 <i>Significant Unobservable Inputs</i>
Investment Properties			
Commercial	-	1.4	-
Community	-	0.9	-
Residential	-	0.2	-
Total	-	2.5	-

	2023/24		
	£m	£m	£m
	Level 1 <i>Quoted Prices in Active Markets for Identical Assets</i>	Level 2 <i>Other Significant Observable Inputs</i>	Level 3 <i>Significant Unobservable Inputs</i>
Investment Properties			
Commercial	-	1.3	-
Community	-	0.9	-
Residential	-	0.2	-
Total	-	2.4	-

Valuation Techniques

In estimating the fair value of the Authority's investment properties, the highest and best use is deemed to be their current value.

The investment property portfolio has been measured using the market approach. This valuation technique maximises the use of prices (rent values) and relevant observable inputs such as information generated from comparable market transactions to reach suitable valuation. The objective of this technique is to estimate the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date under current market conditions.

Valuers

The investment property portfolio has been valued in accordance with the methodologies and bases for estimation as set out in the professional standards and valuation manual of the Royal Institution of Chartered Surveyors (RICS). Investment property valuations are undertaken annually by a firm of external valuers, Align Properties Ltd who were commissioned by the Estates section of the Authority's Corporate Resources Department in accordance with the prescribed standards.

Note 20: Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

(Restated) 31 March 2024 Long Term £m	31 March 2024 Current £m		31 March 2025 Long Term £m	31 March 2025 Current £m
		Financial Assets at Amortised Cost:		
10.0	334.4	Investments	10.0	339.4
26.4	89.6	Debtors	24.9	78.8
-	85.8	Cash and Cash Equivalents	-	51.0
		Financial Assets at Fair Value through Profit and Loss:		
76.2	-	Investments	44.8	15.7
112.6	509.8	Total Financial Assets	79.7	484.9
		Financial Liabilities at Amortised Cost:		
216.8	8.4	Borrowing	177.1	3.0
-	140.6	Creditors	-	160.8
1.1	-	Lease Liabilities	1.8	1.2
217.9	149.0	Total Financial Liabilities	178.9	165.0

As at 31st March 2025, the authority has a long term investment of £10.0m with a banking institution, £16.1m in pooled property investments, £8.7m in pooled infrastructure investments, £23.0m in private debt investments and £12.7m in capital release funds. Pooled property is valued per the year end bid price or net asset value (NAV) statement. Private debt, pooled infrastructure and capital release funds are valued per year end NAV statements.

The value of debtors and creditors reported in the Notes to the Statement of Accounts are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

The following gains and losses are recognised in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:

2023/24 £m		2024/25 £m
	Net Gains/(Losses) on:	
(0.3)	Financial Assets measured at Fair Value through Profit and Loss	0.7
(0.3)	Total Net Gains/ (Losses)	0.7
27.1	Total Interest Income	31.2
13.9	Total Interest Expense	12.3

Notes to the Accounts

Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by Borrowings, Investments and Cash are carried in the Balance Sheet at amortised cost or fair value. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

31 March 2024			31 March 2025	
Carrying Amount £m	At Fair Value £m		Carrying Amount £m	At Fair Value £m
622.3	620.4	Financial Assets	547.6	546.0
373.9	395.3	Financial Liabilities	387.4	383.8

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

Fair Value Hierarchy

The Authority's financial assets and liabilities have been assessed as Level 3 for valuation purposes. Note 47 (sub section 25) provides an explanation of fair value and the input level hierarchy.

	2024/25		
	£m	£m	£m
	Level 1 <i>Quoted Prices in Active Markets for Identical Assets</i>	Level 2 <i>Other Significant Observable Inputs</i>	Level 3 <i>Significant Unobservable Inputs</i>
Fair Value			
Financial Assets	-	-	60.5
Financial Liabilities	-	-	-
Total	-	-	60.5

	2023/24		
	£m	£m	£m
	Level 1 <i>Quoted Prices in Active Markets for Identical Assets</i>	Level 2 <i>Other Significant Observable Inputs</i>	Level 3 <i>Significant Unobservable Inputs</i>
Fair Value			
Financial Assets	-	-	76.2
Financial Liabilities	-	-	-
Total	-	-	76.2

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised cost.

Notes to the Accounts

Fair Value - Basis of Valuation

The below investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of Asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting valuations provided
Private Debt & Bank Risk Share Funds	Level 3	Valued at fair value in accordance with International Valuation Standards and investment managers valuation policy	Comparable valuation of similar assets, EBITDA multiple, Revenue multiple, Discounted cash flows, Enterprise value estimation	Valuations could be affected by material events occurring between the date of the financial statements provided and the Authority's own reporting date, and by changes to expected cash flows.
Pooled investment vehicles (including pooled property and infrastructure funds)	Level 3	Stated at bid price quoted or closing single market price	Net asset value (NAV) based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the and the Authority's own reporting date and by changes to expected cash flows.

Sensitivity of assets valued at Level 3

Following analysis of historic data and expected investment return movement during the financial year, in consultation with the Council's investment advisors, the Council has determined that the following movements in market prices risk are reasonably possible for the 2024/25 reporting period:

Asset Type	Value at 31 March 2025 £m	Percentage change %	Value on increase £m	Value on decrease £m
Private Debt & Bank Risk Share Funds	35.7	11	39.6	31.8
Pooled Property Funds	16.1	21	19.5	12.7
Pooled Infrastructure Fund	8.7	14	9.9	7.5
Total	60.5		69.0	52.0

Asset Type	Value at 31 March 2024 £m	Percentage change %	Value on increase £m	Value on decrease £m
Private Debt & Bank Risk Share Funds	46.8	11	51.9	41.7
Pooled Property Funds	20.7	21	25.0	16.4
Pooled Infrastructure Fund	8.7	14	9.9	7.5
Total	76.2		86.9	65.5

Notes to the Accounts

Reconciliation of assets held at level 3

	Value at 1 April 2024	Purchases	Sales	Realised gains / (losses)	Unrealised gains or (losses)	Value at 31 March 2025
	£m	£m	£m	£m	£m	£m
Private Debt & Bank Risk						
Share Funds	46.8	1.2	(11.0)	-	(1.3)	35.7
Pooled Property Funds	20.7	-	(5.1)	(1.6)	2.1	16.1
Pooled Infrastructure Funds	8.7	-	-	-	-	8.7
Total	76.2	1.2	(16.1)	(1.6)	0.8	60.5

Reconciliation of assets held at level 3

	Value at 1 April 2023	Purchases	Sales	Realised gains / (losses)	Unrealised gains or (losses)	Value at 31 March 2024
	£m	£m	£m	£m	£m	£m
Private Debt & Bank Risk						
Share Funds	44.2	5.6	(5.1)	-	2.1	46.8
Pooled Property Funds	22.5	-	-	-	(1.8)	20.7
Pooled Infrastructure Funds	8.7	-	-	-	-	8.7
Total	75.4	5.6	(5.1)	-	0.3	76.2

Note 21: Inventories

	Leicestershire Highways (stores) £m	Leicestershire Highways (fuel) £m	School Food (consumables) £m	Sub-total £m	Other (less than £0.1m) £m	Total £m
Opening Balance 31 March 2024	1.1	0.1	0.2	1.4	0.3	1.7
Purchases	1.7	0.6	0.3	2.6	0.6	3.2
Recognised as an expense during the year	(1.7)	(0.6)	(0.3)	(2.7)	(0.5)	(3.2)
Closing Balance 31 March 2025	1.0	0.1	0.2	1.3	0.4	1.8

Note 22: Long Term Debtors

31 March 2024 £m		31 March 2025 £m
	Long Term Debtors (amounts falling due after one year)	
21.8	Outstanding debt relating to transferred services (Leicester City Council and ESPO)	20.6
1.8	Loan to East Midlands Freeport	-
2.3	Residential Care Charges (secured against properties)	4.0
0.4	Other Long-Term Debtors	0.4
26.4	Total Long-Term Debtors	24.9

Note 23: Short Term Debtors

31 March 2024 £m		31 March 2025 £m
15.8	Central Government	13.4
60.7	Other Local Authorities and Public Bodies	51.1
10.0	NHS Bodies	10.4
31.8	Other Entities and Individuals	36.7
9.3	Payments in Advance	25.9
127.6	Total Short-Term Debtors	137.5

Debtors are shown net of a credit loss allowance of £17.6m as at 31 March 2025 (£12.0m 31 March 2024), reported in Note 44 to the accounts.

Note 24: Cash & Cash Equivalents

31 March 2024 £m		31 March 2025 £m
	Net Cash Balance at Year End:	
0.8	School & Imprest Accounts	1.8
1.5	Main Bank Accounts	0.8
2.3	Subtotal Cash In Hand / (Overdrawn)	2.6
15.3	Service User Funds Bank Account*	6.2
68.2	Short-Term Deposits with Banks and Building Societies	42.2
85.8	Total Cash and Cash Equivalents	51.0

* Uninvested funds held in separate bank accounts on behalf of service users. An equivalent amount is shown within creditors on the balance sheet.

Note 25: Long Term Creditors

31 March 2024 £m		31 March 2025 £m
	Amounts Received in Advance: (more than one year)	
5.2	Section 106 Housing Developer Revenue Contributions	8.0
5.2	Total Long-Term Creditors	8.0

Note 26: Short Term Creditors

31 March 2024 £m		31 March 2025 £m
9.7	Central Government	6.0
46.1	Other Local Authorities and Public Bodies	62.2
1.9	NHS Bodies	1.9
106.2	Other Entities and Individuals	121.9
27.9	Receipts in Advance	29.3
191.8	Total Short-Term Creditors	221.3

Note 27: Provisions

	31 March 2024 £m	Additional Provisions £m	Provisions Used £m	31 March 2025 £m
Short Term				
Non-Domestic Rates	2.1	0.4	-	2.5
Insurance	0.9	-	-	1.0
Other	1.4	-	-	1.3
Total Short-Term Provisions	4.4	0.4	-	4.7
Long Term				
Insurance	2.0	0.2	(1.1)	1.1
Total Long-Term Provisions	2.0	0.2	(1.1)	1.1
Total Provisions	6.4	0.6	(1.1)	5.8

Details of Provisions Held:

Non-Domestic Rate Appeals

The provision represents the Authority's proportionate share, on an agency basis, of all Leicestershire billing authorities Non-Domestic Rate arrears.

Insurance

The insurance policies held by the Authority require a significant level of self-insurance, the level of this being recommended by independent advisers. The monies set aside for self-insurance are split between a provision representing outstanding, unsettled claims at 31 March 2025 and a reserve to meet future claims. The provision is expected to be used within the next seven years. The Insurance provision includes Public/Employers Liability, Fire and Uninsured Losses.

Note 28: Cash Flow Statement – Operating Activities

2023/24 £m		2023/24 £m
	<i>The cash flows for operating activities include the following items:</i>	
(23.3)	Interest Received	(30.4)
14.4	Interest Paid	22.0
	<i>The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:</i>	
(33.2)	Depreciation	(36.1)
(9.3)	Impairment and Downward Revaluations	(5.4)
32.1	(Increase) / decrease in Creditors	(21.3)
4.7	Increase / (decrease) in Debtors	8.5
-	Increase / (decrease) in Inventories	-
19.2	Movement in Pension Liability	24.8
(7.0)	Carrying amount of Non-Current Assets Sold or De-recognised	(12.9)
3.1	Other non-cash items charged to the net surplus or deficit on the	5.2
0.7	Total adjustments to the net surplus or deficit on the provision of services for non-cash movements	(45.5)
	<i>The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:</i>	
5.6	Proceeds from the sale of property, plant and equipment investment property and intangible assets	0.7
-	Proceeds from the sale of other investment assets	5.1
12.8	Servicing of Finance	9.7
73.2	Capital Grants and Contributions	49.2
91.6	Total adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	64.7

Note 29: Cash Flow Statement - Investing Activities

2023/24 £m		2024/25 £m
75.2	Purchase of property, plant and equipment, investment property	82.1
(33.4)	Purchase of short-term and long-term investments	(6.3)
(5.6)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(0.7)
(73.2)	Capital Grants and Contributions	(49.2)
0.0	Other receipts from investing activities	(5.1)
(37.0)	Net Cash Flows from Investing Activities	20.8

Note 30: Cash Flow Statement - Financing Activities

2023/24 £m		2024/25 £m
-	Cash receipts of short-term and long-term borrowing	-
42.6	Repayments of short-term and long-term borrowing	44.5
42.6	Net Cash Flows from Financing Activities	44.5

Note 31: Pooled Budgets

The Authority's Adults and Communities department participates in three pooled budget arrangements with local health authorities, the details of which are outlined below.

a) Integrated Community Equipment Service

The other members that contribute to this pool are Leicester City Council, Rutland County Council, NHS, Leicester, Leicestershire, and Rutland Integrated Care Board (LLR ICB). Leicester City Council acts as the host authority. The Authority contributed £1.3m (2023/24 £1.5m) to the pool. The memorandum account shows total expenditure of £6.2m (2023/24 £6.8) and gross income of £7.0m (2023/24 £7.4m). Funding commenced in 2005/06 and the partners have agreed to commission this service until March 2027.

2023/24 £m		2024/25 £m
	Funding Provided to the Pooled Budget	
(1.5)	Leicestershire County Council	(1.3)
(5.9)	Integrated Care Board	(5.7)
(7.4)	Total	(7.0)
	Expenditure Met from the Pooled Budget	
1.3	Leicestershire County Council	1.1
5.5	Integrated Care Board	5.1
6.8	Total	6.2
(0.6)	Net Position on the Pooled Budget	(0.8)

b) The provision of services for adults with learning disabilities

This pooled budget is contributed to by NHS Leicester, Leicestershire, and Rutland Integrated Care Board (ICB) and Leicestershire County Council. The latter organisation hosts the arrangement. The Authority contributed £13.2m (2023/24 £13.7m). The memorandum account shows total expenditure of £22.4m (2023/24 £23.0m) and gross income from the partners of £22.4m (2023/24 £23.0m). Any net over/underspend arising on the pooled budget is paid by/returned to the partners through revised contributions to the pool. Funding for this service commenced in 2005/06. Partners have a pooled budget agreement in place operated under section 75 of the NHS Act 2006.

2023/24 £m		2024/25 £m
	Funding Provided to the Pooled Budget	
(13.7)	Leicestershire County Council	(13.2)
(9.3)	Integrated Care Board	(9.2)
(23.0)	Total	(22.4)
	Expenditure Met from the Pooled Budget	
13.7	Leicestershire County Council	13.2
9.3	Integrated Care Board	9.2
23.0	Total	22.4
0	Net Position on the Pooled Budget	0
0	Surplus to the Authority	0

c) The Better Care Fund

On the 1st of April 2018, the Authority's Adults and Communities Department entered into a mandatory pooled budget arrangement under Section 75 of the NHS Act 2006 with NHS West Leicestershire Clinical Commissioning Group and NHS East Leicestershire and Rutland Clinical Commissioning Group. The Better Care Fund enables local authorities and the NHS to jointly plan and deliver local health and social care services. During 2022/23 the Clinical Commissioning Groups were replaced by the NHS Leicester, Leicestershire and Rutland Integrated Care Board. Leicestershire County Council acts as the host to the arrangement but not all expenditure incurred by the pool is passed through the Authority's ledger. The following memorandum account reflects the actual funding and expenditure values which have gone through each partner's ledger. In total the pooled budget had gross expenditure of £83.2m (2023/24 £76.1m) and gross income of £83.2m (2023/24 £76.1m).

2023/24 £m		2024/25 £m
	Funding Provided to the Pooled Budget	
(25.0)	Leicestershire County Council	(27.3)
(51.1)	Integrated Care Board	(55.9)
(76.1)	Total	(83.2)
	Expenditure Met from the Pooled Budget	
54.4	Leicestershire County Council	60.9
21.7	Integrated Care Board	22.3
76.1	Total	83.2
0	Net Position on the Pooled Budget	0

Note 32: Senior Officers' Remuneration

- a) The Accounts and Audit (England) Regulations 2015 require the Authority to disclose remuneration for all employees earning over £50,000, plus additional disclosure for those senior officers who have the power to direct or control the major functions of the Authority.

Post holder Information (Post title)	Salary £000	Compensation for loss of office £000	Benefits in kind £000	Total Remuneration - excluding Employers Pension Contributions £000	Employers Pension Contributions £000	Total Remuneration - including Employers Pension Contributions £000
2024/25						
Chief Executive – John Sinnott	227	-	-	227	-	227
Director of Law and Governance - Monitoring Officer – Lauren Haslam	157	-	-	157	46	203
Director of Adults & Communities – Jonathan Wilson	152	-	-	152	45	197
Director of Children & Family Services – Jane Moore	152	-	-	152	45	197
Director of Corporate Resources – S151 Officer	143	-	-	143	42	185
Director of Environment & Transport - Ann Carruthers	152	-	-	152	45	197
Director of Public Health – Michael Sandys	152	-	-	152	22	174
Total	1,135	-	-	1,135	245	1,380
2023/24						
Chief Executive – John Sinnott	221	-	-	221	61	282
Director of Law and Governance – Monitoring Officer	148	-	-	148	44	192
Director of Adults & Communities	148	-	-	148	44	192
Director of Children & Family Services	148	-	-	148	44	192
Director of Corporate Resources – S151 Officer (N1)	112	-	-	112	33	145
Director of Corporate Resources - S151 Officer (N2)	35	-	-	35	10	45
Director of Environment & Transport	148	-	-	148	44	192
Director of Public Health	148	-	-	148	21	169
Total	1,108	-	-	1,108	301	1,409

There were no payments made for bonuses, expense allowances or other payments.

N1 – The Assistant Director (Finance, Strategic Property and Commissioning) was appointed as Director of Corporate Resources from June 2023 and took over Section 151 responsibilities. The annualised salary for this post was £135k in 2023/24.

N2 – The Director left LCC in June 2023.

- b) The Authority's other employees whose remuneration, taxable expenses and severance (if applicable), was £50,000 or more are detailed below. This information does not include employer's pension contributions.

2023/24		Remuneration Band	2024/25	
Excluding Severance	Including Severance		Excluding Severance	Including Severance
No. of Employees	No. of Employees		No. of Employees	No. of Employees
232	232	£50,000-£54,999	308	308
132	131	£55,000-£59,999	153	153
53	53	£60,000-£64,999	65	65
71	71	£65,000-£69,999	59	60
22	22	£70,000-£74,999	46	46
32	32	£75,000-£79,999	40	40
15	15	£80,000-£84,999	11	11
5	6	£85,000-£89,999	13	13
9	9	£90,000-£94,999	9	9
3	4	£95,000-£99,999	5	5
-	-	£100,000-£104,999	2	3
6	6	£105,000-£109,999	3	3
2	2	£110,000-£114,999	-	-
1	1	£115,000-£119,999	2	2
-	-	£120,000-£124,999	1	1
-	-	£125,000-£129,999	1	1
3	3	£130,000-£134,999	4	4
586	587	Total	722	724

Note: the numbers above include Leicestershire maintained schools.

- c) The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below:

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total number of Exit Packages by Cost Band		Total cost of Exit Packages in each Cost Band	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24 £m	2024/25 £m
£0 - £20,000	21	21	23	9	44	30	0.4	0.2
£20,001 - £40,000	7	2	8	3	15	5	0.5	0.2
£40,001 - £60,000	1	1	-	-	1	1	-	0.1
£60,001 - £80,000	1	-	2	-	3	-	0.2	-
£80,001 - £100,000	1	-	1	-	2	-	0.2	-
£100,001-£150,000	0	1	-	-	-	1	-	0.1
Total	31	25	34	12	65	37	1.3	0.6

Note: the numbers of officers shown are the actual number, not full-time equivalents.

Note 33: Members' Allowances

Amounts were paid to Members of the Authority as follows:

2023/24 £m		2024/25 £m
0.8	Basic Allowance	0.8
0.4	Special Responsibility Allowances	0.4
1.2	Total	1.2

Note 34: External Audit Costs

The Authority has incurred the following costs in relation to the audit of the statement of accounts:

2023/24 £		2024/25 £
	Fees payable to external auditor:	
273,146	Annual audit	282,063
15,000	Other services provided during the year	15,000
288,146	Total	297,063

Note 35: Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). The DSG is ringfenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance and Early Years (England) Regulations 2021. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the individual schools budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2024/25 are as follows:

2023/24			Schools Budget Funded by DSG	2024/25		
£m	£m	£m		£m	£m	£m
Central Exp	Individual Schools Budget	Total		Central Exp	Individual Schools Budget	Total
		(642.5)	Final DSG for 2024/25 before academy and high needs recoupment			(711.4)
		429.1	Academy and high needs figure recouped for 2024/25			457.8
		213.4	Total DSG after academy and high needs recoupment for 2024/25			253.6
		-	Plus: brought forward from 2023/24			-
		-	Less: Carry forward to 2025/26 agreed in advance			-
(135.4)	(78.0)	(213.4)	Agreed initial budgeted distribution in 2024/25	(176.3)	(77.3)	(253.6)
(0.6)	(0.2)	(0.8)	In year adjustments	(0.3)	(0.1)	(0.4)
(136.1)	(78.1)	(214.2)	Final budgeted distribution for 2024/25	(176.6)	(77.4)	(254.0)
137.9	-	138.0	Less: Actual central expenditure	192.9	-	192.9
-	78.1	78.1	Less: Actual ISB deployed to schools	-	77.4	77.4
-	-	-	Plus: Local Authority contribution for 2024/25	-	-	-
1.9	0	1.9	In year carry forward to 2025/26	16.3	-	16.3
		30.2	DSG unusable reserve at the end of 2023/24			32.0
		1.9	Addition to DSG unusable reserve at the end of 2024/25			16.3
		32.0	Net DSG position at the end of 2024/25			48.3

Note 36: Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement (CIES):

- (i) Credited to the Taxation and Non Specific Grant Income in the CIES.

2023/24 £m		2024/25 £m
	Revenue:	
32.0	Social Care General Grant	43.7
2.5	Services Grant	0.4
1.3	New Homes Bonus Scheme Grant	1.0
35.8		45.2
	Capital:	
	<i>Department for Education:</i>	
0	Basic Needs	0.5
0	Maintenance	0.6
2.5	High Needs Provision	0.5
	<i>Department for Transport:</i>	
39.7	Melton Mowbray Distributor Road – North East	2.6
9.9	Local Transport Plan - Maintenance	9.9
2.8	Local Transport Plan – Integrated Transport Schemes	2.8
11.0	Pothole Funding	7.9
0.0	ZEBRA Funding	8.1
2.3	Network North Grant	2.3
	Levi Project	3.2
	<i>Leicester, Leicestershire Enterprise Partnership (LLEP)</i>	
7.8	Leicester and Leicestershire Business Rates Pool	0.0
12.5	Section 106 Housing Developer Contributions	6.5
0.0	Gain on donated asset leases	3.3
4.4	Other Capital Contributions (below £1m at 31 March 2025)	4.3
92.9		52.5
128.7	Total (Note 14 non-ring-fenced government grants and capital grants and contributions)	97.7

(ii) Credited to gross income within the Continuing Services section of the CIES:

2023/24 £m		2024/25 £m
	<i>Children and Family Services – Education:</i>	
212.7	Dedicated Schools Grant	252.5
5.5	Pupil Premium Grant	5.5
7.4	Asylum Seekers	7.5
2.5	Universal Infant Free School Meals	2.3
1.1	Pupil Premium – Covid Grant	0.0
1.5	Music Grant	1.5
1.4	Troubled Families Programme	1.8
1.4	PE & Sports Grant	1.3
1.5	Children’s Innovation Partnership	1.6
1.2	Domestic Abuse Services Fund	1.2
1.0	Adoption Support Fund	1.3
2.5	Mainstream additional grant	0.0
1.2	Teachers Pay Grant	2.1
1.0	Grant to support Defining C&FS Prog / HNB work	0.0
0.0	Core School Budget Grant	3.0
0.0	Teachers’ Pension Employer Contribution Grant	2.9
0.0	Wraparound Childcare Programme Grant	2.1
241.9		286.5
	<i>Adults and Communities – Dept of Health:</i>	
17.7	Improved Better Care Fund	17.7
2.5	Better Care Fund Discharge Grant	4.1
5.2	Skills Funding Agency	5.3
1.2	Independent living Fund	0.0
9.3	Market Sustainability & Improvement Fund Grant	10.6
35.9		37.7
	<i>Public Health</i>	
27.1	Public Health Grant	28.3
1.6	Covid – Contain Funding	0.0
28.7		28.3
	<i>Environment & Transport</i>	
1.0	Home to School Transport Grant	1.1
0.0	Bus Service Improvement Plan	2.7
1.0		3.8
	<i>Corporate Resources</i>	
7.2	Household Support Fund	7.2
	<i>Chief Executives</i>	
3.2	Homes for Ukraine	3.3
31.3	REFCUS Capital Grants	30.3
6.9	Other income (below £1m at 31 March 2025) and REFCUS	8.0
356.0	Total	405.2

- b) The Authority has received grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year-end are as follows:

31 March 2024 £m	Short-Term Capital Grants Receipts in Advance:	31 March 2025 £m
10.6	Dept. for Education: High Needs Capital Grant	7.2
1.2	Dept. for Education: Childcare expansion	0.5
7.1	Dept. for Transport: Melton Distributor Road	0.0
0.0	Dept. for Transport: LEVI Grant	3.1
0.0	Dept. for Transport: ZEBRA Grant	8.1
2.5	Dept. for Transport: A511 Major Road Network Grant	0.0
4.6	Section 106 Housing Developer Contributions	3.6
2.4	Other Grants and Contributions	3.1
28.4	Total	25.6

31 March 2024 £m	Long-Term Capital Grants Receipts in Advance:	31 March 2025 £m
71.8	Section 106 Housing Developer Contributions	69.4
71.8	Total	69.4

Note 37: Related Parties

Details of the total Government grants received are shown in Notes 15 and 36. The employers' contribution paid to the Pension Fund is shown in Note 16. Interests in consortia and other organisations are disclosed in Note 38. Details of the related party transactions with the Eastern Shires Purchasing Organisation (ESPO) are included within Note 38. The Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or be controlled or influenced by the Authority.

Central Government

Central Government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax). Grants received from government departments are set out in the analysis in Note 36. Grant receipts outstanding at 31 March are also shown in Note 36.

Members

During 2024/25 the Authority had contracts with voluntary and community sector organisations to the value of less than £0.5m (2023/24, less than £0.2m), in which 10 members (2023/24, 9 members) have an interest. No family members of the declared members had an interest.

In addition, payments totalling less than £0.1m have been made during 2024/25 (2023/24, £0.2m) to organisations, in which 4 members had a position on the governing body (2023/24, 3 members). In all instances, the payments were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments. Details of all these transactions are recorded in the Register of Members' Interest, which is available for public inspection at www.leicestershire.gov.uk

During 2024/25, works and services to the total value of less than £0.4m (2023/24 less than £0.1m) were commissioned from companies, in which 11 member had an interest, no family members had an interest. Contracts were entered into in full compliance with the Authority's standing orders.

Officers

During 2024/25, works and services to the total value of less than £0.1m were procured (2023/24 none) in which 1 senior officer had an interest, no family member had an interest.

Other Public Bodies (Subject to Common Control by Central Government)

The Authority has three pooled budget arrangements with local health authorities for the supply of aids for daily living, the Better Care Fund, drugs and alcohol support and the provision of services for adults with learning difficulties. Transactions and balances are detailed in Note 31.

Note 38: Interests in Other Consortia

a) Eastern Shires Purchasing Organisation (ESPO)

The Authority is a member of the Eastern Shires Purchasing Organisation involved in the negotiation of contracts for supplies to its members and the provision of a central warehouse for the supply of items in common use. The Authority had an outstanding creditor balance of less than £0.1m (2023/24, less than £0.1m) and an outstanding debtor balance of £0.9m as at 31 March 2025 (2023/24 £0.5m). In 2005, the Authority entered into a 25 year borrowing arrangement of £12.5m on behalf of the constituent members of the consortium to finance the provision of a new warehouse and integrated offices. The loan outstanding as at 31 March 2025 was £2.7m (31 March 2024 £3.3m).

The Authority in effect owns approximately one sixth of ESPO assets and liabilities, which were £7m at 31 March 2025 (£7m, 31 March 2024), of ESPO's total net assets of £43m. These are not included on the Authority's Balance Sheet. A copy of ESPO's financial statements is available from ESPO, Barnsdale Way, Grove Park, Enderby, Leicester. LE19 1ES.

b) Leicestershire Fire and Rescue Service

The Authority is a constituent member of the Leicestershire Fire and Rescue Service. The Authority had an outstanding debtor balance of £0.2m as at 31 March 2025 (31 March 2024 £0.2m). A copy of the Fire and Rescue Services financial statements is available from Leicestershire Fire and Rescue Service, 12 Geoff Monk Way, Birstall, Leicester, LE4 3BU.

c) East Midlands Shared Services

Nottingham City Council (NCC) runs a joint operation with Leicestershire County Council (LCC) to provide shared transactional finance, human resources and payroll services to both councils under the name of East Midlands Shared Services (EMSS). EMSS operates under a Joint Committee established under section 102 of the Local Government Act 1972, the Joint Committee does not have separate legal personality and is therefore not a separate entity.

Operations relating to EMSS are carried out at both NCC and LCC premises, with LCC being the employing authority and NCC the host authority. In line with the partnership agreement, the net expenditure is shared between the two authorities by allocating an equal share of the financial benefits (savings) accruing from the operation of EMSS. This has resulted in a share of costs for NCC of 55.52%

A summary of the income and expenditure of EMSS, and the amounts included in LCC's accounts is shown below:

Total EMSS 2023/24 £m	Amounts Included in LCC CIES 2023/24 £m		Total EMSS 2024/25 £m	Amounts Included in LCC CIES 2024/25 £m
(1.1)	(1.1)	Income:	(0.4)	(0.4)
(0.4)	-	Direct external income - LCC	(0.4)	-
-	(3.9)	Direct external income – NCC	-	(3.4)
(1.5)	(5.0)	NCC share of net LCC direct costs	(0.8)	(3.8)
		Total Income		
7.2	7.2	Expenditure:	6.0	6.0
-	-	Direct costs incurred by LCC	-	-
7.2	7.2	Direct costs incurred by NCC	6.0	6.0
5.6	2.2	Total Expenditure	5.2	2.2
		Net Expenditure		

d) Active Together

Active Together, formerly known as Leicestershire & Rutland Sport (LRS) is an Active Partnership (AP), 1 of 43 operating across England. Active Together works with the Local Authorities of Leicestershire, Leicester and Rutland, and with schools, National Governing Bodies of Sport, clubs, coaches, charitable organisations and volunteers to create a lasting legacy for physical activity and sport. Active Together is funded from different sources including Leicestershire County Council (LCC) Public Health and Sport England. LCC is the host Authority and the Active Together accounts form a part of the overall Public Health budget. A summary of the income and expenditure specific to Active Together is as follows:

2023/24	Income and Expenditure Category	Sport England	Local Authority	Other Public Sector Income	Non-public Income	2024/25
£m		£m	£m	£m	£m	£m
	Income:					
(2.1)	Revenue Grants	(0.7)	(1.2)	-	-	(1.9)
(0.1)	Membership Income	-	-	-	-	-
(0.4)	Other Income	-	-	(0.4)	-	(0.4)
(2.6)	Total Income	(0.7)	(1.2)	(0.4)	-	(2.3)
	Expenditure:					
1.4	Support costs	0.6	0.7	0.1	-	1.4
0.1	Overheads	-	0.1	-	-	0.1
1.0	Get Active	-	0.4	0.4	-	0.8
0.1	Stay Active	0.1	-	-	-	0.1
0.1	Workforce	-	-	-	-	-
0.1	MarComms	-	0.1	-	-	0.1
2.8	Total Expenditure	0.7	1.3	0.5	-	2.5
0.2	Net	0.0	0.1	0.1	-	0.2
0.2	Earmarked Deferred project Expenditure/ (Net Deficit Required from Reserves)					0.2

e) Leicestershire County Council Pension Fund

Leicestershire County Council is the administering authority for the purposes of the Leicestershire County Council Pension Fund (the Fund) under the Local Government Pension Scheme (Administration) Regulations 2013. Recharges from the Authority to the Fund for Pension scheme administration, and oversight and governance, totalled £3.4m (2023/24, £3.6m). The majority of transactions for the Fund are processed by the Authority and are recovered from the Fund. At 31 March 2025 the Authority had a debtor with the fund of £2.1m (31 March 2024 £2.5m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 32 and 33.

LGPS Central Limited became operational on 1 April 2018. LGPS Central has been established to manage investment assets on behalf of the Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool. The Company aims to use the combined buying power of its Partner Funds to reduce costs, improve investment returns and widen the range of available asset classes for investment for the benefit of local government pensioners, employees and employers.

Representatives of each of the funds sit on the LGPS Central Joint Committee which provides oversight of the delivery of the objectives of the pool, the delivery of client service, the delivery against the LGPS central business case and to deal with common investor issues. The joint committee provides assistance, guidance and recommendations to the individual councils, taking into consideration the conflicting demands and interests of the participants within the pool. The joint committee does not have delegated authority to make binding decisions on behalf of the participating councils. Further details in respect of the LGPS Central Pool are set out in the Pension Fund Accounts.

f) Leicester and Leicestershire Business Rates Pool

The Local Government Finance Act 2012 introduced the business rates retention system from 1 April 2013. The arrangements enable local authorities to retain a proportion of the business rates generated in their area. Billing authorities collect rates on behalf of Central Government (50%), Major Preceptors – Leicestershire County Council (9%) and the Leicestershire Fire and Rescue Service (LFRS) (1%) – and themselves (40%).

There are two “baselines” for each local authority - a funding baseline and a rates baseline. Where the funding baseline is higher than the rates baseline (as is the case for the Council) the authority requires a “top-up” and is not subject to a levy on any business rates growth. Where an authority’s rates baseline is higher than its funding baseline, the authority is in a “tariff” position and will contribute to a central fund which is redistributed to “top-up” authorities.

“Tariff” authorities are subject to a levy on any real terms growth in business rates at a maximum rate of 50%. In non-Pooled areas the levy is payable to the Government and will be used to fund “safety net” payments to authorities which have seen significant reductions in business rates income. The safety net is currently activated if retained rates fall below 92.5% of the funding baseline for the authority. Any safety net amounts that may arise within the Pool would need to be met from the levy income to the Pool.

Authorities are invited to form Pools. For tariff and top-up purposes and also regarding levy and safety net calculations, the Government treats a Pool as if it were a single entity. The Council, Leicester City Council, the Combined Fire Authority and all the Leicestershire District Councils have agreed to operate a pooling agreement for business rates levies and safety net payments, the Leicester & Leicestershire Pool (LLP). The Council is the lead authority for the LLP.

A summary of the position for 2024/25 is shown below which shows an overall surplus on the Pool of £21.5m.

2024/25	Funding Baseline £m	Rates Baseline £m	Retained Rates £m	Levy £m	Safety Net £m
Blaby	22.8	17.1	2.4	2.8	-
Charnwood	24.4	21.4	4.6	1.5	-
Harborough	27.5	19.7	1.9	3.9	-
Hinckley & Bosworth	19.9	14.7	2.8	2.6	-
Melton	6.9	6.2	1.4	0.3	-
North West Leicestershire	46.9	26.4	2.6	10.2	-
Oadby & Wigston	5.8	5.5	1.7	0.2	-
Total	154.1	111.1	17.6	21.5	-
2024/25 Net Gain					21.5
Net Gain b/f					26.6
Less allocations in year					(24.6)
Total 31 March 2025					23.5

The total of £23.5m as at 31 March 2025 comprises a £2.0m contingency towards future years, with the balance of £21.5m for investment in the wider Leicestershire area, via allocations of one third each to the County Council, Leicester City Council and the seven District Councils. The County Council’s financial statements include:

- its share of the 2024/25 Business rates pool surplus of £7.2m as at 31 March 2025, shown as additional NDR income in the CIES
- creditor of £7.2m to Leicester City Council for their share of the 2024/25 surplus
- creditors to Melton for £0.3m and Oadby and Wigston for £0.5m for their net shares of the 2024/25 surplus
- debtors of £15.1m from the other five District Councils representing the net position of the levy due from them
- in total, gross levies of £21.5m are due from the Districts, offset by their share of the 2024/25 surplus of £7.2m.
- The £2m contingency is shown as a receipt in advance; £1.4m held on behalf of the Pool members and the balance of £0.6m, the Authority’s share, is held as part of the Business Rates Retention Reserve.

2023/24	Funding Baseline £m	Rates Baseline £m	Retained Rates £m	Levy £m	Safety Net £m
Blaby	2.3	16.3	20.9	2.3	-
Charnwood	4.5	20.5	21.9	0.7	-
Harborough	1.8	18.7	27.9	4.6	-
Hinckley & Bosworth	2.7	14.1	19.1	2.5	-
Melton	1.4	6.0	7.2	0.6	-
North West Leicestershire	2.5	25.0	40.3	7.7	-
Oadby & Wigston	1.6	5.3	5.4	0.0	-
Total	16.8	105.9	142.8	18.5	-
2023/24 Net Gain					18.5
Net Gain b/f					41.8
Less allocations in year					(33.7)
Total 31 March 2024					26.6

The total of £26.6m as at 31 March 2024 comprises a £2.0m contingency towards future years, with the balance of £24.6m for investment in the wider Leicestershire area, via allocations of one third each to the County Council, Leicester City Council and the seven District Councils. The County Council's financial statements include:

- its share of the 2023/24 Business rates pool surplus of £6.2m as at 31 March 2024, shown as additional NDR income in the CIES,
- creditors of £6.2m to Leicester City Council for their share of the 2023/24 surplus and £5.9m for their share of the 2022/23 surplus
- creditor to Oadby and Wigston for their £0.2m net share of the 2022/23 surplus
- net debtor of £12.3m from the District Councils representing the net position of the levy due from them, in total £18.5m, offset by their share of the 2023/24 surplus of £6.2m.
- The £2m contingency is shown as a receipt in advance; £1.4m held on behalf of the Pool members and the balance of £0.6m, the Authority's share, is held as part of the Business Rates Retention Reserve.

g) East Midlands Development Corporation

Leicestershire County Council was one of five East Midlands local authority owners of EM DevCo Limited. The company worked with partners from business, academia, and government to develop the local economy and create new jobs.

East Midlands Development Corporation closed during 2024/25, and the functions were transferred to the East Midlands Combined County Authority (EMCCA) www.eastmidlands-cca.gov.uk. Leicestershire County Council is not part of the EMCCA. There were no assets or liabilities to/with the County Council upon the closure.

h) East Midlands Freeport

Leicestershire County Council is the accountable body for the East Midlands Freeport Limited (EMF). Freeports are a flagship Government programme that will play an important part in the UK's post Covid economic recovery and contribute to realising the levelling up agenda, bringing jobs, investment and prosperity to some of the most deprived communities, with targeted and effective support. The EMF is the UK's only inland Freeport and features three main 'tax sites' straddling three East Midlands counties. EMF was granted formal government approval on 30th March 2023 and is now in operation.

The EMF brings together a mix of industries and collaborating partners, combining public and private sector oversight and expertise from key sectors including logistics, technology, transport and education. Membership of the EMF board comprises of 12 organisations; Leicestershire County Council (Lead Authority), Nottinghamshire County Council, Derbyshire County Council, North West Leicestershire District Council, Rushcliffe Borough Council, South Derbyshire District Council, East Midlands Airport, SEGRO, Maritime Transport, Goodman, Etwall Land Ltd and Uniper UK Limited.

The key funding stream for Freeports is retained business rates. In designated areas 100% of growth in business rate revenues is retained to allow these funds to be invested in the local area rather than a share needing to be returned to central government. In advance of growth, and retained business rates being available, to supplement the grant made available by the Government, the County Council has agreed to provide a cash flow loan to the EMF to cover set up and operations of up to £4m. This loan is at commercial rates to ensure the County Council gets an appropriate return on investment. As the accountable body for EMF, the role includes providing support to the Freeport in delivering the objectives set by the Government. The Government has advised that the accountable body will move to the East Midlands Combined County Authority in the future.

Security of the loan is through over £1bn of retained business rates expected to be generated over 25 years. This is likely to exceed £10m per year from 2028/29 and continue to rise. Repayment of County Council funds is the first call on retained business rates after covering operational costs. Retained business rates will then be available to supplement developer funding to maximise growth opportunities, mitigating adverse impacts of development. As at 31 March 2025, the outstanding value of the loan was less than £0.1m (£2.6m as at 31 March 2024). The balance is recognised as a debtor in the Council's accounts.

EMF's operating income and expenditure and reserve balances are not included in the financial statements of the Council. The table below shows the provisional operating income & expenditure for EMF (final accounts for EMF not yet available).

2023/24 £m		2024/25 £m
	Income	
(0.6)	Retained Business Rates	(4.1)
(0.6)	Total Income	(4.1)
	Expenditure	
0.6	Staffing Costs	0.8
0.1	Accountable Body Costs	-
0.4	Other Running Costs	0.8
0.3	Set Up Costs	-
1.4	Total Expenditure	1.6
0.8	(Surplus) / Deficit for the year	(2.5)
1.8	(Surplus) / Deficit brought forward	2.6
2.6	(Surplus) / Deficit carried forward	0.1

Separately the Council has a creditor to EMF of £21.7m, which represents the balance of government seed challenge grant held on behalf of EMF, pending allocation to scheme delivery.

i) Leicester and Leicestershire Enterprise Partnership (LLEP)

The Leicester and Leicestershire Enterprise Partnership Limited (the LLEP) was established in 2011 with a joint public/private Board. In the Spring Budget of March 2023 the Chancellor announced that the Government was minded to withdraw central government core funding for Local Enterprise Partnerships from 1st April 2024. This position was confirmed in August 2023. In the case of Leicester and Leicestershire, from 1st April 2024 responsibilities namely business representation, strategic economic planning, and the delivery of government programmes (where directed) were transferred from the LLEP to the two upper tier local authorities, namely the County Council and the City Council. The two upper tier local authorities are the key decision-makers within the new arrangements. They are informed and advised by a Business Board including within its membership local business leaders and relevant bodies including universities, district councils and the voluntary and community sector.

In the interim, LLEP Ltd has been retained as a legal entity with an 'administrative' Board comprising City and County senior officers, with the City Council formally remaining as the Accountable Body. This is to enable new arrangements regarding the Enterprise Zones to be finalised. The County Council has not in recent years provided any funding to support the operations of the LLEP. The LLEP received an annual government core funding allocation of £0.2m for 2024/25.

Note 39: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to fund it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

2023/24 £m		2024/25 £m
207.8	Opening Capital Financing Requirement	201.6
	Capital Investment:	
76.7	Property, Plant and Equipment	88.0
31.3	Revenue Expenditure Funded from Capital under Statute	46.1
-	Right of Use Assets Recognised in Year (Leases)	3.4
	Sources of Finance:	
(0.5)	Capital Receipts	(10.8)
(104.5)	Government grants and other contributions	(93.9)
(3.0)	Direct revenue contributions	(29.4)
(6.2)	Statutory Minimum Revenue Provision	(7.3)
201.6	Closing Capital Financing Requirement	197.6
	Explanation of Movements in Year	
	Increase in underlying need to borrow:	
-	Supported by government financial assistance	-
-	Unsupported by government financial assistance – (Leases)	3.4
(6.2)	Minimum Revenue Provision	(7.3)
(6.2)	Increase/(Decrease) in Capital Financing Requirement	(4.0)

Note 40: Leases

The Council as Lessee

During 2024/25 the accounting treatment for leases has been updated based on the requirements of accounting standard IFRS16 Leases, which has been implemented as at 1st April 2024.

Where the Council leases in assets, the leased asset (unless exempt) is recognised as a right-of-use asset with a corresponding liability at the date from which the leased asset is made available for use (or the IFRS16 transition date, if later).

Leases for items of low value (less than £20,000 when new) and leases that expire on or before 31 March 2025 and those that are short-term (a term of 12 months or shorter, or ending within 12 months of the IFRS16 implementation date) are exempt from the new arrangements.

This has resulted in the following additions to the Balance Sheet:

- £5.4m Property, Plant and Equipment – land and buildings (right of use assets)
- £2.0m Creditors (lease liabilities)
- £3.4m Credit to the CIES, taxation and non-specific grant income, from non-commercial leases. The credit is reversed via the MIRS.

Right of use assets

The Council's right of use assets are summarised in the table below:

Council as Lessee	2024/25 £m
Balance 1 April 2024	0.5
Recognition of Right of Use Assets 1.4.2024	5.4
Additions	1.3
Revaluation	1.3
Depreciation	(1.1)
Disposals	-
Total	7.5

Maturity analysis of lease liabilities

The Council's lease liabilities as at 31st March 2025, are due to be settled over the following time bands (measured at the discounted amounts of expected cash payments):

Council as Lessee	2024/25 £m
Less than one year	1.2
One to five years	1.0
More than five years	0.8
Total	3.1

Transactions under leases

Expenditure in the Comprehensive Income and Expenditure Statement associated with right-of-use assets includes interest, depreciation, any impairments or changes in variable lease payments. Rentals for exempt leases of low-value items or short-term leases are expensed. Transactions under leases were not material in 2024/25.

The Council as Lessor

Where an asset is leased by the Council to a third party as a finance lease the asset is written out of the Balance Sheet as a disposal. A debtor is recognised for any future lease payments receivable.

Where an asset is leased by the County Council to a third party as an operating lease the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

Lease rentals on Authority owned buildings received from lessees during the year in respect of operating leases totalled £7.4m (2023/24 £7.7m). Expected Lease rentals projected to be received in 2025/26 is £7.5m.

Note 41: Impairment Losses

During 2024/25, the Authority has not recognised any impairment losses (2023/24 nil). However, revaluations downwards of £29m (2023/24 £41m) have been recognised in the Revaluation Reserve and revaluations downwards of £4m (2023/24 £8m) have been recognised in the Comprehensive Income and Expenditure Statement. There has also been reversal of historical downwards revaluations of £3m (2023/24 £10m) in the Comprehensive Income and Expenditure Statement.

Note 42: Termination Benefits

Termination benefits arise when employment is terminated by the Authority before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Authority recognises termination benefits as a liability and an expense if the Authority is demonstrably committed to a detailed formal plan without realistic possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer. The total termination benefits for 2024/25 are £0.6m (2023/24 £1.3m).

Note 43: Contingent Liabilities

Municipal Mutual Insurance Limited (MMI), the Authority's former insurer between November 1969 and October 1991, ceased writing insurance business owing to financial difficulties in September 1992. MMI made a scheme of arrangement with its creditors in the event of the company becoming insolvent.

The latest financial information for MMI, as disclosed in their Accounts for the year to 30 June 2024, shows a balanced position. As a result, the scheme administrators do not intend to request any additional contributions. However, it should be noted that there is a contingent liability for any additional deficit due to the uncertainty of the value of incurred but not reported (IBNR) claims. A reserve has been established to reduce the risk to the Authority of any further liabilities under the MMI scheme of arrangement and in respect of any other uninsured losses.

Note 44: Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- (i) Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- (ii) Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- (iii) Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Corporate Resources Department, under policies approved by the Authority in the Annual Treasury Management Strategy. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

(i) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This risk is minimised through the Annual Investment Strategy. This requires that deposits are not made with financial institutions unless they meet certain identified minimum credit criteria as laid down by Link Asset Services, who act as treasury management advisors to the Authority. These minimum criteria include a number of factors including credit ratings assigned by Fitch and Moody's Ratings Services, the rating of the counterparty's sovereign government and the cost of Credit Default Swaps (in effect, the cost of insuring against the risk of default by a counterparty).

Maximum limits for funds on loan and maturity dates exist for each acceptable counterparty and vary according to Link Asset Services assessment of their overall financial strength. The Authority will only lend for a maximum of one year (Link Asset Services have a two year period for a small number of counterparties) and will not lend to any counterparty that has a maximum period of less than six months within Link Asset Services matrix.

Customers are not assessed for credit risk other than for tenancy agreements and major contracts. The matrix in respect of money market loans made by the Authority is detailed below:

Matrix for UK Banks and Building Societies

Maximum Sum Outstanding	£75m	£55m	£35m
Maximum Loan Period	1 year	1 year	6 months
General Description	'Special Instructions' (i.e. significant element of UK-Government ownership) and included in Link list for period of 1 year or more	Not 'special instructions' and included in Link list for period of 1 year or more	Included in Link list for period of 6 months

Matrix for Overseas Banks

Maximum Sum Outstanding	£20m	£10m
Maximum Loan Period	1 year	6 months
Minimum Fitch Ratings	Included in Link list for period of 1 year or more	Included in Link list for period of 6 months

A maximum of £50m can be invested with all banks domiciled within a single country (note: there is no limit for total lending to UK financial institutions)

Other UK Local Authorities

A maximum of £10m can be invested per authority for up to 1 year.

Money Market Funds

AAA-rated only

Maximum amount in any single fund = £40m

Maximum amount in all Money Market Funds = £160m

Debt Management Office (DMO) (Executive Agency of HM Treasury)

No restriction on loan amounts or periods. In the event that the maximum loan length is extended beyond the current 6-month period, no loan will have a maturity above 12 months.

Exposure to Credit Risk

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies is 100% of its investments, but this cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31 March 2025 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Authority does not generally allow credit for customers. The past due but not impaired Sales ledger debt can be analysed by age as follows:

2023/24 £m		2024/25 £m
40.6	Less than three months	25.5
3.5	Three to six months	4.6
6.7	Six months to one year	7.3
10.3	More than one year	15.9
61.1	Total	53.3

In respect of the above sales ledger debt, the Authority has made a credit loss allowance of £17.6m for potential doubtful debts.

(ii) Liquidity risk

The Authority has a record of expected cash flows which is used to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and 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 Authority sets limits on the proportion of its fixed rate borrowing during specific periods. The strategy is to ensure that no more than 50% of loans are due to mature within any rolling five-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

31 March 2024 £m		31 March 2025 £m
	Analysis of Loan Maturity Profile:	
8.4	Less than 1 year	3.0
8.4	Total Short-Term Loans by Maturity	3.0
1.0	Between 1 and 2 years	1.0
1.7	Between 2 and 5 years	1.4
0.6	Between 5 and 10 years	0.3
0.3	Between 10 and 15 years	0.3
1.3	Between 15 and 20 years	7.6
54.4	Between 20 and 25 years	48.0
44.4	Between 25 and 30 years	54.9
59.6	Between 30 and 35 years	19.9
0.1	Between 35 and 40 years	10.1
20.1	Between 40 and 45 years	0.1
33.5	Greater than 45 years	33.5
217.0	Total Long-Term Loans by Maturity	177.1
225.4	Total Loans by Maturity	180.1

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

(iii) Market risk**Interest rate risk**

The Authority is exposed to 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:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of services will rise.
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of services will rise.
- 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus and Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 50% 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 treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse charges to be accommodated. The analysis will also advise whether new borrowing is taken out as fixed or variable.

According to this assessment strategy, at 31 March 2025, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£m
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	4.4
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	4.4
Decrease in fair value of fixed rate investment assets	(1.1)
Impact on Other Comprehensive Income and Expenditure	(1.1)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the provision of Services or Other Comprehensive Income and Expenditure)	(21.1)

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 investments to the value of £61m in private debt, pooled investment funds and capital release funds. The authority is consequently exposed to gains and losses arising from movements in the valuation of these investments. The authority actively manages these investments in a way to limit its exposure to price movements by diversifying its portfolio. These investments are classified at fair value through profit or loss, meaning that all movements in valuation will impact on gains and losses recognised in the surplus or deficit on the provision of services. A change of 1% in the valuations of the investments (positive or negative) would have resulted in a £0.6m gain or loss being recognised in the surplus or deficit on the provision of services as at 31 March 2025.

Foreign exchange risk

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

Note 45: Self-Insurance

Provisions and reserves are operated to meet the self-insured deductibles for the following policies, however, stop loss insurance applies to fire and public/employers' liability policies.

Deductible per Claim	
	£
Fire	500,000
Public/Employers' liability	500,000
Fidelity guarantee	100,000
Motor	5,000

Apart from Museums, the Authority has no general insurance cover for accidental damage to or the theft of contents from buildings. Similarly, the Authority does not purchase money insurance. Schools, however, have the option to join a group self-insurance scheme to cover the above risks.

Note 46: Trust Funds (excluded from the Balance Sheet)

The Authority acts as trustee and/or administrator for 7 prize funds, endowments, scholarships and bequests. The original bequests are invested in either the Authority's trust fund pooling scheme or in a range of other direct external investments.

To the extent that income from these investments has not been utilised for prizes etc., the surplus funds are invested in short term deposits with various financial institutions. The main trust funds are as follows:

	Balance at 31 March 2024 £m	Income £m	Expenditure £m	Balance at 31 March 2025 £m
Trust Funds:				
Kibworth High School Endowment	0.4	-	-	0.4
Others	0.2	-	-	0.2
Total Trust Funds	0.6	-	-	0.6

Note 47: Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting (the 'Code') in the UK 2024/25 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government 2003 Act.

The accounting convention adopted in the Statement of Accounts is primarily historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or payment of compensation.

Provisions are charged as an expense to the appropriate service within the Comprehensive Income and Expenditure Statement when the Authority has an obligation. Provisions are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of the financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

3. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority. The reserves operated by the Authority are explained further:

a) Revenue

The General Fund Balance represents a working balance derived from past savings disclosed in the income and expenditure account or budgeted contributions. This balance incorporates both school balances, which as a result of legislation are retained by each individual school, and underspends on services that have been approved for carry forward to the following year.

In addition, a number of earmarked revenue reserves are maintained for future expenditure which falls outside the definition of a provision.

b) Capital

In accordance with standard accounting practice for local authorities, three non-cash backed capital reserves exist as part of the system of capital accounting. These are:

Revaluation Reserve

The Revaluation Reserve represents the gains in asset values arising from the revaluation of fixed assets since 1 April 2007. Gains arising before this date have been consolidated into the Capital Adjustment Account. The balance thus represents unrealised gains since that date.

Capital Adjustment Account

A store of capital resources set aside from revenue, capital receipts and the provision for repayment of debt (MRP) set aside to finance past capital expenditure.

Deferred Capital Receipts Reserve

There is an additional Unusable Capital Reserve for deferred capital receipts as these are not recognised as Usable Capital receipts until they are backed by cash receipts, at which point they will be transferred to the Usable Capital Receipts Reserve.

Capital Receipts Reserve and Capital Grants Unapplied

There are also two Usable Capital Reserves. For further details of the Capital Receipts Reserve and Capital Grants Unapplied see accounting policies 11 and 13 respectively.

c) Other

There are also other non-cash backed reserves that are held for statutory accounting purposes. These are:

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Short-Term Accumulating Compensated Absences Adjustment Account

The Short-Term Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result in a change of accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Non- Current Assets

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition:

Expenditure on the acquisition, creation or enhancement of an asset is capitalised on accruals basis, provided that it is probable that future economic benefits will flow to the Authority and the cost can be measured reliably. The

Authority operates a de-minimis limit of £10,000 for individual items; relatively minor items may be financed from revenue. The purchase of single items below £10,000 may be capitalised in certain circumstances, for example, the need to comply with grant conditions. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs or maintenance) is charged as an expense when it has occurred.

- Measurement of assets are initially at cost, comprising:
 - the purchase price.
 - any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. Some categories of Non-Current Assets are revalued on the basis recommended by the COPLAA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

The basis of valuation of the various categories of assets is as follows:

- **Intangible Assets**

Expenditure on non-monetary assets which do not have a physical substance (i.e. software licences) but are controlled by the Authority as a result of a past event is capitalised when it is expected that future economic benefits or service potential will flow to the Authority. The valuation is based on amortised historical cost for all assets with an original cost in excess of £20,000.

- **Property, Plant and Equipment- divided into the following sub-categories.**

- **Land and Buildings** are included in the Balance Sheet at current value for existing use or, where because of the specialised nature this could not be assessed (there being no market for such an asset), at depreciated replacement cost.

Valuation is carried out on a selective on-going basis such that all assets are revalued at least once every five years, and on completion of a capital scheme above £100,000. In addition, the top twenty valued assets are valued each year. Assets under Construction (AUC) that become operational in year are held at historic cost and re-classified to their relevant asset category at the balance sheet date, with a subsequent valuation taking place in the following financial year unless the historic cost value is greater than £1m in which case a valuation is obtained for the relevant financial year end. Valuations are carried out by external and qualified Chartered Surveyors (the Valuer), who are also Registered valuers. Assets Held for Sale are revalued within the year to ensure the open market value is accurate.

The current asset values used in the accounts are based on a certificate issued by the Valuer as of 1 October 2024. Additions since that date are included in the accounts at their cost of acquisition. The addition is then reviewed, and if the actual capital expenditure does not increase the asset valuation or if the expenditure is less than the Authority's £100,000 capital de-minimis level then this value will be recognised in the Comprehensive Income and Expenditure Statement as capital expenditure not adding value.

- **Land and Buildings – Schools:** The Code confirms that local authority maintained schools (and the governing bodies thereof) are to be treated as entities for control purposes, and that the transactions of said schools shall be consolidated into the local authority single entity financial statements. Non-current assets attributed to schools are therefore recognised in the Authority's balance sheet, subject to the Authority (or the school's governing body) having control over the asset and it being probable that future service potential will flow to the Authority (or to the school). The Authority therefore recognises the non-current assets of its maintained community and voluntary controlled schools on its balance sheet. The balance of control and service potential is considered to reside with independent trustees for foundation and voluntary aided schools, and so these assets are not consolidated into the Authority's balance sheet (the Council retains the statutory responsibility for land at voluntary aided schools, so this is recognised as an asset of the Authority). A number of schools in the County now hold academy status. Academies are managed completely independently of the Authority, and funding is provided directly by central government. Whilst the Authority retains the freehold of the land, premises are leased to the academy on a

finance-lease basis (for a 125-year term). Therefore, academy buildings are derecognised from the Authority's balance sheet, and land is retained at a nominal value reflecting its restricted use.

- **Vehicles, Plant, Furniture and Equipment:** valuation is based on depreciated historical cost for all assets with an original cost in excess of £20,000, with the exception of Leicestershire Highways who occasionally capitalise assets under £20,000. Additions below the £20,000 de minimis level are then recognised in the Comprehensive Income and Expenditure Statement as capital expenditure not increasing in value.
- **Infrastructure Assets:** include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network. Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably. Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April [1994 England and Scotland] [1996 Wales], which was deemed at that time to be historical cost.
- **Community Assets** are assets that the Authority is likely to keep in perpetuity for the benefit of local people, e.g. country parks and reclaimed land. Such assets are valued at nominal values for assets acquired prior to 1994 and historical cost thereafter.
- **Assets Under Construction** are based on historic cost
- **School Buildings** are held at current value but because of their specialist nature are measured at depreciated replacement cost.
- **Surplus Assets** are surplus to service requirements. The current value measurement base is fair value, estimated at highest and best use from the market participant's perspective.
- **Assets Held for Sale** When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

Componentisation

IAS 16 requires significant components of assets to be recorded separately where they have substantially different useful lives to enable depreciation to be calculated separately.

The Authority componentises assets into blocks that have a significant value against the total value of the asset or are naturally identifiable i.e. swimming pool or external building. The Authority also recognises a significant component within a block to be any component over £100,000 that individually exceeds 25% of the total value of the block and has a substantially different life to the overall structure.

School assets, where appropriate, have been componentised in line with the methodology for Modern Equivalent Asset (MEA) on a Depreciated Replacement Cost basis.

Revaluation of Assets

Increases in valuations result in a debit being posted to the non-current asset account and matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains are credited to the Comprehensive Income and Expenditure Statement 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.

Revaluation losses due to a general fall in market price are first offset against any balance that is on the Revaluation Reserve and are only charged to the Comprehensive Income and Expenditure Statement when the Revaluation Reserve has been cleared to nil.

Upon disposal of a non-current asset any revaluation gains for that asset are transferred from the Revaluation Reserve to the Capital Adjustment Account. Revaluation gains are also subject to depreciation, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

When a component of infrastructure assets are disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also 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). The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

Impairment of Assets

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

7. Heritage Assets

The Authority's Heritage Assets are held in the Authority's museums and other cultural sites. Heritage Assets are categorised into 7 collections, which are held primarily to increase the knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below. The Authority's collections of Heritage Assets are as follows;

- Historic Buildings
- The Museum Art Collection
- The Art Works Collection
- The Archaeological Collection
- The Fashion Collection
- The Working Life Collection
- The Civic Collection

Heritage Assets – General

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment to Heritage Assets, e.g. where an item has suffered a physical deterioration or where there is a doubt to the authenticity of a piece of art. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment (accounting policy 6 above). Proceeds from the sale of Heritage Assets are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital receipts (accounting policy 11 below). Assets are initially recognised at cost and will then be revalued for insurance purposes.

8. Leases

The Authority as lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the authority is reasonably certain to exercise
- Lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- Penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In the financial statements, right-of use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £20,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The authority as lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Finance leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

Operating leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

9. Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Authority has determined to meet the cost of this expenditure from existing capital resources, or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund to the Capital Adjustment Account reverses out the amounts charged so there is no impact on the level of council tax.

10. Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

a) Depreciation

Depreciation is provided on all property, plant and equipment by the systematic allocation of their depreciable amounts over their useful lives. Buildings are depreciated over their remaining useful economic lives as assessed by the property valuer, with no allowance for a residual value. Assets are depreciated using the straight-line method over the following periods:

- **Intangible Assets** – 5 years
- **Buildings** - varies from asset to asset (the remaining useful economic life of each asset is reviewed at the same time as the revaluation is completed, new builds are usually estimated to have a useful life of 70 years).
- **Infrastructure** - useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

Part of the highways network	Useful Life (years)
Carriageways	25
Footways and cycle tracks	25
Structures (bridges)	100
Street lighting	40
Street furniture	25
Traffic management systems	20

- **Vehicles, Plant, Furniture and Equipment** - estimated useful life (averaging around 5 years).
- **Components** - will vary between 20 – 50 years for new components/blocks.

Land, community assets, assets under construction, surplus assets and assets held for sale - are held at cost or market value or have an indefinite life and are not depreciated.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the asset, the components are depreciated separately. No depreciation is charged in the year of acquisition, whereas a full year's depreciation is charged in the year of disposal.

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

b) Revaluation and Impairment

Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off are charged to the Comprehensive Income and Expenditure Statement.

c) Amortisation

Intangible Assets are amortised over their useful life of no more than 5 years. The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

11. Capital Receipts

Proceeds from the sale of assets (if over £10,000) are credited to the Capital Receipts Reserve. All such receipts are available to the Authority to enhance its programme of capital expenditure or to reduce external borrowing. Receipts used are transferred to the Capital Adjustment Account. The extent to which receipts have not been utilised at year end are reflected in the Balance Sheet as Capital Receipts Reserve. Where Capital Receipts are deferred, they are recognised in the Unusable Deferred Capital Receipts Reserve until backed by cash receipts at which point they are transferred to the Usable Capital Receipts Reserve.

Any gains/losses on disposal of assets are taken to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Statutory regulations require a reversal of this entry to the Capital Adjustment Account via the Movement in Reserves Statement.

12. 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. In particular:

- Revenue from contracts, whether for services or the provision of goods, is recognised when the goods or services are transferred to the recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

13. Government Grants

Whether paid on account, by instalments or in arrears government grants and third-party contributions are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or the future economic benefits or service potential must be returned to the transferor.

Monies advance as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line within the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed from the General Fund via the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account.

Any amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

14. Inventories and Long-Term Contracts

Inventories are included within the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Other immaterial stocks, e.g. cleaning materials, books and stationery, are fully charged to the Comprehensive Income and Expenditure Statement in the year of purchase. Work in progress is shown at cost price.

15. Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

■ Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Loans at stepped interest rates (LOBO's) are recorded at amortized cost.

Statutory regulations enable the Authority to negate the additional interest arising on LOBO's (if loan arranged before November 2007) by posting a reversal within the Movement in Reserves Statement to the Financial Instruments Adjustment Account.

■ Financial Assets

Financial assets are classified into one of three categories:

- I. Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- II. Fair Value Through Other Comprehensive Income (FVOCI). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- III. Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

The value of debtors and creditors reported in the Notes to the Statement of Accounts are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

■ Soft Loans

Under certain criteria the Authority provides loans to foster parents and to older people with physical disabilities. These loans are interest free. The total value is considered to be immaterial to the Authority's accounts; therefore, these loans have not been revalued on a fair value basis in accordance with the Code.

16. Employee Benefits

■ Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as; wages, salaries, paid annual leave, paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year the employees render services to the Authority. An accrual is made for the cost of holiday entitlements, outstanding flexi leave and Time Off in Lieu earned by employees but not taken before the year-end, which employees can carry forward into the following financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

■ Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. Redundancy costs are recognised on an accrual's basis in the Comprehensive Income and Expenditure Statement against the appropriate service line at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises the costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for enhanced pension benefits and replace them with the debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

■ Post-Employment Benefits

Pension Schemes

Employees of the Authority are members of two separate pension schemes:

- The Local Government Pensions Scheme (LGPS) (administered by the Authority)
- The Teachers' Pension Scheme (administered by Capita Teacher's Pensions on behalf of the Department for Education)

Both schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees work for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children and Family Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the 'projected unit method'. This is based on an assessment of future payments that will be made in relation to retirement benefits earned to date by employees and assumptions about mortality rates, employee turnover and projected earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate as shown in the assumptions in Note 15 to the accounts. The assets of the fund attributable to the Authority are included in the Balance Sheet at fair value:

- Quoted securities - current bid price
- Unquoted securities - professional estimate
- Unitised securities - current bid price
- Property - market value

The change in the net pension liability is analysed into the following components:

- **Service Cost comprising:**

- **Current service cost** - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **Past service cost** - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- **Net interest on the net defined benefit liability (asset)** - e.g. net interest expense for the Authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- **Remeasurements comprising:**

- **The return on plan assets** - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- **Actuarial gains and 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 - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the Pension Fund** - cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace with debits and credits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

- **Discretionary Benefits**

The Authority also has restricted 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 LGPS.

17. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

18. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Authority.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

19. Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence of such an asset will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

- a) Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- b) Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

21. Collection Fund Adjustment Account

The Authority is a precepting authority who levies a precept on the collection funds of billing authorities (District/Borough Councils).

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors and, as principals, collecting council tax and NDR for themselves. Billing Authorities are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and NDR income. Under the legislative framework all parties to the collection fund share proportionately the risks and rewards that the amount of council tax and NDR collected could be less than or more than predicted.

The council tax and NDR income for the year credited to the collection fund is the accrued income for the year. Regulations determine when it should be released from the collection fund and transferred to the General Fund of the billing authority or paid out of the collection funds to the major preceptors, (and central government for NDR) and in turn credited to their General Fund.

The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Movement in Reserves Statement.

Since the collection of council tax and NDR income is in substance an agency arrangement, the cash collected by the billing authority from council tax and NDR debtors belongs proportionally to the billing authority and the major preceptors (and Central Government for NDR). There will therefore be a debtor / creditor position between the billing authority and each major preceptor (and Central Government) to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from council tax and non-domestic rates payers.

22. Schools

The Code of Practice on Local Authority Accounting in the UK confirms that the balance of control for Local Authority maintained schools (those categories of school identified in the School Standards Framework Act 1998, as amended) lies with the Authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Local Authority financial statements. Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority. The Authority does not recognise, in the case of Voluntary Aided (VA) or Voluntary Controlled (VC) schools, any land or building assets controlled and owned by the church diocese.

23. Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation, gains and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for proceeds in excess of £10,000) to the Capital Receipts Reserve.

24. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including share of assets held jointly.
- its liabilities, including share of any liabilities incurred jointly.
- its revenue from the sale of its share of the output.
- its share of the revenue from the sale of the output by the joint operation.
- its expenses, including its share of any expenses incurred jointly.

25. Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest. When measuring the value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses appropriate valuation techniques for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised in accordance with the fair value hierarchy, as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets of liabilities that the Authority can access at the measurement date.

Level 2 - inputs other than quoted prices in active markets included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - unobservable inputs for the asset or liability.

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 Director of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

THE DIRECTOR OF CORPORATE RESOURCES RESPONSIBILITIES

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

In preparing this Statement of Accounts, the Director of Corporate Resources has:

- Selected suitable accounting policies and then applied them consistently,
- Made judgements and estimates that were reasonable and prudent,
- Complied with the Local Authority Code,
- Kept proper accounting records which were up to date,
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts has been prepared in accordance with proper practices and presents a true and fair view of the financial position of Leicestershire County Council and its income and expenditure for the year ended 31 March 2025.

DECLAN KEEGAN
DIRECTOR OF CORPORATE RESOURCES
24 NOVEMBER 2025

Leicestershire County Council Pension Fund Accounts 2024/25

(Registration number: 00328856RQ)

Introduction

The Leicestershire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Leicestershire County Council.

General

The scheme is governed by the Public Service Pension Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

It is a contributory defined benefit pension scheme administered by Leicestershire County Council to provide pensions and other benefits for pensionable employees of Leicestershire County Council, Leicester City Council, the district councils in Leicestershire and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The fund is overseen by the Leicestershire County Council Pension Fund Committee, which is a committee of Leicestershire County Council.

The Pension Committee consists of ten voting members and three non-voting staff representatives. The voting members are split into five County Council members, two from Leicester City Council and two representing the District Councils and a single member representing Universities. The Committee receives investment advice from the funds Actuary, Hymans Robertson LLP, and meets quarterly to consider relevant issues.

The Director of Corporate Resources is responsible for the preparation of the Pension Fund Statement of Accounts. The Corporate Governance Committee is responsible for approving the financial statements for publishing.

Membership

Membership of the LGPS is automatic for entitled employees, but employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the fund.
- Admitted bodies, which participate in the fund under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable and similar not for profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

	31-Mar-24	31-Mar-25
Number of active employers*	189	195
Number of employees in the scheme (Actives)		
County Council	8,886	8,765
Other employers	31,962	32,218
Total	40,848	40,983
Number of pensioners		
County Council	12,403	12,711
Other employers	21,499	22,966
Total	33,902	35,677
Deferred pensioners		
County Council	9,886	9,686
Other employers	22,364	22,916
Total	32,250	32,602
Total number of members in the pension scheme	107,000	109,262

*Active employers is defined as employers with one or more actively contributing employees

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% and 12.5% of pensionable pay for the financial year ending 31 March 2025. Employers' contributions are set based on triennial actuarial funding valuations. In 2024/25 the average employer rate was 26.9% of pay (26.8% 2023/24).

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based in final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website, <https://www.leicestershire.gov.uk>.

Fund Account for the Year Ended 31 March 2025

2023/24 £m		Notes	2024/25 £m
	Contributions		
(233.9)	Employer Contributions	6	(246.7)
(54.3)	Member Contributions	6	(56.8)
(8.1)	Transfers in from Other Pension Funds	7	(6.8)
(296.3)	Total Contributions		(310.3)
	Benefits		
163.3	Pensions	8	180.6
39.2	Commutation of Pensions and Lump Sum Retirement Benefits	8	54.8
4.3	Lump Sum Death Benefits	8	6.4
16.1	Payments to and on Account of Leavers	9	20.9
222.9	Total Benefits		262.7
(73.4)	Net (Additions)/Withdrawals from Dealings with Members		(47.6)
54.4	Management Expenses	10	51.5
(19.0)	Net (Additions)/Withdrawals Including Fund Management Expenses		4.0
	Returns on investments		
(75.5)	Investment income	11	(117.6)
(522.7)	(Profit) and Losses on Disposal of Investments and Changes in Value of Investments	12	(192.5)
(598.2)	Net Returns on Investments (Sub Total)		(310.1)
(617.2)	Net (Increase) / Decrease in the Net Assets Available for Benefits fund During the Year		(306.1)
	Net assets of the scheme		
(5,774.3)	Opening		(6,391.5)
(6,391.5)	Net assets of the scheme Closing		(6,697.6)

Net Assets Statement as at 31 March 2025

2023/24 £m		Notes	2024/25 £m
6,377.00	Investment assets	12	6,687.4
(2.1)	Investment liabilities	12	(3.6)
6,374.9			6,683.8
24.8	Current Assets	15	26.5
(8.2)	Current Liabilities	15	(12.8)
6,391.5	Net Assets of the Fund at 31 March		6,697.6

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Council. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position on the Scheme, which does take account of such obligations, is set out in the Actuary's Report on page 117.

The introduction on pages 85 to 86 and the notes on pages 88 to 116 form part of the financial statements.

Notes to the Accounts

1. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2024/25 financial year and its position as at 31 March 2025. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2024/25. The following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- The effect of changes in Foreign Exchange rate (amendment to IAS21).
- IFRS 17 Insurance contracts replaces IFRS 4.

These changes are not expected to have a material impact on the Pension Fund's statements of accounts.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take account of the actuarial present value of promised retirement benefits. The Fund has disclosed this information, by appending a copy of the actuary's report to the Pension Fund accounts.

The Accounts have been prepared on a going concern basis.

2. Accounting Policies

The following principal accounting policies, have been adopted in the preparation of the financial statements:

Fund Account – Revenue Recognition

Contribution Income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

Transfers to and from other Schemes

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary

contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In, shown in Note 7. Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investments

Interest Income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend Income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight-line basis over the terms of the lease.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profit/ losses during the year.

Fund Account – Expense Items

Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management Expenses

The fund discloses management expenses for administration, oversight and governance, and investment management. The disclosures comply with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Expenses (2016)'.

All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 10A and grossed up to increase the change in value of investments.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Net Assets Statement

Investments

Equities traded through the Stock Exchange Electronic Trading Service (SETS) are valued at bid price. Other quoted securities and financial futures are valued at the last traded price. Private equity investments and unquoted securities are valued by the fund managers at the year-end bid price, or if unavailable in accordance with generally accepted guidelines. Accrued interest is excluded from the market value of fixed interest securities and index-linked securities but is included in investment income receivable.

Pooled Investment Vehicle units are valued at either the closing bid prices or the closing single price reported by the relevant investment managers, which reflect the accepted market value of the underlying assets.

Private equity, global infrastructure and hedge fund valuations are based on valuations provided by the managers at the year-end date. If valuations at the year-end are not produced by the manager, the latest available valuation is adjusted for cash flows in the intervening period.

Property investments are stated at open market value based on an expert valuation provided by a RICS registered valuer and in accordance with RICS guidelines.

Options are valued at their mark to market value. Forward foreign exchange contracts outstanding at the year-end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. The investment reconciliation table in Note 12 discloses the forward foreign exchange settled trades as net receipts and payments.

Foreign Currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is translated at a rate that is relevant at the time of the receipt of the income or the exchange rate at the year end, whichever comes first.

Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Financial Assets

Financial Assets classes as amortised cost are carried in the net assets statement at amortised cost, i.e. the outstanding principal as at the year-end date.

Financial Liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains and losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments. Other financial liabilities classed as amortised cost are carried at amortised cost, i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS26 and relevant actuarial standards. As permitted under the Code, the fund

has opted to disclose the actuarial present value of promised retirement benefits by appending a copy of the report to the Pension Fund Accounts.

Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVC's are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed for information in Note 26.

Contingent Assets and Contingent Liabilities

A contingent asset arises where an event has taken place giving rise to a plausible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

Directly Held Property

The fund's property portfolio includes a number of directly owned properties which are leased commercially to various tenants. The fund has determined that these contracts all constitute operating lease arrangements under IAS 17 and the Code, and therefore the properties are retained on the net assets statement at fair value. Rental income is recognised in the fund account on a straight-line basis over the life of the lease.

3. Critical Judgements in Applying Accounting Policies

It has not been necessary to make any material critical judgements in applying the accounting policies.

4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historic experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment in the following year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Private Equity Investments	Private equity investments are valued at fair value. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £390.9m in the financial statements. It would not be unreasonable for it to move by +/- 5% the value of the investment would increase or decrease by £19.5m

Pension Fund Accounts (Notes)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Freehold, Leasehold Property and Pooled Property Funds	Valuations techniques are used to determine the carrying amount of pooled property funds and directly held freehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.	The carrying value of all property held by the fund is £448.5m. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property based investments. If this was under or overstated by 5% the value of the investment would increase or decrease by £22.4m.
Pooled Bond and Debt Funds (including Private Debt Funds)	Pooled bond and debt funds are valued on a net asset basis in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable market data but where it is not possible management uses the best data available. Private debt funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Pooled bond and debt funds are valued at £494.5m in the financial statements. It would not be unreasonable for it to move by +/- 5% the value of the investment would increase or decrease by £24.7m.
Infrastructure Investments	Infrastructure funds are valued in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable data but where it is not possible management uses the best data available.	Infrastructure funds are valued at £623.7m in the financial statements. It would not be unreasonable for it to move by +/- 5% the value of the investment would increase or decrease by £31.2m.
Timberland Investment	Investments are carried at net asset value as determined by the General Partner. In most cases fair value is derived from the audited financial statements provided by an underlying fund manager. In circumstances where audited financial statements are not available, the valuations are then derived from unaudited quarterly reports.	Timberland funds are valued at £116.0m in the financial statements. It would not be unreasonable for it to move by +/- 5% the value of the investment would increase or decrease by £5.8m
Pooled commodity funds	Pooled commodity funds are valued on a net asset basis in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable market data but where it is not possible management relies on the best data available	Pooled commodity funds are valued at £17.9m in the financial statements. It would not be unreasonable for it to move by +/- 5% the value of the investment would increase or decrease by £0.9m.

5. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 24 November 2025. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information (where known). There are no material events after the reporting date that would require an adjustment or additional disclosure to the accounts.

6. Contributions

2023/24 £m		2024/25 £m
	Employers	
222.8	Normal	233.9
6.9	Deficit Repair	7.0
1.5	Advanced payments for early retirements	3.3
2.7	Additional payments for ill-health retirements	2.5
	Members	
53.9	Normal	56.5
0.4	Purchase of additional benefits	0.3
288.2	Total	303.5

Additional payments for early retirements are paid by employers, once calculated and requested by the Fund, to reimburse the Pension Fund for the cost to the Fund of employees who are allowed to retire before their normal retirement age. Additional payments for ill-health retirements are generally paid by the insurance company, where the employer has taken out ill-health insurance and the claim has been accepted as valid.

On occasions employers without ill-health insurance are charged for at least part of the ill-health costs. Purchase of additional benefits by members allows either extra service to be credited on top of any service earned via employment or an additional annual pension amount in cash to be paid following retirement. Termination valuation payments relate to the actuarially assessed deficit within an employer's sub-fund when their last active employee leaves.

The contributions can be analysed by the type of Member Body as follows:

2023/24 £m		2024/25 £m
71.8	Leicestershire County Council	75.1
204.4	Scheduled bodies	215.3
12.0	Admitted bodies	13.1
288.2	Total	303.5

7. Transfers In

2023/24 £m		2024/25 £m
8.1	Individual transfers in from other schemes	6.8
8.1	Total	6.8

8. Benefits

The benefits paid can be analysed as follows: -

By Category:

2023/24 £m		2024/25 £m
163.3	Pensions	180.6
39.2	Commutation and lump sum retirement benefits	54.8
4.3	Lump sum death grant	6.4
206.8	Total	241.8

By type of Employer:

2023/24 £m		2024/25 £m
68.2	Leicestershire County Council	76.2
130.5	Scheduled bodies	155.7
8.1	Admitted bodies	9.9
206.8	Total	241.8

9. Payments to and on Account of Leavers

2023/24 £m		2024/25 £m
1.0	Refunds to members leaving the scheme	1.7
15.0	Individual transfers to other schemes	19.2
16.1	Total	20.9

10. Management Expenses

2023/24 £m		2024/25 £m
50.8	Investment Management Expenses (Note 10A)	48.1
2.4	Pension Scheme Administration Costs	2.4
1.2	Oversight and Governance Expenses	1.0
54.4	Total	51.5*

*Includes £3.0m of costs recharged by Leicestershire County Council

10a. Investment Management Expenses

By Investment Type:

2024/25 £m	Management Expenses £m	Transactional Costs £m	Performance Related Fees £m	Total £m
Equities	0.4	0.1	0	0.5
Government Bonds	0.5	0.1	0	0.6
Index-linked securities	0.3	0.5	0	0.8
Pooled Investment Vehicles	25.8	5.8	6.4	38.0
Pooled property funds	5.3	2.3	0	7.6
Properties	0.4	0	0	0.4
Cash and currency & other balances	0.3	0	0	0.3
Total	32.9	8.8	6.4	48.1

2023/24 £m	Management Expenses £m	Transactional Costs £m	Performance Related Fees £m	Total £m
Equities	0.2	0	0	0.2
Government Bonds	0.4	0.1	0	0.5
Index-linked securities	0.3	(0.2)	0	0.1
Pooled Investment Vehicles	22.7	10.4	9.3	42.4
Pooled property funds	3.7	3.0	0	6.7
Properties	0.3	0	0	0.3
Cash and currency & other balances	0.7	0	0	0.7
Total	28.3	13.3	9.3	50.9

11. Investment Income

2023/24 £m		2024/25 £m
0.5	Dividends from equities	1.2
0.9	Income from Government Bonds	0.8
1.5	Income from index-linked securities	2.3
50.3	Income from pooled investment vehicles	84.1
3.6	Net rents from properties	5.0
19.2	Interest on cash or cash equivalents	26.2
(0.6)	Net Currency Profit / (Loss)	(2.1)
75.5	Total	117.6

11a. Property Income

2023/24 £m		2024/25 £m
6.9	Rental income	6.0
(3.4)	Direct operating expenses	(1.1)
3.6	Total	5.0

No contingent rents have been recognised as income during the period.

12. Investments

	Value at 1 April 2024 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2025 £m
Equities	24.1	50.5	(29.0)	1.9	47.5
Government Bonds	53.7	124.8	(124.0)	(0.1)	54.5
Index-linked securities	250.9	209.3	(208.6)	(22.3)	229.3
Pooled investment vehicles	5,436.7	514.5	(569.9)	201.7	5,583.0
Properties	96.0	0	0	(5.6)	90.4
Derivatives contracts	0.4	0.8	(19.8)	15.9	(2.6)
Cash and currency & other investment balances	513.2	167.7	0	0.9	681.8
Total	6,374.9	1,067.7	(951.2)	192.5	6,683.8

	Value at 1 April 2023 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2024 £m
Equities	20.9	19.2	(16.9)	0.9	24.1
Government Bonds	23.5	70.4	(41.1)	0.9	53.7
Index-linked securities	265.1	114.2	(111.2)	(17.2)	250.9
Pooled investment vehicles	5,206.9	1,653.0	(1,953.0)	529.7	5,436.7
Properties	101.8	0.4	0	(6.2)	96.0
Derivatives contracts	2.7	0	(18.7)	16.5	0.4
Cash and currency & other investment balances	130.4	384.7	0	(1.8)	513.2
Total	5,751.3	2,241.9	(2,141.0)	522.7	6,374.9

The change in the value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Pension Fund Accounts (Notes)

The Fund has the following investments which exceed 5% of the total net value of assets:

2023/24 £m		2024/25 £m
811.6	LGPS Central – All World Equity Climate Multi Factor Fund	843.3
636.3	LGPS Central - Global Equity Active Multi Manager Fund	783.1
349.5	LGPS Central – Multi Asset Credit Multi Manager Fund	426.0
701.4	Legal and General All World Equity Index	735.8
391.1	Internally Managed Cash Balances	557.1
2,889.9	Total	3,345.3

2023/24 £m		2024/25 £m
	<i>Equities</i>	
8.4	UK quoted	15.8
1.3	UK unquoted	1.3
14.4	Overseas quoted	30.4
24.1		47.5
	<i>Government Bonds</i>	
0.7	UK Government Unquoted	0.7
53.0	Overseas Quoted	53.8
53.7		54.5
	<i>Index Linked Securities</i>	
250.9	UK quoted	229.3
250.9		229.3
	<i>Pooled investment vehicles (unquoted)</i>	
315.1	Property funds	358.1
411.0	Private equity	390.9
1,177.2	Bond and debt funds	1,176.7
2,705.1	Equity-based funds	2,758.3
21.9	Commodity-based funds	17.9
124.8	Timberland fund	116.0
11.1	Protection fund	9.9
126.2	Targeted return fund	131.6
544.3	Infrastructure fund	623.7
5,436.7		5,583.0
96.0	Properties UK (Note 14)	90.4
511.7	Cash and currency	680.7
	<i>Derivatives contracts</i>	
2.4	Forward foreign exchange assets	1.0
(2.1)	Forward foreign exchange liabilities	(3.6)
0.4	Sterling Denominated	(2.6)
1.5	Other Investment Balances	1.1
6,374.9	Total Investments	6,683.8

13. Derivatives

The Fund holds derivatives for a number of different reasons. Forward foreign exchange contracts are held to benefit from expected changes in the value of currencies relative to each other. Futures can be held to gain full economic exposure to markets without the requirement to make a full cash investment and can be held to ensure that the Fund's exposures are run efficiently. Options are generally used to express an investment view but can give a much higher economic exposure than is required to be paid for the options – they also ensure that the potential loss is limited to the amount paid for the option.

Forward Foreign Exchange Contracts

All forward foreign exchange contracts are classed as 'Over the Counter' and at the year end the net exposure to forward foreign exchange contracts can be summarised as follows:

Settlement	Currency Bought	Local Value Millions	Currency Sold	Local Value Millions	Asset Value £m	Liability Value £m
Within 1 Month	GBP	24.8	EUR	29.5	0.1	0
	GBP	15.0	USD	18.6	0.6	0
	GBP	4.4	AUD	8.9	0.2	0
	GBP	0.6	JPY	113.6	0	0
	GBP	0.3	EUR	0.3	0	0
1 - 3 Months	GBP	12.0	CAD	12.1	0	0
	GBP	128.4	EUR	128.4	0	0
	GBP	16.7	TWD	16.6	0	0
	GBP	21.6	CNY	21.5	0.1	0
	GBP	3.5	HKD	3.5	0	0
	GBP	3.9	SEK	3.9	0	(0.1)
	GBP	37.6	CHF	37.6	0	0
	GBP	775.4	USD	778.7	0	(3.3)
	EUR	3.0	GBP	2.6	0	0
	USD	101.9	GBP	78.7	0	(0.2)
Open forward currency contracts at 31 March 2025					1.0	(3.6)
Net forward currency contracts at 31 March 2025					(2.6)	
Prior Period Comparison:						
Open forward currency contracts at 31 March 2024					2.4	(2.1)
Net forward currency contracts at 31 March 2024					0.4	

14. Property Investments

31 March 2024 £m		31 March 2025 £m
80.5	Freehold	79.0
10.8	Long Leasehold (over 50 years unexpired)	6.6
4.6	Medium/Short Leasehold (under 50 years unexpired)	4.8
96.0	Total	90.4

All properties, with the exception of the Fund's farm investment, were valued on an open market basis by of Savills (UK) Ltd at 31st March 2025. The Fund's farm was valued on an open market basis by James Forman of Leicestershire County Council. All of the Valuers are Members of the Royal Institute of Chartered Surveyors.

14a Property Holdings

31 March 2024 £m		31 March 2025 £m
101.8	Opening Balance	96.0
	Additions:	
0.4	Subsequent Expenditure	0
(6.2)	Net increase/(decrease) in market Value	(5.6)
96.0	Total	90.4

15. Current Assets and Liabilities

2023/24 £m		2024/25 £m
20.3	Contributions due from employers	21.5
3.4	Other Debtors	3.3
1.1	Cash Balances	1.7
24.8	Current assets	26.5
(2.6)	Due to Leicestershire County Council	(3.0)
(0.9)	Fund Management Fees Outstanding	(1.1)
(4.7)	Other Creditors	(8.7)
(8.2)	Current liabilities	(12.8)
16.6	Net current assets and liabilities	13.7

16. Analysis of Investments by Manager

The Fund employs external investment managers to manage all of its investments apart from an amount of cash and a farm property, which are managed by Leicestershire County Council. This structure ensures that the total Fund performance is not overly influenced by the performance of any one manager.

The market value of investments in the hands of each manager is shown in the table below: -

Pension Fund Accounts (Notes)

31 March 2024			31 March 2025	
£m	%		£m	%
Investments Managed by LGPS Central Pool				
811.6	12.7	All World Equity Climate Multi Factor Fund	843.3	12.6
		Global equities multi-manager fund:		
171.7	2.7	Harris	202.2	3.0
245.6	3.9	Schroders	250.6	3.7
219.0	3.4	Union	214.3	3.2
0	0	Longview	116.1	1.7
		Global Active MAC Multi Manager Fund		
172.3	2.7	Western Asset Management	210.5	3.1
177.2	2.8	CTI	215.6	3.2
		Global Active Investment Grade Corporate Bond MMF		
79.7	1.3	Neuberger Berman	95.5	1.4
79.5	1.2	Fidelity	96.5	1.4
184.6	3.0	Emerging market equities multi-manager funds	0	0
63.2	1.0	Global Active Emerging Market Bond MMF	0	0
134.8	2.1	LGPSC Credit Partnership I LP	35.8	0.5
81.5	1.3	LGPS Central Core/Core Plus Infrastructure Partnership LP	143.9	2.2
0	0	LGPS Central Infrastructure Value Opportunistic	2.8	0
53.3	0.8	LGPSC Credit Partnership IV LP	63.9	1.0
33.3	0.5	LGPSC Credit Partnership II LP	158.1	2.4
9.0	0.1	LGPS Central PE Primary Partnership 2018 LP	9.0	0.1
4.8	0.1	LGPS Central PE Primary Partnership 2021 LP	11.7	0.2
0	0	LGPS Central PE Primary Partnership 2023 LP	6.1	1.1
49.1	0.8	LGPS Central UK Direct Property Fund	68.1	1.0
0	0	LGPS Direct Property Portfolio	87.6	1.3
2,570.3	40.4	Sub Total	2831.3	42.4
Investments Managed outside of Pool				
1,063.4	16.9	Legal & General Investment Management Limited	1,122.8	16.8
397.4	6.1	Internally Managed	563.0	8.4
371.5	5.8	Adams Street Partners L.P.	348.5	5.2
346.6	5.4	Aegon Asset Management Limited	333.0	5.0
242.5	3.9	LaSalle Limited	273.4	4.1
200.1	3.1	Partners Group Limited	123.8	1.9
172.9	2.7	Ruffer LLP	199.9	3.0
168.8	2.6	JP Morgan Asset Management (UK) Limited	168.9	2.5
161.2	2.5	IFM Investors (UK) Ltd	169.9	2.5
126.2	2.0	Fulcrum Asset Management	131.6	2.0
124.8	2.0	Stafford Capital Partners Limited	116.1	1.7
108.2	1.6	Colliers Capital UK Limited	0	0
65.6	1.1	Cristofferson, Robb & Company Ltd	57.3	0.9
52.1	0.8	Quinbrook	76.5	1.1
50.1	0.8	DTZ Investment Management	49.9	0.7
49.2	0.7	Kravis Kohlberg Roberts & Co. Ltd	41.8	0.6
47.1	0.7	M&G	40.3	0.6
31.5	0.5	Infracapital	19.9	0.3
24.4	0.4	Aberdeen Standard Life Limited	14.6	0.2
1.2	0	Catapult Venture Managers Limited	0.9	0
0	0	Van Lanschot Kempen	0.2	0
3,804.8	59.6	Sub Total	3,852.3	57.5
6,375.0	100.0	Grand Total	6,683.8	100.0

17. Custody of Assets

All the Fund's directly held assets are held by external custodians and are therefore not at risk from the financial failure of any of the Fund's investment managers. Most of the pooled investment funds are registered with administrators that are independent of the investment manager.

18. Operation and Management of fund

Details of how the Fund is administered and managed are included in the Pension Fund Annual Report.

19. Employing bodies and fund members

A full list of all bodies that have active members within the Fund is included in the in the Pensions fund annual report available from the fund website.

20. Fair value – basis of valuation

Unquoted equities in LGPS Central asset pool are valued at cost, as an appropriate estimate of fair value. All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of Asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting valuations provided
Market quoted Investments (equities and bonds)	Level 1	Published bid market price ruling on final day of the accounting period	Not required	Not required
Market quoted pooled funds	Level 1	Closing bid price or closing single price at reporting date	Not required	Not required
Forward foreign exchange contracts	Level 1	Market forward exchange rates at reporting date	Not required	Not required
Pooled investment vehicles	Level 2	Fair value based on the weekly market quoted prices of the respective underlying securities	When considering the fair value of assets which are not at the reporting date, the price of a recent transaction for an identical asset provides evidence of fair value	Not Required
Unquoted Equity (including Private Equity, Infrastructure and Timberland)	Level 3	Value is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	Earnings before interest, tax, depreciation, and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.

Pension Fund Accounts (Notes)

Private Debt	Level 3	Valued at fair value in accordance with International Valuation Standards and investment managers valuation policy	Comparable valuation of similar assets, EBITDA multiple, Revenue multiple, Discounted cash flows, Enterprise value estimation	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.
Pooled investment vehicles (including targeted return funds, commodity funds and pooled property funds)	Level 3	Stated at bid price quoted or closing single market price	Net asset value (NAV) based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts of the underlying assets.
Freehold and Leasehold Property	Level 3	Stated at open market value based on expert valuation provided by a RICS registered Valuer and in accordance with RICS guidelines.	Existing lease terms and rentals, independent market research, tenant covenant strength, estimated vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or discount rate could affect valuations

Sensitivity of assets valued at Level 3

The table below details the Fund's review of financial information as provided by independent advisors. The valuation methods detailed above are likely to be accurate to within the ranges and, as set out below, the consequent potential impact on the closing value of investments at 31 March 2025 and 31 March 2024.

Asset Type	Value at 31 March 2025 £m	Percentage change %	Value on increase £m	Value on decrease £m
Equities	1.3	27	1.7	0.9
Government Bonds	0.7	5	0.7	0.7
Pooled Investment Vehicles				
- Pooled property funds	358.1	21	433.3	282.9
- Pooled private equity funds	390.8	27	496.3	285.3
- Pooled bond and debt funds	494.5	9	539.0	450.0
- Pooled commodity funds	17.9	19	21.3	14.5
- Pooled timberland fund	116.1	15	133.5	98.7
- Pooled infrastructure fund	623.7	15	717.3	530.1
Properties	90.5	15	104.1	76.9
Total assets available to pay benefits	2,093.6		2,447.2	1,740.0

Asset Type	Value at 31 March 2024 £m	Percentage change %	Value on increase £m	Value on decrease £m
Equities	1.3	31	1.7	0.9
Government Bonds	0.7	6	0.7	0.7
Pooled Investment Vehicles				
- Pooled property funds	315.1	21	381.3	248.9
- Pooled private equity funds	410.9	31	538.3	283.5
- Pooled bond and debt funds	545.2	11	605.2	485.2
- Pooled commodity funds	21.9	19	26.1	17.7
- Pooled targeted return funds	0.0	8	0.0	0.0
- Pooled timberland fund	124.8	14	142.3	107.3
- Pooled infrastructure fund	544.3	14	620.5	468.1
Properties	96.0	16	111.4	80.6
Total assets available to pay benefits	2,060.2		2,427.5	1,692.9

20a. Valuation of financial instruments and non-financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of the information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprised quoted equities, quoted fixed interest securities, quoted index-linked securities and quoted pooled investment vehicles where the underlying assets fall into one of these categories.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, hedge funds and infrastructure, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Leicestershire County Council Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The values of the investment in hedge funds and infrastructure are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

Pension Fund Accounts (Notes)

The following tables provide an analysis of the financial and non-financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31st March 2025				
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial and non-financial assets at fair value	2,779.3	1,132.7	2,093.6	6,005.6
Financial liabilities at fair value	(3.6)	0.0	0.0	(3.6)
Net financial and non-final assets carried at fair value	2,775.7	1,132.7	2,093.6	6,002.0

The above table excludes cash and cash equivalents of £680.7m and other investment balances of £1.1m which are carried at amortised cost.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31st March 2024				
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial and non-financial assets at fair value	2,729.3	1,074.5	2,060.2	5,864.0
Financial liabilities at fair value	(2.0)	0	0	(2.0)
Net financial and non-final assets carried at fair value	2,727.3	1,074.5	2,060.2	5,862.0

The above table excludes cash and cash equivalents of £511.6m and other investment balances of £1.5m which are carried at amortised cost.

20b. Reconciliation of asset held at level 3

	Value at 1 April 2024	Purchases	Sales	Realised gains / (losses)	Unrealised gains or (losses)	Value at 31 March 2025
	£m	£m	£m	£m	£m	£m
Equities	1.3	0	0	0	0	1.3
Government Bonds	0.7	0	0	0	0	0.7
Pooled Investment Vehicles						
- Pooled property funds	315.1	52.9	(26.7)	6.0	10.8	358.1
- Pooled private equity funds	410.9	33.3	(59.2)	22.2	(16.4)	390.8
- Pooled bond and debt funds	545.2	92.0	(135.2)	16.3	(23.8)	494.5
- Pooled commodity funds	21.9	16.2	(16.2)	(6.1)	2.1	17.9
- Pooled timberland funds	124.8	14.0	(8.9)	1.4	(15.2)	116.1
- Pooled Infrastructure funds	544.3	88.3	(30.7)	9.7	12.1	623.7
Properties	96.0	0	0	0	(5.5)	90.5
Total	2,060.2	296.7	(276.9)	49.5	(35.9)	2,093.6

	Value at 1 April 2023	Purchases	Sales	Realised gains / (losses)	Unrealised gains or (losses)	Value at 31 March 2024
	£m	£m	£m	£m	£m	£m
Equities	1.3	0	0	0	0	1.3
Government Bonds	0.7	0	0	0	0	0.7
Pooled Investment Vehicles						
- Pooled property funds	305.7	57.9	(38.7)	12.4	(22.2)	315.1
- Pooled private equity funds	423.2	26.1	(51.6)	29.3	(16.1)	410.9
- Pooled bond and debt funds	510.0	119.2	(96.2)	25.2	(13.0)	545.2
- Pooled commodity funds	21.3	20.0	(20.7)	(1.1)	2.4	21.9
- Pooled targeted return funds	144.4	0	(148.6)	4.2	0	0
- Pooled timberland funds	126.3	0	(3.1)	0.8	0.8	124.8
- Pooled Infrastructure funds	470.5	97.1	(41.9)	8.9	9.7	544.3
Properties	101.8	0.4	0	0	(6.2)	96.0
Total	2,105.2	320.7	(400.8)	79.7	(44.6)	2,060.2

21. Classification of Financial Instruments

2023/24 £m			2024/25 £m		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
24.1	0	0	47.5	0	0
53.7	0	0	54.5	0	0
250.9	0	0	229.3	0	0
5,436.7	0	0	5,583.0	0	0
2.4	0	0	1.0	0	0
0	511.7	0	0	680.7	0
0	1.5	0	0	1.1	0
5,767.8	513.2	0	5,915.2	681.8	0
(2.1)	0	0	(3.6)	0	0
0	0	(6.4)	0	0	(10.1)
(2.1)	0	(6.4)	(3.6)	0	(10.1)

The value of debtors and creditors reported in the Notes to the Statement of Accounts are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors. The following gains and losses are recognised in the Fund Account:

2023/24 £m		2024/25 £m
	Financial Assets	
532.9	Fair value through profit and loss	200.8
	Financial Liabilities	
(2.1)	Fair value through profit and loss	(3.6)
530.8	Total	197.2

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements. The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

22. External Audit Fee

2023/24 £		2024/25 £
95,123	Payable in respect of external audit	98,470
95,123	Total	98,470

23. Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's required cash flows. These investment risks are managed as part of the overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with Leicestershire County Council's Local Pension Committee (formerly called the Pension Fund Management Board).

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, Leicestershire County Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks via an annual strategy review which ensures that market risk remains within acceptable levels. On occasion equity futures contracts and exchange traded option contracts on individual securities may be used to manage market risk on investments, and in exceptional circumstances over-the-counter derivative contracts may be used to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such investments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. For all investments held by the Fund, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure that it is within the limits specified in the Fund's investment strategy.

Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, Leicestershire County Council has determined that the following movements in market prices risk are reasonably possible for the 2024/25 reporting period:

Asset type	Potential market movements (+/-)
Index Linked Gilts (medium)	7%
Fixed Interest Gilts (medium)	5%
Private equity	27%
Property	15%
Commodities	19%
Global Distressed Debt	14%
Emerging Markets Equity Unhedged	24%
Unlisted Infrastructure Equity	15%
Diversified Growth Fund (medium equity beta)	9%
Multi Asset Credit (sub inv grade)	6%
All World Equity GBP Unhedged	18%
Direct Lending (Private Debt) GBP Hedged	9%
Corporate Short AA Low	4%
Corporate Medium BBB	8%
Asia-Pacific Equity Hedged	19%
European Equity Hedged	18%
US Equity Hedged	19%
Japan Equity Hedged	18%
UK REITs GBP	21%

The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of assets. The sensitivities are consistent with the assumptions contained in the annual strategy review and the analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown in the second table):

Pension Fund Accounts (Notes)

Asset Type	Value at 31 March 2025 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	17.1	18%	20.2	14.0
Overseas equities	30.4	18%	35.9	24.9
UK Corporate Bonds	0.7	7%	0.7	0.7
Global Government Bonds	283.1	7%	301.8	264.4
Pooled property funds	358.1	21%	433.3	282.9
Pooled private equity funds	390.8	27%	496.3	285.3
Pooled bond and debt funds	1,176.6	8%	1,266.1	1,087.1
Pooled Protection funds	9.9	9%	10.8	9.0
Pooled equity funds	2,758.1	18%	3,254.6	2,261.6
Pooled commodity funds	17.9	19%	21.3	14.5
Pooled targeted return funds	131.6	9%	143.4	119.8
Pooled timberland fund	116.1	15%	133.5	98.7
Pooled infrastructure fund	623.7	15%	717.3	530.1
UK property	90.5	15%	104.1	76.9
Cash and currency	680.7	0%	680.7	680.7
Other investment balances, current assets and current liabilities	(1.5)	0%	(1.5)	(1.5)
Total assets available to pay benefits	6,683.8		7,618.6	5,749.1

Asset Type	Value at 31 March 2024 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	9.7	16%	11.3	8.1
Overseas equities	14.4	16%	16.7	12.1
UK Corporate Bonds	0.7	7%	0.7	0.7
Global Government Bonds	303.9	7%	324.6	283.2
Pooled property funds	315.1	21%	381.3	248.9
Pooled private equity funds	410.9	31%	538.3	283.5
Pooled bond and debt funds	1,177.4	9%	1,286.8	1,068.0
Pooled Protection funds	11.1	8%	12.0	10.2
Pooled equity funds	2,705.2	16%	3,151.0	2,259.4
Pooled commodity funds	21.9	19%	26.1	17.7
Pooled targeted return funds	126.2	8%	136.3	116.1
Pooled timberland fund	124.8	14%	142.3	107.3
Pooled infrastructure fund	544.3	14%	620.5	468.1
UK property	96.0	16%	111.4	80.6
Cash and currency	511.6	0%	511.6	511.6
Other investment balances, current assets and current liabilities	1.9	0%	1.9	1.9
Total assets available to pay benefits	6,374.9		7,272.4	5,477.3

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Pension Fund Accounts (Notes)

The Fund is not highly exposed to interest rate risk, but monitoring is carried out to ensure that the exposure is close to the agreed asset allocation benchmark. The Fund's direct exposure to interest rate movements as at 31st March 2025 and 31st March 2024 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

As at 31 March 2024 £m	Asset type	As at 31 March 2025 £m
511.6	Cash and Currency	680.7
303.9	Fixed interest securities	283.1
815.5	Total	963.8

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets to pay benefits. A 1% movement in interest rates (100 BPS) is consistent with the level of sensitivity expected within the Fund's asset allocation strategy and the Fund's investment advisors expect that long-term average rates are expected to move less than 100 BPS from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Exposure to interest rate risk	Carrying amount	Impact of increase	Impact of decrease
	£m	+100 BPS £m	-100 BPS £m
Cash and Currency	680.7	680.7	680.7
Fixed interest securities	283.1	245.1	326.1
Total (as at 31 March 2025)	963.8	925.8	1,006.8
Cash and Currency	511.6	511.6	511.6
Fixed interest securities	303.9	260.9	354.6
Total (as at 31 March 2024)	815.5	772.5	866.2

Assets exposed to interest rate risk:

Exposure to interest rate risk	Interest receivable	Impact of increase	Impact of decrease
	£m	+100 BPS £m	-100 BPS £m
Cash and Currency	26.2	32.2	20.2
Fixed interest securities	3.1	3.1	3.1
Total (2024/25)	29.3	35.3	23.3

Pension Fund Accounts (Notes)

Cash and Currency	19.2	22.4	16.0
Fixed interest securities	2.4	2.4	2.4
Total (2023/24)	21.6	24.8	18.4

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk in financial instruments that are denominated in any other currency other than sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than sterling.

The Fund's currency rate risk is actively managed and the neutral position is to hedge 30% of the exposure back to sterling. The table below summarises the Fund's currency exposure if it was unhedged as at 31st March 2024 and as at the previous period end:

Asset value as at 31 March 2024 £m	Currency exposure – asset type	Asset value as at 31 March 2025 £m
14.4	Overseas equities	30.4
25.3	Overseas government bonds	50.4
978.7	Overseas pooled investment vehicles	957.3
39.8	Overseas cash and currency	51.1
1,058.2	Total overseas assets	1,089.2

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment advisors, it is considered that the likely volatility associated with foreign exchange rate movements is 6.3% (as measured by one standard deviation).

An 6.3% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of the long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

An 6.3% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Current exposure – asset type	Asset value as at 31 March 2025 £m	Change to net assets available to pay benefits	
		6.3% £m	-6.3% £m
Overseas equities	30.4	32.3	28.5
Overseas government bonds	50.4	53.6	47.2
Overseas pooled investment vehicles	957.3	1,018.0	896.6
Overseas cash and currency	51.1	54.3	47.9
Total change in assets available	1,089.2	1,158.2	1,020.2

Current exposure – asset type	Asset value as at 31 March 2024	Change to net assets available to pay benefits	
	£m	8.9% £m	-8.9% £m
Overseas equities	14.4	15.7	13.1
Overseas government bonds	25.3	27.6	23.0
Overseas pooled investment vehicles	978.7	1,065.8	891.6
Overseas cash and currency	39.8	43.3	36.3
Total change in assets available	1,058.2	1,152.4	964.0

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

Deposits are not made with banks and financial institutions unless they are rated independently and have a high credit rating. Many of the Fund's investment managers use the money market fund run by the Fund's custodian to deposit any cash within their portfolios, although one manager (Kames Capital) lends cash directly to individual counterparties in the London money markets. Any cash held directly by the Fund is deposited in an Aberdeen Standard Life Money Market Fund.

The Fund believes it has managed its exposure to credit risk and has never had any experience of default of uncollectible deposits. The Fund's cash holding at 31st March 2025 was £680.7m (31st March 2024: £511.6m).

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. All of the Fund's cash holdings are available for immediate access, although on some occasions this will involve withdrawing cash balances from the portfolios of investment managers.

The Fund is allowed to borrow to meet short-term cash flow requirements, although this is an option that is only likely to be used in exceptional circumstances.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash. As at 31st March 2025 the value of illiquid assets (considered to be the Fund's investments in property, hedge funds, private equity, timberland and infrastructure) was £1.6bn, which represented 24% of total Fund assets. (31st March 2024: £1.5bn, which represented 23% of total Fund assets).

The Fund remains cash flow positive for non-investment related items so there is no requirement to produce detailed cash flow forecasts. All investment related cash flows are known about sufficiently far in advance that they can be covered by taking action in a manner that is both cost-effective and in line with the Fund's investment strategy. All financial liabilities at 31st March 2025 are due within one year.

Refinancing Risk

The key risk is that the Fund will be forced to sell a significant proportion of its financial instruments at a time of unfavourable interest rates, but this appears a highly unlikely scenario. The Fund's investment strategy and the structure of its portfolios have sufficient flexibility to ensure that any required sales are considered to be the ones that are in the best financial interests of the Fund at that time. There are no financial instruments that have a refinancing risk as part of the Fund's treasury management and investment strategies.

Securities Lending

The Fund ceased to take part in securities lending activities towards the end of the 2017/18 financial year and there was no stock on loan at 31 March 2025.

Reputational Risk

The Fund's prudent approach to the collective risks listed above and through best practice in corporate governance ensures that reputational risk is kept to a minimum.

24. Related Party Transactions

Leicestershire County Council (LCC) is the administering authority for the Local Government Pension Scheme (LGPS) within Leicestershire and is one of the major employers within the scheme. Information regarding key management personnel is provided within the main accounts of Leicestershire County Council. Members and officers of the Council involved in managing the Fund are allowed to be members of the LGPS. All transactions between Leicestershire County Council and the Fund and all benefit payments from the Fund are in accordance with the regulations governing the LGPS. There are no transactions therefore that are made on a different basis from those with non-related parties.

During the reporting period LCC incurred costs of £3.0m in relation to administration and management of the Fund, the full amount has been recharged to the Fund, and is recognised in the expenses outlined in note 10 above. As at the 31 March 2025 £3.0m of this was a creditor balance in the Fund accounts. Contributions of £75.1m were receivable from LCC during 2024/25 (£71.8m 2023/24) of which £5.7m was still outstanding at 31 March 2025 (£5.6m at 31 March 2024).

LGPS Central Ltd has been established to manage, on a pooled basis, investment assets of nine Local Government Pension Schemes across the Midlands. It is jointly owned in equal amounts by the eight Administering Authorities participating in the Pool. £1.3m is invested in the share capital and £0.7m in a corporate bond with LGPS Central Ltd. During 2024/25 a total of £1.2m (£1.7m 2023/24) was payable to LGPS Central Ltd for governance, operator and product development fees. Of these £0.3m was a creditor balance at the year end. As at 31 March 2025, £2.8bn of LCC LGPS investments were managed by LGPS Central Ltd (£2.6bn as at 31 March 2024).

25. Contingent Liabilities and Contractual Commitments

When a member has left the Pension Fund before accruing sufficient service to qualify for a benefit from the scheme, they may choose either a refund of contributions or a transfer value to another pension fund. There are a significant number of these leavers who have not taken either of these options and as their ultimate choice is unknown, it is not possible to reliably estimate a liability. The impact of these 'frozen refunds' has, however, been considered in the calculation of the actuarial liabilities of the fund.

If all of these individuals choose to take a refund of contributions the cost to the Fund will be around £3m, although the statutory requirement of the Fund to pay interest to some members would increase this figure. Should all of the members opt to transfer to another scheme the cost will be considerably higher.

At 31st March 2025, the Fund had the following contractual commitments: -

	31-Mar-24 £m	31-Mar-25 £m
Patria (formerly Aberdeen Standard Life Capital SOF III)	8.4	7.5
Adams Street Partners L.P.	69.8	125.6
Infracapital Greenfield Partners I Fund	1.8	0.7
M & G Debt Opportunities Funds IV	0.8	1.9
KKR Global Infrastructure	7.2	6.0
Stafford International Timberland & Carbon Offset Funds	53.3	38.3
LGPS Central PE Primary Partnership 2018 LP	1.8	1.5
LGPSC Credit Partnership IV	60.8	47.1
LGPSC Credit Partnership II LP	106.8	83.0
LGPSC Credit Partnership I LP	29.1	27.7
LGPS Central Core/Core Plus Infrastructure Partnership LP	52.9	96.4
LGPS Central PE Primary Partnership 2021 LP	24.9	19.3
LGPS Central PE Primary Partnership 2023 LP	40.0	73.7
LGPS Central UK Direct Property	69.3	51.0
LGPS Central Value Add /Opp Infrastructure Partnership	0.0	27.2
LGPS Central Low Return 23/24	0.0	180.0
LGPS Central Real assets 23/24	0.0	100.0
CRC Capital Release Fund VI	0.0	32.0
Quinbrook Infrastructure Partners	46.9	30.9
Partners Group Multi Asset Credit VI and VII	11.7	9.5
Total	585.5	959.5

The fund is aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case and considers that there is potential for the outcome of this case to have an impact on Leicestershire County Council Pension Fund. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case, the judge ruled that alterations to the scheme rules were void and ineffective due to the absence of this written actuarial confirmation. The case was taken to the Court of Appeal, and the original ruling was upheld in July 2024.

As a result, there may be a further liability to the Employer's share of Leicestershire County Council Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid. The Government Actuary's Department bulletin in November 2024 states that HM Treasury does not believe the Virgin Media Case expressly addresses whether confirmation is required for public service pension schemes. Their view is that the relevant amendments in the LGPS would have been made by legislation and therefore would remain valid until revoked or

repealed by subsequent legislation or declared void by a court. At this point, it is therefore not possible to estimate the potential impact, if any, on Leicestershire County Council Pension Fund.

The Government will therefore introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. On 2nd September 2025, the Government published amendments to the Pension Schemes Bill to allow the retrospective validation of amendments which may have otherwise been invalid, this followed the Court of Appeal's decision in the Virgin Media case.

25a. Key Management Personnel

The fund has identified the Director of Corporate Resources (LCC) and the Assistant Director Finance, Strategic Property and Commissioning (LCC) as key management personnel with the authority and responsibility to control or exercise significant influence over the financial and reporting decisions of the fund. The combined compensation for these officers attributable to Leicestershire County Council Pension Fund is shown below:

2023/24 £000s		2024/25 £000s
27.1	Short-term benefits	27.2
8.0	Pension contributions	8.0
35.1	Total	35.2

26. Additional Voluntary Contributions (AVC's)

The Fund has an arrangement with Prudential whereby additional contributions can be paid to them for investment, with the intention that the accumulated value will be used to purchase additional retirement benefits. AVCs are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. During 2024/25 £3.8m in contributions were paid to Prudential. The capital value of all AVC's at year end 31 March 2025 was £21.7m.

27. Policy Statements

The Fund has a number of policy statements which can be found on the [LPGS website](#). They have not been reproduced within the Accounts, as in combination they are sizeable, and it is not considered that they would add any significant value to most users of the accounts. The Statements are :

Investment Strategy Statement, Administration and Communication Strategy, Funding Strategy Statement.

28. Compliance Statement

Income and other taxes

The Fund has been able to gain either total or partial relief from local taxation on the Fund's investment income from eligible countries. The Fund is exempt from UK Capital Gains and Corporation tax.

Self-investment

There has been no material employer related investment in 2024/25 (or 2023/24). There were occasions on which contributions were paid over by the employer later than the statutory date and these instances are technically classed as self-investment. In no instance were the sums involved material, and neither were they outstanding for long periods.

Calculation of transfer values

There are no discretionary benefits included in the calculation of transfer values.

Pension Increase

All pension increases are made in accordance with the Pensions Increase (Review) Order 1997.

Changes to LGPS

All changes to LGPS are made via the issue of Statutory Instruments by Central Government.

Leicestershire County Council Pension Fund (the Fund)

Actuarial Statement for 2024/25

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated February 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants.
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates.
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy.
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.
- where appropriate, ensure fairness between employers and between different generations of tax-payers.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 17 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,790 million, were sufficient to meet 105% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £283 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.4% pa
Salary increase assumption	3.4% pa
Benefit increase assumption (CPI)	2.9% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	24.4 years
Future Pensioners*	22.3 years	25.9 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025, however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

Jamie Baxter FFA C.Act

09 May 2025

For and on behalf of Hymans Robertson LLP

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2024/25 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Leicestershire County Council Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit.
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2025	31 March 2024
Active members (£m)	2,222	2,490
Deferred members (£m)	903	1,087
Pensioners (£m)	1,963	2,249
Total (£m)	5,088	5,826

The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2025 and 31 March 2024. I estimate that the impact of the change in financial assumptions to 31 March 2025 is to decrease the actuarial present value by £958m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £12m.

Financial assumptions

Year ended	31 March 2025	31 March 2024
	% p.a.	% p.a.
Pension Increase Rate (CPI)	2.75%	2.75%
Salary Increase Rate	3.25%	3.25%
Discount Rate	5.80%	4.85%

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.0 years	23.9 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	21.7 years	25.3 years

All other demographic assumptions are unchanged from last year and are as per the latest funding valuation of the Fund.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2025	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	92
1 year increase in member life expectancy	4%	204
0.1% p.a. increase in the Salary Increase Rate	0%	4
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	88

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2025' which identifies the appropriate reliance's and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by: -

Tom Hoare FFA C Act

12 May 2025

For and on behalf of Hymans Robertson LLP

Statement of Responsibilities for Leicestershire County Council Pension Fund

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of the financial affairs of its Pension Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

THE DIRECTOR OF CORPORATE RESOURCES RESPONSIBILITIES

The Director of Corporate Resources is responsible for the preparation of the Authority's Pension Fund Statement of Accounts in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Director of Corporate Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.
- Kept proper accounting records which were up to date,
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessed the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Pension Fund will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the Leicestershire County Council Pension Fund as at 31 March 2025 and its income and expenditure for the year ended the same date.

DECLAN KEEGAN
DIRECTOR OF CORPORATE RESOURCES
24 NOVEMBER 2025

Independent auditor's report to the members of Leicestershire County Council

To follow

Independent auditor's report to the members of Leicestershire County Council on the pension fund financial statements of Leicestershire County Council Pension Fund

To follow

Annual Governance Statement (AGS) 2024-25

1. Introduction

Leicestershire County Council (the Council) is responsible for ensuring that its business is conducted in accordance with prevailing legislation, regulation and government guidance and that proper standards of stewardship, conduct, probity, and professional competence are set and adhered to by all those representing and working for and with the Council. This ensures that the services provided to the people of Leicestershire are properly administered and delivered economically, efficiently, and effectively. In discharging this responsibility, the Council must have in place a solid foundation of good governance and sound financial management.

Regulations 6 (1) (a) and (b) of the Accounts and Audit Regulations 2015 (the Regulations) require each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control. The preparation and publication of an AGS, in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework' 2016 (the Framework), fulfils the statutory requirement of the Regulations. The AGS encompasses the governance system that applied in both the Authority and any significant group entities (e.g. ESPO, EMSS) during the financial year being reported.

2. What is Corporate Governance?

Corporate Governance is defined as how organisations ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and accountable manner. The Council's governance framework comprises the systems and processes, cultures, and values by which the Council is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The Framework sets the standard for local authority governance in the UK and the Council is committed to the principles of good corporate governance contained in the Framework. The seven principles (A-G) are listed in the Annex. Each principle scored 'Good' meaning conformance against most of the areas of the benchmark is good, although there may be minor developments required but with a limited impact on the ability to achieve departmental and Council objectives. Strategic, reputational and/or financial risks are minor, and performance is generally on track.

The Council has developed, adopted, and continued to maintain a Local Code of Corporate Governance which sets out the way the Council meets the principles outlined in the Framework. [The Code can be found on the LCC internet.](#)

3. Leicestershire's Vision and Outcomes

The County Council's Annual Delivery Report and Performance Compendium 2024 is part of the Council's policy framework and, as such, required the approval of the full County Council at its meeting on 4 December 2024. The documents provide performance data which will help the Council and its partners to ensure services continue to meet standards, provide value for money and that outcomes are being achieved for local people. It is best practice in performance management, and part of the Council's Internal Governance Framework, to undertake a review of overall progress at the end of the year and to benchmark performance against comparable authorities. It is also good practice to produce an annual performance report and ensure that it is scrutinised, transparent, and made publicly available.

The Annual Delivery Report described delivery, progress with implementing agreed plans and strategies, and achievements over the previous 12 months. It largely focused on performance against County Council priorities for community outcomes as set out in its Strategic Plan 2022-26 and other main service strategies. The Report also included information on the financial sustainability and the emergent implications for service demand and outcomes. [The Performance Compendium](#) outlined the inequity in national funding and the Council's Fair Funding proposals, transformation requirements and national and local service pressures, as well as detailed comparative performance metrics.

The Strategic Plan (2022-26), approved by the County Council on 18 May 2022 was refreshed for 2024-26.

4. What the Annual Governance Statement Tells You

The AGS reports on the extent to which the Council has met the requirements of the Local Code of Corporate Governance and the controls it has in place to manage¹ risks of failure in delivering its outcomes. The main aim of the AGS is to provide the reader with confidence that the Council has an effective system of internal control that manages risks to a reasonable level.

The 2024-25 AGS has been constructed by undertaking: -

- A review of the effectiveness of the Council's system of internal control
- Reviewing other forms of assurance
- Action taken on significant governance issues reported in the 2023-24 AGS
- A consideration of any significant governance issues arising during 2024-25
- Future challenges
- Action to Develop Areas Further

5. Review of Effectiveness of the System of Internal Control

To ensure the 2024-25 AGS presents an accurate picture of governance arrangements for the whole Council, each Director was required to complete a 'self-assessment', which provided details of the measures in place within their department to ensure conformance (or otherwise) with the seven core principles of the Local Code of Corporate Governance. Responses were accumulated to provide a high level overview found in the Annex.

A senior officers group met on 5 June 2025 to review the compilation of the AGS. The group comprises

- Director of Law & Governance (the Council's Statutory Monitoring Officer)
- Director of Corporate Resources (the Council's Statutory Chief Financial Officer)
- Head of Democratic Services
- Assistant Chief Executive
- Assistant Director – Finance & Commissioning
- Assistant Director – Corporate Services
- Head of Internal Audit & Assurance Service

The group has previously determined that progressing areas identified for development, should be the responsibility of designated Directors and Heads of Service during 2025-26. A review of progressing the implementation of previous years planned developments will be undertaken. Any previous year's

developments that were not carried forward into 2024-25 or reported through the Corporate Risk Register process will continue to be monitored.

6. Forms of Assurance

The Framework provides examples of policies, systems, and processes that an authority should have in place. Using this guidance, the Council can provide assurance that it has effective governance arrangements. The Council has an approved Local Code of Corporate Governance, and this provides examples of good governance in practice.

The Control Environment of Leicestershire County Council

The Council's Constitution includes Finance and Contract Procedure Rules, and a general Scheme of Delegation to Chief Officers. These translate into key operational internal controls such as: control of access to systems, offices, and assets; segregation of duties; reconciliation of records and accounts; decisions and transactions authorised by nominated officers; and production of suitable financial and operational management information. These controls demonstrate governance structures in place throughout the Council.

Internal Audit Service

The Council's Head of Internal Audit & Assurance Service (HoIAS) ensured that internal audit arrangements conformed to the requirements of the Public Sector Internal Audit Standards (the PSIAS) revised in 2017¹. The PSIAS require an external quality assessment (EQA) every 5 years. An EQA was undertaken in early Spring 2024 and the Assessor concluded that, *'The Leicestershire County Council internal audit service is delivering to a standard that generally conforms (the top rating) with the Public Sector Internal Audit Standards'*. Progress on implementing improvement actions was reported to the Corporate Governance Committee 6 December 2024. The HoIAS also conformed to the governance requirements and core responsibilities of the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019)².

The HoIAS works with the Corporate Management Team to give advice and promote good governance throughout the organisation. The HoIAS leads and directs the Internal Audit Service (IAS) so that it makes a full contribution to and meets the needs of the Authority and external stakeholders, escalating any concerns and giving assurance on the Council's control environment.

There is an Internal Audit Charter (last revised January 2024) mandating the purpose, authority, and responsibility of the internal audit activity. The Charter allows the HoIAS to also be responsible for the administration and development of, and reporting on, the Council's risk management framework. Whilst this does present a potential impairment to independence and objectivity, the HoIAS arranges for any risk management reviews to be overseen by someone outside of the internal audit activity. An independent risk management maturity health check was last undertaken during the autumn of 2018. The next review is planned in the autumn of 2025.

To meet a PSIAS requirement to form an opinion on the overall adequacy and effectiveness of the Council's control environment i.e. its framework of governance, risk management and control, the HoIAS arranges a risk-based plan of audits.

Internal Audit reports often contain recommendations for improvements. The number, type and importance of recommendations determines how the auditor reaches an opinion on the level of assurance that can be given that controls are both suitably designed and are being consistently applied, and that material risks will likely not arise. The combined assessment of individual audit opinions and other assurances gained throughout the year (e.g. involvement in governance groups, attendance at Committees, evaluations of other external assurance provided), facilitate the HoIAS in forming the annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment.

¹ From 1 April 2025, the PSIAS were replaced by the Global Internal Audit Standards (GIAS) in the UK Public Sector. There is still a requirement to have an EQA every 5 years.

² From 1 April 2025, 'organisational responsibilities' listed in the CIPFA Statement, were replaced by a Code of Practice for the Governance of Internal Audit in UK Local Government.

The HoIAS presented his annual report to Corporate Governance Committee on 23 June 2025 and his opinion read: -

Rationale - The HoIAS considers there was sufficient input by LCCIAS across the control environment to be able to give a full opinion. Assurance continued to be supplemented by good relationships with senior management, transparency over reporting significant governance issues in the draft Annual Governance Statement and providing detailed updates to risk positions in the Corporate Risk Register. Currently, six audits either contain high importance (HI) recommendations or a partial assurance rating and were reported in summary to Committee during the year. Because some audits haven't been fully closed there could yet be a few more, lower graded ratings but this will not affect the overall opinion. There was also an increase in the number of reactive investigations which LCCIAS either supported/advised on or led. Whilst these could indicate a weakening control environment, management has continued to accept and respond positively and strongly to LCCIAS recommendations. Nottingham City Internal Audit completed three of its four planned audits of EMSS main financial systems and gave an overall positive opinion.

Opinion - Reasonable assurance is given that the Council's control environment has remained overall adequate and effective during 2024-25.

Risk Management

The Corporate Governance Committee has a responsibility to ensure that an effective risk management system is in place. Risk management is about identifying and managing risks effectively, helping to improve performance and aid decision making relating to the development of services and the transformation of the wider organisation. Regular reports and presentations on specific strategic and corporate risks to the Council are provided to the Corporate Governance Committee.

The Council's Risk Management Policy and Strategy (which provide the framework within which risks can be managed) were reviewed, revised, and approved by the County Council in February 2025. An independent review of the framework is to be scheduled with the Council's new insurers.

Overview and Scrutiny

The cross-party overview and scrutiny function monitors the County Council's financial performance and performance against targets in the Strategic Plan and other related plans on a regular basis. This work is carried out by the Scrutiny Commission and five Overview and Scrutiny Committees which each has responsibility for scrutiny of a particular service area of the Council.

The challenge provided by the overview and scrutiny function has continued to be crucial in shaping Council policy and helping to ensure the delivery of efficient, high-quality services. An annual report which summarised the work undertaken during 2024-25 will be presented to the County Council in July 2025.

Corporate Governance Committee

The Corporate Governance Committee is responsible for promoting and maintaining high standards of corporate governance within the Council and receives reports and presentations that deal with issues that are paramount to good governance. Terms of reference for the Committee were revised in December 2024 and have been categorised to more clearly set out the varied roles and functions of the Committee.

With regard to the promotion and maintenance of high standards of conduct by members and co-opted members within the County Council, the decisions and minutes of the Member Conduct Panel which meets as required are available on the internet.

The Monitoring Officer submits an annual report to the Corporate Governance Committee on the operation of the Members' Code of Conduct and arrangements for dealing with complaints.

Since July 2023 there have been four complaints received by the Monitoring Officer under the Members' Code of Conduct. These complaints were resolved as set out below:

- 1 complaint withdrawn / not progressed by complainant;
- 3 complaints resolved informally;

An increase in complaints since the 2024/25 reporting period is identified in the Auditor's Annual Report for 2024-25 and will be addressed as set out in the section on 'Future challenges' below.

During 2024-25 the Committee has provided assurance that: an adequate risk management framework is in place; the Council's performance is properly monitored; internal and external audit is effective and that there is proper oversight of the financial reporting processes.

An annual report which summarises the key business considered by the Committee during 2024-25 was presented at the meeting in June 2025 and presented to County Council in July 2025.

In accordance with CIPFA best practice guidance and following the approval of the County Council in July 2023, two Independent Members are appointed to the Committee. Independent Members are non-elected representatives and as such do not have voting rights but are part of the Committee in an advisory and consultative capacity. Of the 5 committees held in 2024-25 there was only 1 meeting where at least one of the Independent Members didn't attend.

In January 2024, the Committee undertook a self-assessment of good practice against the revised CIPFA Guidance on Audit Committees. The self-assessment provided a high-level review that incorporated the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022. The results showed a high degree of performance against the good practice principles and is an indicator that the Committee is soundly based and has in place a knowledgeable membership. These are essential factors in developing an effective audit committee. The results of the self-assessment along with a self evaluation of knowledge and skills, were shared with the new committee prior to its meeting on 23 June 2025. The outcomes will be used to support the planning of the Committee's work plan and training plans during 2025-26.

The Chief Financial Officer (CFO)

The Director of Corporate Resources undertakes the statutory role of the Chief Financial Officer (CFO) for the Council. The CFO conforms to the governance requirements and core responsibilities of two CIPFA Statements on the Role of the Chief Financial Officer; in Local Government (2016) and in the Local Government Pension Scheme (2014). The CFO is a key member of the Corporate Management Team and is able to bring influence to bear on all material business decisions, ensuring that immediate and long-term implications, opportunities, and risks, are fully considered and in alignment with the MTFs and other corporate strategies. The CFO is aware of, and committed to, the five key principles that underpin the role of the CFO.

The Financial Management Code

The CIPFA Financial Management Code translates the principles of good financial management into seven Financial Management Standards. These standards address the aspects of an authority's operations and activities that must function effectively if financial management is to be undertaken robustly and financial sustainability is to be achieved.

The Code does not specify the frequency or the financial year compliance should be reported. The previous (January 2024) updated self-assessment retrospectively gave assurance on compliance at the end of the financial year 2022-23. However, other authorities report at the start of each financial year based on the latest MTFs and the position at the time. The Council has taken the latter approach for the latest assessment. This allows reporting of the Council's most up to date position and of any improvements, where needed. The Internal Audit Service undertook a high-level review of the 2025-26 self-assessment against the Code (as of 1 May 2025), and a copy of the assessment was reported to the Corporate Governance Committee in June 2025. Progress against areas for improvement is monitored by the Assistant Director (Finance, Strategic Property & Commissioning)

Local (External) Audit

The Council's local (external) auditors, Grant Thornton LLP, presented the final findings from their planned audit work 2023 -24 to 'those charged with governance' at the Corporate Governance Committee on 6 December 2024.

The Auditor's Annual Report (AAR)

The Auditor's Annual Report (AAR) is a detailed review of the value for money (VfM) arrangements at the Council. The report covered four areas. These were financial sustainability; governance; improving economy, efficiency, and effectiveness and the opinion on the financial statements. Overall, the auditor's report was positive. The external auditor concluded that the Council has a good track record of sound financial management, had strong arrangements in place to manage the financial resilience risks, has a clear and documented governance framework in place that ensures all relevant information is provided and challenged before all major decisions are made. No significant weaknesses were reported. Eight improvement recommendations were made. An action plan tracker has been devised and is being monitored. Some

recommendations have been implemented

Opinion on the Financial Statements

The auditor gave an 'unqualified' opinion on the 2023-24 financial statements for the County Council and its Pension Fund on 24 January 2025 meaning that the external auditor is satisfied that the financial statements present a true and fair view.

Annual Audit Plan for the 2024-25 Accounts

The External Audit Plan and Informing the Audit Risk Assessment was reported to Corporate Governance Committee at its meeting on 31 March 2025.

The Monitoring Officer

The Director of Law & Governance undertakes the statutory role of Monitoring Officer (MO) for the Council. The MO has responsibility for:

- ensuring that decisions taken comply with all necessary statutory requirements and are lawful. Where in the opinion of the MO any decision or proposal is likely to be unlawful and lead to maladministration, he/she shall advise the Council and/or Executive accordingly,
- ensuring that decisions taken are in accordance with the Council's budget and its Policy Framework,
- providing advice on the scope of powers and authority to take decisions.

In discharging this role, the MO is supported by the Deputy Monitoring Officer and officers within the Legal and Democratic Services Teams.

Senior Information Risk Owner

The position of a SIRO is a requirement under the Data Security and Protection Toolkit, the Assistant Director People, Property and Transformation holds the position of the SIRO for the Council. The SIRO takes overall ownership of the Council's approach to handling information risk. The responsibilities of a SIRO include:

- owning the Council's policies, procedures and processes around information risk, ensuring they are implemented consistently across the Council;
- ensuring compliance with all other policies and procedures relating to information and data;
- managing any escalated risks that have been raised by information owners, Information Governance Team, Audit etc;
- acting as a champion on information risk and report to CMT on the effectiveness of risk management;
- leading and fostering a culture that values, protects and uses information for the success of the Council and benefit of our citizens;
- ensuring that the Council has a plan to monitor and improve information and data governance;
- maintaining expertise in Data Protection and other legislation that impact on Information and Data Governance; and
- owning the Council's information incident management framework.

Commercial and Collaborative Bodies Governance Arrangements

Commercial

ESPO is constituted as a joint committee (of six local authorities) set up to provide a comprehensive professional purchasing service to public sector bodies. It is overseen by a Management Committee which has overall strategic responsibility for ESPO. At its meeting on 22 March 2023, the Committee approved changes to the Finance and Audit Subcommittee (the Subcommittee) Terms of Reference, and the Risk Management Policy which provided delegated powers over Internal Audit, External Audit, Risk Management, and the Annual Governance Statement. Internal audit is undertaken by the Council's Internal Audit & Assurance Service as part of the servicing agreement. Like the County Council, the HoIAS presents an annual report to the Subcommittee at its meeting in October. The HoIAS opinion for 2024-25 was, 'No significant governance, risk management or internal control failings have come to the HoIAS' attention

therefore substantial assurance is given that ESPO's control environment overall has remained adequate and effective'.

ESPO Trading Ltd ESPO's power to trade is restricted to a limited number of public bodies. The establishment of a trading company allows ESPO (Trading) to trade with other organisations – e.g. Care Homes, Nurseries, Housing Associations, Charities and Voluntary Organisations. The Trading is governed under the Companies Act 2006, its Articles of Association and Shareholder Agreement.

Eduzone Limited is a private limited company that supplies Early Years educational products and Early Years furniture to schools, nurseries, and child minders. ESPO acquired the company following the necessary due diligence in 2018. The incorporation of Eduzone into ESPO Trading Limited is in progress.

The **Investing in Leicestershire Programme (IILP)** guides the Council's investments in assets not directly used for the delivery of its services, but which contribute to the outcomes of the Council's Strategic Plan and provide a financial return. The Strategy requires reporting to various member bodies. Reporting on the financial performance is included in the budget monitoring reports on a quarterly basis. The IILP Annual Performance Report for 2023-24 was received by the Scrutiny Commission on 6 November 2024 and received by Cabinet on 22 November 2024. The IILP Strategy was received by the Scrutiny Commission and Cabinet alongside the MTFS. In light of the CIPFA Prudential Code, the County Council will continue to ensure that it will only undertake investments where they are directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose. This includes service delivery, housing, and regeneration of areas, which addresses areas of economic or social market failure and should only be made within the Council's area of economic influence. Some investments are made through the Council's Treasury Management strategy to ensure that the holdings are sufficiently diversified and not overly concentrated on property in Leicestershire.

The Council also has a traded service **Leicestershire Traded Services (LTS)**, which sits within the Corporate Resources Department. The quarterly financial and performance reports include the performance of the LTS as part of the Corporate Resources Department and these reports are considered by various member bodies. The Annual Report on the performance of Leicestershire Traded Services during 2023-24 was received by the Scrutiny Commission on 4 September 2024. As required further private briefings have been provided to the commission to ensure that they fully understand the key issues facing LTS. In 2024-25 the Commission requested a workshop, that took place in November 2024, to more closely consider School Food and Beaumanor Hall. The Commission received an exempt report at the March meeting to provide a further update on LTS.

Collaborative

East Midlands Shared Service (EMSS)

EMSS is constituted under Joint Committee arrangements to process payroll/HR and accounts payable and accounts receivable transactions for Leicestershire County Council and Nottingham City Council. The internal audit of EMSS is undertaken by Nottingham City Council (NCCIA).

After some delays, the Interim Head of Internal Audit (HoIA) at NCCIA presented their 2023-24 annual report and opinion on EMSS to the Corporate Governance Committee on 16 September 2024. It concluded that a "moderate" level of assurance can be given regarding the operating effectiveness of the internal control systems reviewed at EMSS, and that no significant issues have come to light through the audit procedures performed.

Resourcing of NCCIA is a major concern with delays in completing the 2023/24 audit and initially reduced capacity to resource the 2024/25 plan. The Chair of Corporate Governance Committee wrote to the Chair of Nottingham City Council Audit Committee raising these concerns and asked them to raise the issues with officers and take any mitigating action required to ensure an adequate Internal Audit service is provided for EMSS that both complies with regulations and provides adequate assurance. The outcome was that NCCIA resources were re-prioritised and three of the four scheduled 2024/25 audits were completed by the middle of February 2025. The fourth was cancelled (with approval from the Head of EMSS) because NCCIA considered that sufficient work had been covered in its external audit and there was a risk of duplication.

For the Head of Internal Audit Opinion – 2024/25, the Interim HoIA at NCC concluded that a "moderate" level of assurance can be given that internal control systems are operating effectively within EMSS and that no significant issues had been discovered.

The situation with the provision of internal audit will continue to be closely monitored.

Additionally, the position with Nottingham City Council issuing a s114 notice and the appointment of Government Commissioners continues to be monitored.

Local Pension Fund

Leicestershire County Council is a scheme manager as defined under the Public Service Pensions Act 2013 (and any associated legislation). The County Council has delegated the responsibility for decisions relating to the investment of the Fund's assets to the Local Pension Committee. Membership consists of Councillors from the County, City and District Council together with one university representative and non-voting employee representatives.

The Local Pension Committee's (the Committee's) principle aim is to consider pensions matters with a view to safeguarding the interests of all Fund members. The Members who sit on the Committee act on behalf of the beneficiaries of the LGPS and in this way have a similar role to trustees in primarily protecting the benefits of the LGPS members, overseeing the direction of investments and monitoring liabilities.

During the past year the team has been preparing for the triennial valuation of Fund. A number of updates have been provided to the Local Pension Committee and Local Pension Board. The valuation of the Fund as at 31 March 2025 will be completed during 2025 with outcomes and recommendations presented to the Local Pension Committee and new employer contribution rates effective from the 1 April 2026.

The Committee considered and revised its Terms of Reference at its meeting in March 2024.

The Local Government Pension Scheme (LGPS) Regulations require that Leicestershire County Council in its capacity as Administering Authority establishes a Local Pension Board (the Board). The purpose of the Board is to assist the Authority in securing compliance with the Regulations, other legislation relating to the governance and administration of the LGPS, the requirements imposed by the Pension Regulator in relation to the LGPS and to ensure the effective and efficient governance and administration of the LGPS.

The Board comprises of employer representatives who are all elected members from the County Council and Leicester City Council and employee representatives. The Administering Authority retains ultimate responsibility for the administration and governance of the Scheme.

The Board considered and revised its Terms of Reference at its meeting in February 2025.

There is a Pension Fund Training Policy which demonstrates to stakeholders the Committee's, the Board's, and Officers' recognition of the importance of knowledge and understanding of pension issues in the effective management of the Fund. Following consideration by the Board this was reviewed and approved by Committee in June 2025.

To identify whether the objectives of the Policy are being met, Fund officers maintain a training log to record training attended by members and officers, as well as requiring members to undertake an annual training needs assessment. Reporting against the policy is presented to the Committee and Board as part of the Fund Annual Report and Accounts and Training Needs Assessment update.

Local Government Pension Scheme (LGPS) - Central Pool

LGPS Central Limited (Central) is authorised and regulated by the Financial Conduct Authority as an asset manager and operator of alternative investment funds that became operational on 1 April 2018.

The Council is joint owner of Central, which manages the pooled assets of eight Midlands-based LGPS, including Leicestershire, with collective assets of approximately £64billion, on behalf of over one million LGPS members and over 3000 participating employers. The Company aims to use the combined buying power of its Partner Funds to reduce costs, improve investment returns and widen the range of available asset classes for investment for the benefit of local government pensioners, employees, and employers.

A range of collaborative governance vehicles has been established reflecting the administering authorities role as stakeholder from two different perspectives. These are as a co-owner of the company, and as a recipient of investment services. These interests are managed through the Shareholders' Forum and Joint Committee. The Shareholders' Forum oversees the operation and performance of Central, representing the ownership rights and

interests of the shareholding councils, ahead of general meetings. In March 2024 shareholders unanimously approved the Company's strategic business plan and budget alongside other resolutions.

The Joint Committee focuses on investor issues and is made up of member representatives of each of the funds. This provides assistance, guidance, and recommendations to the individual councils, taking into consideration the conflicting demands and interests of the participants within the pool. The Joint Committee does not have delegated authority to make binding decisions on behalf of the participating councils.

In June 2024, a new Chief Executive Officer was appointed to Central.

In November 2024 central government consulted on 'Fit for the Future' proposals relating to the investments of the LGPS covering asset pooling, UK and local investment and governance.

The Government published the outcome of this consultation on 29 May 2025 with the main items broadly in line with its original proposals. A number of key measures are listed below:

- Deadline for implementation of pooling of all LGPS assets by 31 March 2026, though flexibility is acknowledged for certain LGPS funds that are moving Pooling Companies (The Leicestershire County Council Pension Fund is not moving Pooling Companies).
- Implementation further defined to include transfer of management and oversight of all assets (public and private investments) to their respective pools.
- The Funds will be required to take principal investment advice from their pool, although they can still seek secondary advice.
- Funds remain responsible for setting the Strategic Asset Allocation (SAA) based around nine named asset classes.
- Funds will be required to set local investment targets and include details within their investment strategy statements with collaboration with local authorities, regional mayors and strategic bodies.
- Introduction of an independent Pool governance review every three years
- A Pension Bill will be introduced with secondary legislation to follow.

Central submitted its plan to central government outlining how it would meet the requirements on the future of the LGPS and received ministerial backing for these plans in late April 2025. Central developed their plan with input from partner funds and extensive engagement with stakeholders.

The Fund will continue to closely engage with Central and partner funds with the implementation of the 'Fit for Future' proposals over 2025-26 and beyond to continue to safeguard the interests of all Fund members.

Pensions internal audit arrangements

An annual update on Internal Audit arrangements was presented to the Council's Local Pension Board in June 2025. This included a summary of work completed during 2024/2025 and work planned for 2025/2026. The internal audit functions of the eight LGPS owners have formed an Internal Audit Working Group (IAWG). The first four-year programme of audit work has now been completed, and the plan has been refreshed for a further four years which covers 2023/24 to 2027/28. The 2024/25 audits were assigned to Leicestershire County Council (Governance), and colleagues at Shropshire Council (Investments).

Active Together

The Director of Public Health represents the Council and is an advisor to the Active Together Board of non-executive directors. There are defined terms of reference which set out the governance arrangements and key tasks of the Board. Underneath the Board is a number of subgroups (drawn from the Board and co-opted others) to provide additional scrutiny of areas of the business.

One of those sub-groups in the 'Business, Oversight and Audit' Committee which oversees business planning, financial and risk reporting, and reports to the Board quarterly. The Assistant Director - Delivery in Public Health is a member of this committee.

Leicester and Leicestershire Business & Skills Partnership

The County Council jointly with Leicester City Council is responsible for business representation, strategic economic planning, and the delivery of government growth, jobs and skills, and innovation programmes. This duty was transferred to upper tier local authorities (UTLAs) following the cessation of Local Enterprise Partnerships. The expectation is that UTLAs work together across our functional economic area. These

arrangements include a Business Board chaired by a private sector business representative, which provides advice to the leaders of the two UTLAs, namely the Leicester City Mayor and the Leader of the County Council, to inform their decisions regarding economic development strategy and investment. The two leaders meet regularly with the Business Board's Chair and attend Business Board meetings. The decision-makers and Business Board are supported by an executive team hosted by the City Council on behalf of the two UTLAs. Transition arrangements were put in place from 1 April 2024 with the former LEP Team continuing to deliver activities whilst the new governance, business representation and staffing arrangements were established. It was considered appropriate that Leicester & Leicestershire Enterprise Partnership (LLEP) Ltd. be retained as a legal entity with a Board comprising City and County senior officers, and for the City Council to formally remain as the Accountable Body. This is to enable existing agreements to which LLEP Ltd is a party to be updated, namely Enterprise Zone business rates agreements. Establishing a new Board required existing LLEP Directors to resign their positions. The two UTLAs have each appointed a senior officer to the Board to replace the former directors and enable legal obligations to be met.

Integrated Care Systems (ICS) & Integrated Care Partnership (ICP)

ICs are partnerships that bring together NHS organisations, and upper tier local authorities across NHS footprint of Leicester, Leicestershire, and Rutland (LLR).

The ICP is a statutory committee jointly formed between the Integrated Care Board (ICB) and all upper-tier local authorities that fall within the ICS area. LCC membership includes the Lead member for Health and Wellbeing, the Director of Public Health, the Director of Adult Social Services and the Director of Children and Family Services.

The ICP is responsible for producing an integrated care strategy on how to meet the health and wellbeing needs of the population in the ICS area. The first Leicester, Leicestershire and Rutland (LLR) Integrated Care Strategy was published in draft in April 2023. It was designed to guide care and health organisations, staff, and the voluntary sector to key areas of focus where, collectively, a difference can be made to improve people's health and wellbeing over the coming years.

The ICB is also a statutory body and is a successor to the 3 Clinical Commissioning Groups (CCGs). The Director of Public Health represents LCC on the ICB, though in an ex officio capacity not as a representative of the Council as a decision-making body, in accordance with NHS requirements. A draft Integrated Care Board 5-Year Joint Forward Plan was presented to the Council's Health & Wellbeing Board on 25 May 2023. The Board agreed that the 5 Year Joint Forward Plan took account of the Leicestershire Health and Wellbeing Strategy

Leicestershire Health and Wellbeing Board

Health and Wellbeing Board acts as a forum in which key leaders from the local health and care system work together to improve the health and wellbeing of the local population and plan how to tackle inequalities in health. This is best achieved by a range of organisations working together and as a result, the Leicestershire Health and Wellbeing Board brings together key organisations: the ICB, District Representatives, NHS England, University Hospitals of Leicester NHS Trust, Leicestershire Partnership NHS Trust, Leicestershire Police, Office of the Police and Crime Commissioner and Healthwatch to ensure patients and service users voices are heard. As part of a review of the Board's governance arrangements at its meeting on 31 October 2023, Voluntary Action Leicester Shire became a member of the Health and Wellbeing Board to provide some context to issues raised from a voluntary and community sector perspective. The Health and Wellbeing Board is chaired by the Council's cabinet lead for Health and the other Council representatives are:

- Lead Members for Adult Social Care & Children & Young People
- The Chief Executive
- The Directors of Public Health, Adults & Communities and Children & Family Services

The Health and Wellbeing Board leads and directs work to improve the health and wellbeing of the population of Leicestershire through the development of improved and integrated health and social care services by: -

- Identifying needs and priorities across Leicestershire (the Place), and publishing and refreshing the Leicestershire Joint Strategic Needs Assessment (JSNA) and Pharmaceutical Needs Assessment so that future commissioning/policy decisions and priorities are based on evidence.

- Preparing and publishing a Joint Health and Wellbeing Strategy and Plan on behalf of the County Council and its partner clinical commissioning group(s) so that work is done across the Place to meet the needs identified in the JSNA in a co-ordinated, planned, and measurable way.
- In conjunction with all partners, communicating and engaging with local people in how they can achieve the best possible quality of life and be supported to exercise choice and control over their personal health and wellbeing.
- Approving the Better Care Fund (BCF) Plan including a pooled budget used to transform local services, so people are provided with better integrated care and support together with proposals for its implementation.
- Having oversight of the use of relevant public sector resources to identify opportunities for the further integration of health and social care services within the Place.

The BCF is reported quarterly regionally and nationally via NHS England (NHSE) and the Local Government Association (LGA) via a nationally prescribed template which is approved quarterly by the Board, a process supported operationally by the Integration Executive. The annual BCF plan is also submitted via NHSE/LGA regionally and nationally and is subject to a prescribed national assurance process against a number of national conditions, metrics, and financial rules.

The 2023–25 BCF Policy Framework was published in April 2023.

The completed year end BCF 2024-25 template, which demonstrates progress against integration priorities and BCF delivery, reported to the Health and Wellbeing Board at its meeting on 29 May 2025, where the Board was asked to approve it for the NHS England submission deadline of 6 June 2025. The work of the Health and Wellbeing Board is reported in an annual report and is also reported in the annual reports of Clinical Commissioning Groups (CCGs).

East Midlands Freeport Limited

The East Midlands Freeport (EMF) is the UK's only inland Freeport and features three main 'tax sites' straddling three East Midlands counties. The EMF brings together a mix of industries, businesses, and other collaborating partners, combining public and private sector expertise. The County Council (which is the accountable body) has participated in governance assurance reviews with MHCLG officials, with satisfactory outcomes.

The Council has acted as the accountable body for EMF since its establishment in 2021 but the Government has now asked for that responsibility to be transferred to the 'East Midlands Combined County Authority' if possible by February 2026. Discussions with the Combined Authority and EMF to enable that are ongoing.

East Midlands Development Company Limited (DevCo)

The County Council was one of five East Midlands local authority owners of EM DevCo Ltd. The company worked with partners from business, academia, and government to develop the local economy and create new jobs.

East Midlands Development Corporation closed during 2024/25, and the functions were transferred to East Midlands Combined County Combined Authority (EMCCA). Leicestershire County Council is not part of the EMCCA.

Enhanced Bus Partnership

This is a partnership between the County Council and the bus operators and is enabled by the 2017 Bus Services Act and Transport Act 2000, so has a legal status, but is not mandatory. Local authorities which wanted to be able to access Bus Service Improvement Plan (BSIP) funding had to establish a partnership and therefore every top tier authority has one.

An Enhanced Partnership Board is the key oversight body of the Enhanced Partnership and BSIP delivery. Membership consists of 2 large, 2 medium and 2 small bus operator representatives (voting), 2 County Council representatives (voting, with decision veto powers), 2 district/borough council representatives (non voting) and an independent chair (non voting).

7. Significant Governance Issues & Action Taken on Those Previously Reported

The Council has defined a 'significant governance issue' as one that is intended to reflect something that has happened in the year, or which is currently being experienced and meeting any of the following criteria:

- A. The issue has seriously prejudiced or prevented achievement of a principal objective of the authority;
- B. The issue has resulted in a need to seek additional funding to allow it to be resolved or has resulted in significant diversion of resources from another aspect of the business;
- C. The issue has led to a material impact on the accounts;
- D. Corporate Governance Committee has advised that the issue should be considered as a 'significant' issue for reporting in the AGS;
- E. The Head of Internal Audit Service has reported on the issue as significant, for reporting in the Annual Governance Statement, in the annual opinion on the internal control environment;
- F. The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
- G. The issue has resulted in formal action being taken by the Chief Financial Officer and/or Monitoring Officer;
- H. The issue has resulted in a Legal breach;
- I. The issue prompts intervention from a regulator.

Progress that has been made in dealing with the governance issues that were identified in the 2022-23 final AGS are detailed below:

Issue Area for Improvement (AGS) 2023-24	Lead Officer and Date	Progress during 2024-25
Environment & Transport Department During 2023-24, there were a number of investigations undertaken into working arrangements within the Highway & Transport Branch. Recommendations from the investigations were accepted by management and they have been transferred into a consolidated action plan. The Assisted Transport Improvement Board has been established, chaired by the Director and the Board's membership contains senior management representatives (E&T, HR, Commercial Services, Transformation, Legal, Internal Audit and Finance). The Board provides the necessary oversight of changes requiring rapid implementation and will align to (but not be responsible for) the management of complex, longer term improvement projects and initiatives. This work will continue be overseen by the Assisted Transport programme Delivery Board.	Director of Environment & Transportation December 2024 Update January 2025 – the Department reported good progress against implementing actions. Update November 2025 The HoIAS will review the implementation of actions and revised governance arrangements by the end of December.	The investigations did not identify any fraud issues and there was evidence of improvements to processes. The Internal Audit Service review of the implementation of actions and the revised governance arrangements (originally scheduled for the end of January 2025) will now be undertaken by the end of June.

Capital Programme The Council has a number of large, complex capital projects in progress which have significant potential risks, such as financial and procurement risks. Inflationary pressures also continue to have an impact on large capital projects. The Council's risk management approach to major capital schemes will be reviewed to ensure risks are appropriately managed from project inception and that appropriate risk contingencies are maintained.	Director of Corporate Resources October 2024 Update January 2025 - Lessons learned from large capital schemes is being used to inform the way future tenders are completed. There are continual actions underway to monitor and improve the risk. Update November 2025 Building on this work the Council is now focussed on improved risk management at a programme wide level taking account of the diverse and significant capital programme, made of various strands including, major schemes, asset management programmes, pipeline schemes, minor highways and transport works, flood risk schemes, safety schemes as well as schemes funded from developer income. As the programme expands and is more diverse following the award of Local Transport Grant, proactive risk management, clear roles and responsibilities and auditable decision making will be the priority using the lessons learned, tools and templates developed through the capital programme improvement project to date.	The Council's risk management approach to major capital schemes has been reviewed to ensure risks are appropriately managed from project inception and that appropriate risk contingencies are maintained. Lessons learned from previous large capital schemes have been undertaken and are being used to inform the way future tenders are completed to minimise and manage future risks. A Capital Programme Improvement Project has established improved governance arrangements and reporting oversight around our large scale capital schemes. This includes monitoring costs against scheduled key milestones and implementation of defined decision points at which future financial implications are assessed. Liabilities are included within contingencies that are routinely tracked and monitored against plan including the implementation of a risk based approach for all major capital programmes. A Procurement Strategy / Contract Award template and process has been introduced to standardise the approach to procurement of major schemes, providing clarity on the key risks and commercials, whilst allowing for appropriate challenge and review at key procurement related gateways.
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8. Significant Governance Issues Arising During 2024-25

This Annual Governance Statement (AGS) identifies that the Council has effective arrangements in place, but that its officers recognise the need to continuously review, adapt and develop governance arrangements to meet the changing needs of the organisation. Whilst the Council has identified areas to be developed (see Annex), it is important to recognise that there are four significant matters set out in the table below.

Significant Governance Issue 2024-25	Lead Officer and Date
Education, Health, and Care Plans Identified in the Auditor's Annual Report (AAR) 2023-24 as an Area for Improvement under improving economy, efficiency and effectiveness – Completion of new Education, Health, and Care Plans (EHCPs) during 22/23 down to 3.8% although noted that improved processes in place and starting to show an increase.	Director of Children & Family Services Ongoing

The number of requests for EHCPs has continued to rise over the last 5 years, with a 25% increase in requests between January and September 2025. The total number of active EHCPs has also increased significantly, with a 13% increase during 2024 and an additional 15% increase in active EHCPs between January and September 2025 to 8,310. As a result of this the timeliness of EHCP had fallen well short of the 20-week expected timescale for completion. However, over the last year a recovery plan has been put in place to bring timeliness back in line with the 20-week timeframe. As a result of this recovery plan, timeliness has begun to improve and at the end of September 2025 it had reached 14% being issued within the 20-week timeframe cumulative performance between January and September, and average duration of plan completion is 24 weeks (down from 62.5 weeks in December 2024). Over the next 3 months, as a result of the recovery plan, timeliness is expected to move to being compliant with the statutory deadline.

Procurement

Identified in the Auditor's Annual Report (AAR) 2023-24 as an Area for Improvement under improving economy, efficiency and effectiveness - Work needs to continue to reduce the number of contract exceptions and extensions that are approved

The Council established a Corporate Procurement Board in January 2024 which must approve all exceptions. Contract extensions also need to be approved by Corporate Procurement Board in specific circumstances. The Council has also improved its use of procurement pipelines so that closer attention is given to contracts that may be nearing their end date or value. These actions, in conjunction with regular training, communication and the procurement toolkit have reduced the number of exceptions that have been required over the last 12 months from 116 in 2023-24 to 104 in 2024-25. The Corporate Procurement Board remains in place and the number of exceptions is continuing to reduce, with 17 being required in the first 6 months of 2025/26.

Assistant Director (Finance, Strategic Property and Commissioning), Corporate Resources Department

Ongoing

Care Quality Commission Assessment

Between September 2024 and February 2025, the Care Quality Commission (CQC) undertook an assessment of how well the County Council meets its duties under Part 1 of the Care Act 2014. The CQC judged the Council as, 'Requires improvement', noting, "Overall, we heard mixed feedback from people about their experiences of contact and support from the local authority and many people said their care and support had improved their independence."

The Council is developing an improvement plan to address the areas of improvement highlighted from the Assessment which include timeliness of assessments, support for informal carers, access to information and advice, and ensuring adequate provision of services. The additional resource implications of the improvements required are being determined. A further Assessment will be carried out within the next 12 -24 months. Failure to improve could result in statutory intervention.

An improvement recommendation was made in the Auditor's Annual Report (AAR) 2024-25

"The Council should ensure that the action plan developed in response to the Care Quality Commission September 2025 inspection report is fully costed, with clear milestones and progress is publicly reported on a regular basis."

The Director responded, 'The CQC action plan has been costed and is included as growth as part of the 2026/27 budget process and MTFS refresh. Immediate actions for 2025/26 are being funded through available earmarked reserves. Progress against the plan will be reported to the Adult and Communities Overview and Scrutiny Committee'.

Director of Adults & Communities

Actions scheduled to be delivered between December 2025 and November 2026

High Needs Block Deficit

Identified in the Auditor's Annual Report (AAR) 2024-25 was a key recommendation

"The Council urgently needs to work with schools and parents to develop and implement plans to ensure that specialist or independent school placements are only used for children where this is the most appropriate route. The Council also needs to continue to increase the number of places available for children in mainstream schools."

The Director has responded, 'The Council is focused on implementing further mitigations to reduce demand for EHCP's and the unit cost of providing them, alongside delivering current TSIL programme savings. The further mitigations include mainstream inclusion initiatives to reduce reliance on ISP's, policy and commissioning reviews and accelerating provision of new special school places. The issue cannot be fully resolved by the Council alone, and the governments delayed SEND White Paper will be fundamental to the long-term sustainability of SEND'.

Director of Children & Family Services

Ongoing, further mitigations to be built into 2026-27 budget.

The Council has identified areas to be developed which are reported in the Annex to the AGS.

The Code of Practice on Local Authority Accounting in the UK 2024-25, requires that significant events or developments relating to the governance system that occurred between the Balance Sheet date, (31 March), and the date on which the Statement of Accounts will be signed by the responsible financial officer, are reported. The draft AGS was updated in line with the Code of Practice.

9. Future Challenges

Significant challenges faced by the Council are detailed within the Corporate Risk Register, which is regularly reviewed by the Corporate Management Team and presented to the Corporate Governance Committee (the Committee). Managing these risks adequately will be an integral part of both strategic and operational planning; and the day to day running, monitoring, and maintaining the Council. The most recent update of the Corporate Risk Register was received by the Committee at its meeting on 31 March 2025.

Additional challenges continue to emerge, and key areas in particular are:

Transitioning to a new County Council administration

The outcome of the County Council elections which took place on 1 May 2025 was that the Reform UK party emerged as the largest party on the council although it fell 3 seats short of an overall majority and as such a minority administration position emerged. Whilst this is not a new feature of local government, following a long period of comparative stability at Leicestershire almost one third of experienced members did not seek re-election and of the fifty five total members almost two thirds are new. Therefore, it is inevitable that new officer/member relationships will need to be built and significant new member induction across all parties undertaken to enable a constructive transition to a council that continues to operate effectively.

In the Auditor's Annual Report for 2024-25, Grant Thornton reported it had been made aware of issues relating to the conduct of a small number of new Members, leading to several complaints being received. Conduct issues are being managed internally, with the Member Conduct Panel working with officers to process and determine complaints and bring learning points on issues such as social media usage back to their own political groups. The Council already provides extensive training and ongoing support for Members, including on the Members Code of Conduct, the Seven Principles of Public Life (Nolan Principles) and the Council's social media policy and will continue to identify training and development needs in this area and work with political group leaders in relation to specific conduct issues. Nationally the Government has just announced upcoming reforms to strengthen the standards and conduct framework, and the council will need to amend some of its processes to respond to these reforms in due course

Local Government Reorganisation

In February 2025, the Minister of State for Local Government and English Devolution set out the formal invitation to the County Council (and all local authorities in two-tier areas and neighbouring unitary authorities) to develop a proposal for local government reorganisation which required interim plans to be submitted to the Government

by 21 March 2025. The Council submitted its interim plan for reorganisation and other proposals were sent to the government by Leicester City Council and Leicestershire's district councils in conjunction with Rutland County Council. The government has provided initial feedback on the interim plans so that final proposals can be worked on and submitted by the end of November 2025. In response to media queries, the Council stated that it noted the request for a single final submission, which can contain different options, and that will require discussion at a political level across Leicester, Leicestershire and Rutland. The Council agreed it will be helpful if all proposals are supported by the same evidence base and analysis so that the Government is able to clearly identify the right solution for Leicestershire. Regardless of the government's approach to the proposals submitted and its preferred way forward, there will follow a period of intensive work and demand on internal resources and short-term uncertainty and instability which will require mitigation.

Financial Sustainability

The Council's financial position is extremely challenging, with a budget gap in excess of £90m forecast in the Medium Term Financial Strategy by 2028/29 as well as a High Needs Deficit in excess of £60m at the end of 24/25. This is a challenge shared by the local government sector, with continued inflationary pressures, rising demand and funding uncertainty creating a complex and difficult financial landscape, made worse by the continuation of one-off financial settlements from government. The Spending Review and Funding Reform, both due during 2025 are compounding this uncertainty. The Council has a prudent level of reserves that provide some level of assurance over financial sustainability, and a corporate Strategic Change Programme which identifies and manages the delivery of a wide-ranging savings programme. However, the Council must ensure that this programme is adequately resourced and is currently undertaking a fundamental review and prioritisation exercise to ensure that the savings initiatives that have the largest savings potential have sufficient resources.

Covid-19 Public Inquiry

Information has been provided to the Inquiry at the request of the Chair (through the LGA) in relation to the Module 1 (Preparedness and Resilience). The Report from the first module was published in July 2024 but did not reference the council's response. Information has also been provided following a formal direction for evidence in Module 5 (Procurement) concerning the procurement and purchasing of PPE and Module 8 (the impact of the Covid-19 pandemic on children and young people). There has been engagement with the Inquiry team in relation to Module 7 (Test trace and isolation rules) but to date no request for information has been received.

Assistance with migrants and asylum seekers

Challenges remain with the asylum system. The funding model is yet to be reformed so upper tier authorities do not get their full costs recovered. The Full Dispersal Model is now in operation with an uplift in the number of asylum seekers each local authority is expected to find accommodation for. Meeting the existing and now stretch targets remains a challenge due to limited private rental stock availability and ongoing homeless and temporary accommodation pressure. Regional multi-agency meetings involving government departments, councils, and Home Office accommodation contractors have been established to explore options and mitigate issues arising from dispersal. Governance arrangements continue to be coordinated by East Midlands Councils who act as the Strategic Migration Partnership for all asylum, migration, and resettlement issues.

Recruitment and retention

Whilst there have been improvements reflected in the Corporate Risk Register throughout the year there are still pockets where it's important not to lose traction.

CONTEST Strategy

The Council will continue to plan to meet its 'Prevent' and 'Protect' (Martyn's Law) duties under 'CONTEST' (the Government's Counter-terrorism strategy). The Terrorism (Protection of Premises) Act 2025, also known as Martyn's Law, received Royal Assent on Thursday 3 April 2025. Guidance will be published in due course which will assist in understanding the requirements set out in the legislation.

Artificial Intelligence and cyber security

Artificial Intelligence (AI) has the potential to transform various aspects of public sector, such as healthcare, education, security, and transportation, by enhancing efficiency, quality, accessibility, and innovation. However, AI also poses significant risks and challenges, such as ethical, legal, social, and economic implications, which

needs to be carefully addressed and regulated. Central Government has recognised the potential risks and opportunities surrounding AI. The National AI Strategy outlines the government's commitment to supporting the development and adoption of AI technologies across various sectors, including the public sector. Central government also provides a number of tools, such as the Generative AI Framework to inform and support local government implementations of AI. The NCSC (National Cyber Security Centre) provides guidance to help ensure any systems implemented are secure. The Council will continue its research and development of AI and fully debate and understand the risks and challenges.

The impact of a cyber/ransomware attack or IT system breach could be significant and will have varied effects on the organisation and its ability to provide critical/statutory services. To minimise the impact of such incidents, investment will need to continue to be made in the implementation of enterprise standard security systems, to further enhance our security posture and continue the journey to adopt greater defence in depth. Coupled with these technical defences, the Council will need to ensure it has robust business continuity and supporting disaster recovery plans, that are in place and regularly tested. Cyber security risk is included in the Corporate Risk Register with regular updates provided to members.

Procurement Regulations 2024

After much delay, large scale procurement reform was introduced on 24 February 2025. The Procurement Act replaced the Public Contract Regulations 2015. Implementation of the Act will significantly revise historical procurement rules.

All staff that are budget holders, or are involved in procuring goods or services, need to be aware of the regulations. The Commissioning Support Unit and Legal Services have created a set of rules, guidelines etc., amending the Contract procedure rules to reflect the new legislation. Guidance is available to cover the transition to the new regulations, and a comprehensive programme of learning and development to support the implementation of the changes. Further changes will be required as more intelligence is gained on the application of the Act.

Expected Service and National Reforms

Adult Social Care

- An adult social care sector pay agreement which would see pay increasing above national minimum wage levels
- Baroness Casey independent commission into adult social care commencing in 2025. This will be a two stage review with stage one reporting in 2026 and stage two reporting in 2028. The first phase will consider current and medium term reform and recommendations within the current financial spending envelope. Phase two will consider longer term recommendations on the future of Adult Social Care delivery and funding models
- The Casey Commission will inform the development of a national care service framework with new standards and responsibilities for councils
- Mental Health Bill which has additional duties and responsibilities for local authorities

Children & Family Services

- SEND - Details of the government's intended approach to SEND reform will be set out in a Schools White Paper which has been delayed to the new calendar year. The upcoming local government funding reform consultation will set out further details on supporting local authorities with regard to SEND as the government transitions to a reformed system.
- The Children's Wellbeing and Schools Bill – aims to break the link between young people's background and their future success. It will put in place a package of support to drive high and rising standards throughout the education and care systems so that every child can achieve and thrive.

Employment Rights Bill - proposes to make wide-ranging changes to employment rights through 28 individual employment reforms. Including:

- the removal of the two-year qualifying period for unfair dismissal protection;
- ending "exploitative" zero hours contracts;
- amending the current thresholds for collective redundancy consultation;
- amending the flexible working regime;
- amending statutory sick pay eligibility requirements;

- amending the employer's duty to prevent sexual harassment and third party harassment in the workplace;
- extending the time limits for bringing Employment Tribunal claims from three months to six months;

Waste Reforms

- Significant waste reforms being implemented by Government over the coming years including Collections and Packaging Reforms and Emissions Trading Scheme to cover energy from waste will have additional duties, responsibilities and costs for local authorities

Integrated Care Board (ICB)

- The requirement for Integrated Care Boards (ICB) to reduce their running costs nationally by approximately 50%, spending no more than £18.76 per head of the ICB's population, are likely to have an impact on adults and children's social care and public health. It is anticipated that the Leicester, Leicestershire and Rutland (LLR) ICB will 'cluster' with another ICB. This may lead to staff redundancies and/or the remaining staff in the ICB being responsible for a broader geographic area, potentially leading to less of a focus on the Leicestershire 'place' and a reduction in local partnership working.

Additionally, the new model ICB blueprint calls for the focus of ICBs to be strategic commissioning with certain functions of the ICB, in its current form, set to transfer to provider organisations or partners over time. These include safeguarding, infection and prevention and control (IPC) and communications. It is unknown what the future arrangements of these functions will be but may have implications for the Council.

10. Certification

The Council is satisfied that appropriate governance arrangements are in place and continue to be regarded as fit for purpose.

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

Furthermore, having considered all the principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Credit must be given to our excellent staff, who continue to work under tight budgetary controls yet still deliver high quality services.

With many pressures over the horizon, we are confident that the Council is well placed to meet these challenges.

.....
John Sinnott
Chief Executive

.....
Dan Harrison
Leader of the Council

AREAS FOR FURTHER DEVELOPMENT IN 2025-26

The Corporate and Departmental AGS self-assessments contained a set of conformance statements under each core principle and related sub-principles as outlined in the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). Each conformance statement required a corresponding score of 1, 2 or 3 to be recorded, based on the criteria below:

Score	Definition	Description	Evidence (all inclusive)
1	Good 	Conformance against most of the areas of the benchmark is good, although there may be minor developments required but with a limited impact on the ability to achieve departmental and Council objectives. Strategic, reputational and/or financial risks are minor, and performance is generally on track.	Many elements of good practice to a high standard and high quality. Substantial assurance can be given that coverage of the sub-principle is operating satisfactorily and extends to most/all services areas within the department
2	Some development areas for improvement 	There are some developments required against areas of the benchmark and the department may not deliver some of its own and the Council objectives unless these are addressed. The management of strategic, reputational and/or financial risks is inconsistent, and performance is variable across the department.	Some elements of good practice to a high standard and high quality. Moderate assurance can be given that coverage of the sub-principle is working adequately in certain service areas, with omissions in others. Proposal/Plans are in place to address perceived shortfalls
3	Key development and many areas for improvement 	Conformance against many/all areas of the benchmark is poor and therefore delivery of departmental and Council objectives is under threat. There are many strategic, reputational and/or financial risks and performance is off track.	Few elements of good practice to a high standard and high quality. Coverage of this expectation is omitted amongst most areas. Proposal/Plans to address perceived shortfalls are in early stages of development

Examples of key actions is summarised in the table below.

Note: some actions are not included in the table as they are already reported through the Corporate Risk Register (CRR).

Annual Review of the Effectiveness of the Council's Governance Framework against the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)		
Core Principles of the Framework	Overall Assessment	Action to Develop Areas Further in 2025-26 (Ongoing and New)
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
Principle B: Ensuring openness and comprehensive stakeholder engagement		- Keep relations with District Councils under review to ensure that any potential tensions over local government reorganisation don't impact on progress. - Embed new Public Advisory Group (PAG) and Citizens Assembly as part of enhanced Health Determinants Research Collaboration (HDRC) community research arrangements.
Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefit		- Continuing to develop the approach to multi-year monitoring of large and complex capital schemes to ensure medium term implications brought out, including risks and mitigations. - Produce new Strategic Plan to run for the life of the new Council from 2025 onwards.
Principle D. Determining the interventions necessary to optimise the achievement of the intended outcomes		- Continue to push for fairer funding sought to ensure longer term service sustainability. - Guidance to be reissued to Partnership Leads to re-enforce the need to pick up key partnership risks in partnership structures and where relevant into DMT risk registers - Look to further enhance reporting on the social value achieved through procurement/contracts
Principle E. Developing the entity's capacity including the capability of its leadership and the individuals within it		- Ensure all new members, since the election, receive appropriate and timely induction. - Obtain and evaluate all Members (including Independent Members) of Corporate Governance Committee's self-assessment of their knowledge and skills of an audit committee, to devise a training plan for the Committee. - Discussions continuing on Local Government Reorganisation ahead of a pathway to a possible devolution deal. - Continued work to ensure an effective Integrated Care Partnership that supports social care and public health priorities. - Further improve training through enhanced functionality from the thrive learning portal.

Principle F. Managing risks and performance through robust internal control and strong public financial management		• Review of performance reports planned to ensure more consistency and best practice in data visualisation. • Corporate Data Strategy project under way to improve roles and arrangements that support the data pipeline and data architecture. • Arrange for an overdue Risk Management independent review. • Arrange for training and CRMG meetings. • Ensure audit of Assurance Framework is completed early 2025-26. • Corporate Data Strategy project still under way to improve roles and arrangements that support the data pipeline and data architecture. • Continued focus required on data quality as systems and processes change e.g. key systems change in children and families services
Principle G. Implementing good practices in transparency reporting and audit to deliver effective accountability		• Continuous development of procurement pipelines by departments. • Importance of managing risks in partnership settings in accordance with the Council's Risk Management Policy to be reinforced to relevant managers. • Implement actions from the Internal Audit Service EQA • Implement the requirements of the Global Internal Audit Standards in the UK Public Sector and the Code of Practice on the Governance of Internal Audit in Local Government.

Glossary of Terms

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements.

AMORTISED COST

The amortised cost of a financial asset or financial liability is:

- the amount at which the asset or liability is measured at initial recognition (usually “cost”)
- *minus* any repayments of principal,
- *minus* any reduction for impairment or uncollectibility, and
- *plus or minus* the cumulative amortisation of the difference between that initial amount and the maturity amount.

CASH AND CASH EQUIVALENTS

- Cash is represented by cash in hand and deposits with financial institutions repayable without penalty within 24 hours.
- Cash equivalents are investments of less than 3 months from acquisition that are readily convertible to known amounts of cash with insignificant risk of a change in value.

CAPITAL EXPENDITURE

Payments for the acquisition, construction, enhancement, or replacement of assets such as land, buildings, roads, vehicles and computer equipment.

CAPITAL RECEIPTS

Income from the sale of capital assets e.g., sale of property, plant and equipment. Such income may only be used to repay loan debt or to finance new capital expenditure.

COLLECTION FUND

The fund administered by each authority collecting Council Tax and National Non-Domestic Rates (district councils in shire areas). The Authority precepts on these funds to finance its net expenditure after taking into account other sources of income, e.g. Government Grants, and charges for services.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

A statement which details the total income received and expenditure incurred by the Council during a year in line with IFRS reporting as required by the Code.

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.

DEFERRED CAPITAL RECEIPTS

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction at the market date. Fair value is referred to as the exit price.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

A statement of common accounting practices, devised by the International Accounting Standards Board, which form the basis for the treatment and recording of transactions as applicable to the majority of large organisations, in both the private and public sectors.

GENERAL FUND

The main revenue fund (reserve) of the Authority. Precept income, National Non-Domestic Rate income and government grants are paid into the fund, from which the cost of providing services is met.

IMPAIRMENT

A loss in the value of a fixed asset, arising from physical damage such as a major fire or a significant reduction in market value. In addition, a reduction in value where there is insufficient unrealised gains in the revaluation reserve for that asset.

INFRASTRUCTURE

The network of roads, bridges, sewers, lighting etc.

INTANGIBLE ASSET

Non-financial non-current assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights (e.g. purchased software licences).

LEASING

A method of financing the acquisition of assets, notably equipment, vehicles, plant, etc. There are two forms of lease:

- a) A finance lease involves payment by the lessee (the user) of the full cost of the asset together with a return on the finance provided by the lessor, usually payable over the anticipated life of the asset.
- b) An operating lease involves the payment of a rental by a lessee for a period, which is normally less than the useful economic life of the asset.

LONG TERM BORROWING

Loans with terms over 1 year, raised to finance capital spending.

MINIMUM REVENUE PROVISION

The Authority has a duty to set aside a prudent amount of money as a provision for financing debt incurred to undertake capital expenditure.

MOVEMENT IN RESERVES STATEMENT

A reconciliation showing the movement in the year on the different reserves held by the Authority, analysed into 'usable' reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and unusable reserves. It also shows how the balance of resources generated/ consumed in the year links in with statutory requirements for raising council tax.

NON CURRENT ASSETS

Assets which are not readily convertible into cash or not expected to become cash within the next year. Examples include fixed assets, leasehold improvements, long term investments and long term debtors.

NON-OPERATIONAL ASSETS

Assets held by the Authority but not directly used for the provision of services, e.g. assets surplus to requirements, commercial properties, and assets under construction.

PRECEPTS

The income which the Authority receives from billing authorities (e.g. council tax and business rates from the collection funds of the district councils).

PROVISION

An amount set aside for any liabilities or losses of uncertain timing.

PUBLIC WORKS LOAN BOARD (PWLb)

A government body from which local authorities may obtain long term loans, usually at preferential interest rates.

REMUNERATION

All sums paid to an employee, including expenses, allowances, and redundancy payments subject to UK income tax, and the monetary value of any other benefits received other than in cash.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Capital expenditure incurred not resulting in an asset to the authority e.g. Grants to village halls.

REVENUE SUPPORT GRANT (RSG)

Grant paid by the Government in respect of general local authority expenditure.

RECHARGE

The transfer of costs from one service account to another.

REVENUE FUNDING OF CAPITAL

The financing of capital expenditure by a direct contribution from revenue.

REVENUE

Includes fees and interests earned from providing services and selling goods. Also includes Government grants to local authorities.

SERVICE LEVEL AGREEMENT (SLA)

An agreement between users and providers of support services which specifies the service to be provided and the charge to be made.

SHORT TERM ACCUMULATING COMPENSATED ABSENCES ADJUSTMENT ACCOUNT

Represents the reversal of the accrued charge to the Comprehensive Income and Expenditure Statement for outstanding annual leave, flexi leave and time off in lieu carried forward by employees required by regulations.

SPECIFIC GRANTS

Grants paid by the Government for a particular service.

TERMINATION BENEFITS

Employee benefits payable as a result of either: (a) the Authority's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept voluntary redundancy in exchange for those benefits.

TRUST FUNDS

Funds administered by the Authority for such purposes as charities, prizes and specific projects.

USABLE RESERVE

An amount set aside for purposes falling outside the definition of a provision that an Authority can apply to its provision of services, either by incurring expenses or undertaking capital investment.

UNUSABLE RESERVE

An amount set aside for purposes falling outside the definition of a provision that an Authority is not able to utilise to provide services. These include reserves that hold unrealised gains and losses as well as adjustment accounts which hold income and expenditure recognised statutorily against the general fund balance on a different basis from that expected by accounting standards as adopted by the code.



Copies of this Statement of Accounts are available from:

Technical Accounting Team,
Corporate Resources Department,
Leicestershire County Council,
County Hall, Glenfield, Leicester, LE3 8RB

Tel: 0116 305 7627

The accounts can also be viewed at www.leicestershire.gov.uk

Photographs on cover:

County Hall, Leicester
Beaumanor Hall, Woodhouse, Leicestershire
Watermead Country Park

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Interim Audit Findings (ISA 260) Report for Leicestershire County Council

Year ended 31 March 2025

14 November 2025



Leicestershire County Council
County Hall
Glenfield
Leicester
LE3 8ST

14 November 2025

Dear Corporate Governance Committee members

Audit Findings for Leicestershire County Council for the 31 March 2025

Grant Thornton UK LLP

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Birmingham
B3 3AG

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This Audit Findings report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Chartered Accountants

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-2025.pdf).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Helen M Lillington

Director
Grant Thornton UK LLP

Chartered Accountants

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Contents

	Section	Page
01	Headlines and status of the audit	5
02	Materiality	12
03	Overview of significant and other risks identified	15
04	Other findings	25
05	Communication requirements and other responsibilities	31
06	Audit adjustments	35
07	Value for money	49
08	Independence considerations	51
	Appendices	56

01 Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Leicestershire County Council and the preparation of the Council's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

Financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements, is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work is substantially complete and was completed during August-November as planned. Our findings are summarised on pages 13 to 48.

We have identified one unadjusted misstatement to the Council's financial statements to date. This relates to the valuation of the Council's net pension liability, and its estimated understatement of £1.671m. The Council has not adjusted for this misstatement and as such specific representations will be required from the Council within the Letter of Representation. This would not impact on the Council's reported Comprehensive Income and Expenditure Statement position or the General Fund.

We also identified a number of disclosure amendments.

Audit adjustments are detailed from page 35 of this report. We have also raised recommendations for management as a result of our audit work. These are set out from page 41. Our follow up of recommendations from the prior year's audit are detailed on pages 47 and 48.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our work is nearing completion, information and procedures in progress are detailed on pages 7 and 8.

Our anticipated financial statements audit report opinion will be unmodified. We anticipate issuing our opinion on the financial statements by 31 December 2025 which is in accordance with the timeline within our Audit Plan as presented to 31 March 2025 Corporate Governance Committee.

Headlines

Status of the audit: the outstanding matters as at the time of writing are set out below.

- 
 - Receipt and review of responses from the Council regarding 6 land and building valuation queries and our consideration thereon
 - Receipt evidence to support sample of assets written off by the Council in year (nil net book value assets)
- 
 - Finalisation of our work in relation to the Councils net pension liability.
 - Finalisation of work in relation the Councils consideration of asset movements from 1 October 2024 (valuation date) to year end- we are consulting with auditor’s expert in this area
 - Finalisation of our work regarding the Councils operating expenditure and associated payables balances, including completeness procedures
 - Finalisation of our work regarding the Councils income streams, Council tax and NNDR income, fees and charges income , grant income and associated receivables balances thereon
 - Finalisation of our work regarding employee benefit expenditure.
- 
 - Finalisation of our work regarding the Council’s accounting policies, including estimation uncertainty and critical judgements
 - Finalisation of our work regarding financial instruments disclosure including detained review of amendments made to note
 - Receipt of outstanding direct confirmation regarding investment balance. Alternative procedures will be carried out if not received.
 - Receipt of query regarding bank accounts listed within external confirmation
 - Finalisation of our work regarding Right of Use assets
 - Completion of our work in relation to non-material notes

Status

-  High potential to result in material adjustment or significant change to disclosures within the financial statements
-  Some potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

Headlines

Status of the audit: the outstanding matters as at the time of writing are set out below.



- Completion of WGA procedures and return (council is below threshold for detailed procedures)
- Finalisation of our work regarding the Council's reserves
- Review of the updated financial statements - to date of audit report issue
- Obtaining and reviewing the management letter of representation
- Updating our subsequent events review, to the date of signing the opinion

Final manager and engagement lead review of all areas as detailed on this and previous page will be required. This may lead to further queries which will be shared with the Council should they arise.

Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the ‘Code’), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council’s overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council’s arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

Our audit plan presented to the 31 March 2025 Corporate Governance Committee did not identify any significant weakness areas or related risks, requiring separate attention in relation to Value for Money. Upon receipt of draft financial statements our risk assessment processes were updated, and we identified two risks of significant weakness in relation to developing further savings plans and addressing the Dedicated Schools Grant deficit.

We have completed our VFM work and our detailed commentary is set out in the separate Auditor’s Annual Report, which is presented alongside this report. We identified a significant weakness in the Authority’s arrangements for financial sustainability, as a result of the Council’s Dedicated School Grant deficit. For 2024/25 the Council has reported a net Dedicated Schools Grant (DSG) overspend of £16.3m the cumulative funding gap is now £64m and is forecast to be £118m by 2028/29. While the Government has signalled its intention to extend the Statutory Override to March 2028, the Council still needs to fund the in-year overspending, and we have made a key recommendation.

Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the 'Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed most of the work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- where a local council also has a pension fund for which the opinion on the financial statements in the pension fund annual report is yet to be issued;
- where there is outstanding work to be performed in relation to consolidation returns;
- where confirmation has not been received from the NAO that the group audit(Department of Health & Social Care for NHS and Whole of Government Accounts for non-NHS) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code;

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit in terms of sufficiency or appropriateness of the audit evidence provided.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Council

- Based on the draft financial statements, the value of right-of-use assets and its related lease liability was £5.4m, which is below our materiality threshold and therefore considered immaterial.
- We are performing specific audit procedures to ensure the completeness of recorded assets. This included reviewing the processes and systems used by the council to capture and maintain lease data. Our work in this area is in progress.
- Additionally, we are assessing the accounting policies applied for IFRS 16 whether they are adequate and appropriate.

To date we have identified a presentation adjustment in relation to Right of Use (RoU) assets. The Council has included £5.4m in relation to lease recognition under IFRS 16 in note 16, Property, Plant and Equipment under asset additions rather than as a separate item. The Council should remove the £5.4m from asset additions and show this as a separate line adjusting the opening balance within the PPE note.

02 Materiality

Our approach to materiality

As communicated in our Audit Plan presented to 31 March 2025 Corporate Governance Committee, we determined materiality at the planning stage as £20m based on 1.9% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements. We have decided not to change materiality as the increase in expenditure was not material.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £20 million based on professional judgement in the context of our knowledge of the Council.
- We have used 1.9% of gross prior year expenditure as the basis for determining materiality. This represents 1.75% of the Council's 2024/25 expenditure.

Performance materiality

- We have determined performance materiality at £14m, this is based on 70% of headline materiality.

Specific materiality

- We deem senior officer remuneration as a specific sensitive area for the users of the accounts and have applied a lower materiality on the remuneration disclosure. We calculated a materiality based on 2% of the total in the senior officers' remuneration note. We applied a performance materiality level of 70% of this and then applied this to individual lines within the senior officers' disclosure and not the banding table

Reporting threshold

- We will report to you all misstatements identified more than £1m, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Council (£)	Qualitative factors considered
Materiality for the financial statements	£20,000,000	We have determined financial statement materiality based on a proportion of the gross expenditure of the council for financial year. Materiality at the planning stage of our audit is £20m, which equates to approximately 1.9% of the gross expenditure for the 23/24 period. We have reconsidered planning materiality based on the draft financial statements and determined the level set remained appropriate.
Performance materiality	£14,000,000	We are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment. There has not historically been a large number or significant misstatements arising because of the financial statement's audits.
Specific materiality for senior officer remuneration	£28,000	We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures.
Reporting threshold	£1,000,000	We have used 5% of materiality level as our threshold for reporting issues.

03 Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●
Presumed risk of fraud in revenue recognition	Rebutted	↔	✗	Low	●
Risk of fraud related to expenditure recognition Practice note 10	Rebutted	↔	✗	Low	●
Valuation of land and buildings	Significant	↔	✗	High	●
Valuation of the pension fund liability	Significant	↔	✗	High	●
Non-Pay Expenditure (completeness)	Other	↔	✗	Low	●
Completeness, Existence and accuracy of cash and cash equivalents	Other	↔	✗	Low	●

- ↑

 Assessed risk increase since Audit Plan
- ↔

 Assessed risk consistent with Audit Plan
- ↓

 Assessed risk decrease since Audit Plan
- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. This risk relates primarily to the existence, valuation, and completeness assertions for significant transactions and journal entries.	We have: - evaluated the design and implementation of management controls over journals, - analysed the journals listing and determined the criteria for selecting high risk unusual journals, - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration, - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and	Our work in this area is substantially complete and work to date has not identified any issues in respect of management override of controls. Journals below £20,000 do not require authorisation. As such, we have carried out a review of journals below this value. We have noted that all such journals are restricted to being posted by specific finance officers in the Central Technical Accounting Team. The total value of such journals is not material. A recommendation was raised in prior years as referred to on page 48. As part of our journal enquiries, we contact a number of individuals who have processed journals in year and ask a suite of questions regarding their role, responsibilities and types of journals they post . We did not receive responses from 2 individuals. As such alternative procedures have been completed around these individuals, including assessing the journals processed by them. We are satisfied with the alternative procedures undertaken. We have raised 3 recommendations in year in relation to journal entry procedures as follows: 1) We recommend that the Council review its current practice of off-ledger reclassifications and consider aligning the general ledger coding with the final financial statement presentation. This would improve transparency and reduce reliance on manual adjustments. 2) The Council should review and formalise current policies to ensure adequate cover for journal processing during staff absences. This should include documented procedures and clear responsibilities to mitigate the risk of disruption to financial processes. 3) We noted instances where journals posted by senior team members were approved by junior staff. Best practice would typically require approval by a more senior individual to ensure appropriate oversight.

Significant risks

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in revenue recognition Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition. We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the revenue streams both individually and collectively.	Notwithstanding that we have rebutted this risk, have still undertaken a significant level of work on the Council's revenue streams, as they are material. We have: <u>Accounting policies and systems</u> • Evaluated the Council's accounting policies for recognition of income for its various income streams and compliance with the CIPFA Code. <u>Fees, charges and other service income</u> • Agreed, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence. <u>Taxation and non-specific grant income</u> • Sample tested Council tax and NNDR income. This is a change from planned substantive analytical procedures. • For other grants we have sample tested items back to supporting information and subsequent receipt, considering accounting treatment where appropriate.	Our work in this area is substantially complete and we are finalising work in relation to the Council's revenue streams. We have not identified any misstatements to date. We have made an amendment in the approach to testing income from NNDR and Council tax and rather than planned substantive analytical review have instead applied a substantive testing approach. We have identified a disclosure misstatement in relation to IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 is applied where there is a contract with a customer and performance obligations, for example, leisure services (gym memberships, ticket sales), Car parking fees, Commercial property rentals. The Councils disclosures have been extended to describe these arrangements for material income streams. As part of testing of invoices raised after the year end we selected an invoice which was subsequently credited by the Council, as such this did not have an impact on the financial statements. It did however highlight a potential weakness in arrangements to supporting invoicing in this area. We have raised a recommendation in relation to this on page 42.

Significant risks

Risk identified	Audit procedures performed	Key observations
Risk of fraud related to expenditure recognition Practice note 10: Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies. We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.	We have: • updated our understanding of the Council’s business processes associated with accounting for expenditure, • evaluated the Council’s accounting policies for recognition of expenditure for its various material expenditure streams and ensured compliance with the CIPFA code; and • agreed on a sample basis expenditure and year end creditors to invoices and cash payment or other supporting evidence.	Our work in this area is substantially complete, and we are finalising work in relation to the Council’s expenditure streams. We have not identified any misstatements to date.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings <i>The revaluation of land and buildings should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period.</i> <i>The Council revalues its land and buildings every year to ensure that the carrying value is not materially different from the current value at the financial statements date. The valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of these estimates to changes in the key assumptions.</i> <i>The risks will be pinpointed as part of our final's accounts work once we have understood the population of the assets valued. We will report an updated risk assessment for valuation of property, plant and equipment in our Audit Findings Report.</i> We have updated our risk assessment and note that the Council's valuation is on a 5 year cyclical process with high value assets being revalued annually. This assessment did not change the planned procedures as set out in our audit plan.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work, • evaluated the competence, capabilities and objectivity of the valuation expert, • discussed with, and wrote to, the valuer to confirm the basis on which the valuation was carried out, including ensuring the CIPFA code requirements were met, • engaged our own valuation expert to provide commentary on; the instruction process in comparison to requirements from CIPFA/IFRS/RICS (Royal Institute of Chartered Surveyors); and valuation methodology and approach, resulting assumptions adopted and any other relevant points, • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register and accounted for correctly, • assessed the movement from valuation date 1 October to year end using indices to ensure no material movements in revalued assets, and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Our work in this area is nearing completion	Our work in this area is ongoing but at an advanced stage. We have minor valuation queries in relation to 6 assets and are awaiting response from the Council. We have reviewed outline Instructions to Valuer document issued by the Council to its valuer covering the 2024/25 financial period. However, we understand that no formal Terms of Engagement documents have subsequently been received by the Council. It is our view that for each instruction, the Council should ensure it has specific Terms of Engagement document to help establish accountability, ensure clarity on the scope and objectives, and provide an audit trail. This reduces the risk of misunderstandings, scope creep, or non-compliance with professional and regulatory standards. A recommendation has been raised on page 44.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of the pension fund liability The Council’s pension fund net liability, as reflected in its balance sheet as the net defined benefit liability represents a significant estimate in the financial statements. Pension fund net liability is considered a significant estimate due to the size of the numbers involved (£28m in the Council’s balance sheet) and the sensitivity of the estimate to changes in the key assumptions. The methods applied in the calculation of IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework).We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.	We have: • Updated our understanding of the processes and controls put in place by management to ensure that the Council’s pension fund net liability is not materially misstated and evaluate the design of associated controls • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • Assessed the competence, capabilities and objectivity of the actuary who carried out the Council’s pension fund valuations • Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report.	Our work in this area is at an advanced stage and subject to final review procedures. This includes the review of the Councils disclosures regarding estimation uncertainty. Our work to date has identified the following: 1) Understatement of net pension liability of £1.671m. The response from the Pension Fund auditor includes details of an overstatement of pension fund assets of £5.846m relating to a timing delay of receipt of March valuations from Fund managers. Using an estimated share of net assets of 28.6% the estimated potential impact for the Council is that the net pension liability is understated by an estimated £1.671m. The Council has not adjusted for this misstatement and as such specific representations will be required from the Council. this will be included in the letter of representation 2) Disclosure misstatement in relation to rates of CPI, pension increases and inflation disclosed.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of the pension fund liability (continued) The source data used by the actuaries to produce the IAS 19 estimates is provided by the administering authorities and employers. We do not consider this to be a significant risk as this easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.	• Obtained assurances from the auditor of the Leicestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements • Reviewed whether the pension fund has reported any material uncertainty in relation to pension asset valuations as at 31 March 2025 and assessed the impact on disclosures in the financial statements and on our audit opinion • Reviewed the actuaries assessment of the impact of IFRIC 14 reperforming the calculation for the impact of the standard.	See previous page

Other risks

Risk identified	Audit procedures performed	Key observations
Non-Pay Expenditure Non-pay expenses on other goods and services represents a significant percentage of the Council’s operating expenses. Management uses judgement to estimate accruals of un invoiced costs. Management also undertake an assessment of the levels of grant income received in the financial year to be deferred to future years based on the specific terms and conditions of funding. We therefore identify completeness of non-pay expenses as a risk requiring audit attention.	We have: • Evaluated the Council’s accounting policies for recognition of non-pay expenditure for compliance with the CIPFA Code, • Updated our understanding of the Council’s business processes associated with accounting for non-pay expenditure, • Tested a sample of balances included within trade and other payables, • Tested a sample of payments immediately prior to and after the year end to ensure that appropriate cut off has been applied, and therefore that the expenditure has been recognised in the correct period; and • Tested a sample of expenditure to ensure it has been recorded accurately and is recognised in the appropriate financial accounting	Our work in this is substantially complete and subject to final review procedures. From our work to date we have not identified any misstatements.

Other risks

Risk identified	Audit procedures performed	Key observations
Completeness, Existence and accuracy of cash and cash equivalents The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the statement of financial position. Due to the significance of cash transactions to the Council, we identified the completeness, existence and accuracy of cash and cash equivalents as a risk requiring audit attention.	We have: • Agreed all period end bank balances to the general ledger and cash book • Agreed all cash and cash equivalents to the bank reconciliation • Agreed all material reconciling items and a sample of other items to sufficient and appropriate corroborative audit evidence; • Obtained the bank reconciliation for the following moth end and reviewed the reconciling items against those included on the period end bank reconciliation. • Wrote to the bank and obtained bank balance confirmations • Agreed the aggregate cash balance to the relevant financial statement disclosures.	Our work in this area is nearing completion. We raised a query regarding bank accounts referred to on external bank confirmation which do not appear in the Councils financial statements. Management have provided a response which we are now working through.

04 Other findings

Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Assessment:

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings £485.7m at 31 March 2025	Other land and buildings comprises £485.7m of assets which include both specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. This balance also includes non-specialised assets in nature that are required to be valued at existing use in value (EUV) at year end. In 2024/25 the Council has had £365.2m of the Other land and building balance revalued comprising 75% of the balance. In reporting a valuation for land and buildings, the valuer has considered a range of relevant sources of information, including, for EUV assets: relevant comparable market data; current and prospective lease terms and income (where required); for DRC assets: build costs and internal floor areas; and for both EUV and DRC assets: condition assessments from inspections carried out and other relevant industry guidance. Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required.	We are satisfied that management’s expert, is competent, capable and objective. We have documented and are satisfied with our understanding of the Council’s processes and controls over property valuations. We have completed our work to validate sources of information used by management and the valuer for a selection of assets. We have analysed the method, data and assumptions used by management to derive the estimate As detailed on page 20 we are currently awaiting response to valuation queries to finalise our work in this area.	TBC

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings (continued)	Management have considered the year end value of non-valued properties/ and the potential valuation change in the assets revalued at 1 October 2024 by applying appropriate indices to determine whether there has been a material change in the total value of these properties. We challenged the basis of management’s assessment that this would not have a material effect.	Our work in this areas is nearing completion. We are consulting with our own expert in this area.	TBC

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment																								
Valuation of net pension liability The value of the liability at 31 March 2025 was £28m. The Council has within its Pension scheme an aspect of funded and unfunded members. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Based on the initial results of the IAS 19 review by the actuary the Council had assets of £1,911m and associated liabilities of £1,429m. Following the assessment of IFRIC 14 by the actuary the Council has determined none of this surplus position can be considered and therefore for the funded aspect of the scheme there is a nil balance. The Council also has an unfunded aspect to the scheme with associated liabilities of £28 million.	The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from the scheme. A full actuarial valuation is provided every three years the latest full actuarial valuation was completed as at the 31st March 2022. Given the significant gross value of both the assets and liabilities small changes in the estimation basis could result in material changes to the estimate.	We have; - Undertaken an assessment of management's expert - Assessed the reasonableness of the actuary's approach and any changes compared to the prior year. - Used PwC as an auditor's expert to assess the assumptions made by the actuary (see table below) , - Reviewed the completeness and accuracy of the underlying information used to determine the estimate, - Reviewed the reasonableness of the Council's share of Leicestershire County Council Pension Scheme (LPS) pension assets, Our work in relation to the adequacy of disclosure of estimate in the financial statements is in progress. Our findings to date are detailed on page 21. <table> <tr> <th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>5.8%</td><td>5.8%-5.85%</td><td>Reasonable</td></tr> <tr> <td>Pension increase rate</td><td>2.75%</td><td>2.7%-2.8%</td><td>Reasonable</td></tr> <tr> <td>Salary growth</td><td>3.25%</td><td>3.25%-5.25%</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>21.3/22</td><td>Confirmed consistent</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>24/25.4</td><td>Confirmed consistent</td><td>Reasonable</td></tr> </table>	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.8%	5.8%-5.85%	Reasonable	Pension increase rate	2.75%	2.7%-2.8%	Reasonable	Salary growth	3.25%	3.25%-5.25%	Reasonable	Life expectancy – Males currently aged 45/65	21.3/22	Confirmed consistent	Reasonable	Life expectancy – Females currently aged 45/65	24/25.4	Confirmed consistent	Reasonable	TBC
Assumption	Actuary value	PwC range	Assessment																								
Discount rate	5.8%	5.8%-5.85%	Reasonable																								
Pension increase rate	2.75%	2.7%-2.8%	Reasonable																								
Salary growth	3.25%	3.25%-5.25%	Reasonable																								
Life expectancy – Males currently aged 45/65	21.3/22	Confirmed consistent	Reasonable																								
Life expectancy – Females currently aged 45/65	24/25.4	Confirmed consistent	Reasonable																								

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Minimum Revenue Provision – £7.3m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £7.3m, a net increase of £1.1m from 2023/24. The Council as in the prior year sets its charge based on the asset life method.	We reviewed the following: • whether the MRP has been calculated in line with the statutory guidance • whether the Council’s policy on MRP complies with statutory guidance. • Undertook a review of the overall Capital financing requirement (CFR) checking its consistency with the accounts with no issues noted. • Undertook a benchmarking exercise on the charge compared to the CFR noting the charge makes up 3.63% of the CFR. From our benchmarking exercise comparing other councils charge this is deemed a reasonable level of charge. • Reviewed the Council’s overall borrowing compared to the CFR. As in the prior year we noted the Council was overborrowed as the CFR stands at £201.6 million whereas total borrowings sit at £225.7 million. Under the prudential code this is permitted providing the next two years capital requirement from borrowing covers this gap. We have confirmed this is the case. Total borrowing for this year was £180.1m whereas the CFR stood at £197.6m.	● Green

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

The Pension Fund and the Council share a common control environment in relation to Oracle Fusion. As part of 2024/25 IT work our specialist IT team identified what it considered to be 2 significant deficiencies pertaining to security role privileges and self-assigned access controls within Oracle. In response:

- Security role privileges were removed from all roles by the Council in September 2024 but, in its view, needed to be reinstated for certain corporate finance staff in order to manage the Chart of Accounts. For these individuals the Council is satisfied this level of access is appropriate and is willing to tolerate any residual risk.
- For self-assigned access controls one was project specific and ceased in June 2024. The other access is required in a design and development role and its use is monitored by a manager without privileged access. The Council therefore believes it has an appropriate mitigating control in place.

These deficiencies were considered in our audit approach to management override of control for 2024/25 and no issues were noted in the specific procedures performed. As these mitigation actions were taken part way through the 2024/25 financial year they are rated as red in the table below. Our IT team will review the Council’s security managements arrangements as part of the 2025/26 audit, including any mitigating controls initiated by the Council.

Our summary assessment is detailed below:

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Oracle Fusion	ITGC assessment (design and implementation effectiveness only)	 [Amber]	 [Red]	 [Green]	 [Green]	N/A
Active Directory	ITGC assessment (design and implementation effectiveness only)	 [Green]	 [Green]	 [Black]	 [Black]	N/A

- [Red]
- [Amber]
- [Green]
- [Black]
- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for assessment

05 Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any incidences from our audit work.
Written representations	We draw your attention to the draft Letter of Representation which is included with committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council’s banking and treasury partners. This permission was granted and the requests were sent. We are currently awaiting the return of one confirmation.
Disclosures	Disclosure misstatements identified to date are reported in section 06. Our work in this area is in progress.
Significant difficulties	We did not identify any significant issues or material matters during the audit. The audit process has been well supported by the Council’s finance team and we would like to express our thanks to them. Some aspects of the audit have however taken longer than anticipated. Property, Plant and Equipment is a complex area of the financial statements underpinned by a detailed valuation process. In recognition of this, we agreed as part of planning procedures to provide the valuation sample early in the audit to allow sufficient time for responses to be collated. Whilst the sample was provided as planned, some queries remain outstanding at the date of this report and our work in this area is not yet complete. Looking ahead, the statutory accounts timetable will be accelerated in future years. We will work collaboratively with the Council to identify opportunities to streamline processes, including the format of papers provided for audit purposes, to ensure alignment with earlier reporting deadlines. In addition, we will agree areas of testing that can be completed prior to year-end to support timely delivery.

Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to the Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • The use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council’s financial reporting framework • the Council’s system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our work in this area is in progress, at this stage no inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weakness. As outlined on page 50, we have identified a significant weakness in the Authority’s arrangements to secure value for money .We identified a significant weakness in the Authority’s arrangements for financial sustainability, as a result of the Councils Dedicated School Grant deficit.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures on behalf of the NAO on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Full procedures are not required on this as the Council does not exceed the threshold.
Certification of the closure of the audit	Due to the timetable for the Whole of Government Accounts, we are unable to issue the certificate alongside the audit opinion.

06 Audit adjustments

Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

To date we have not identified any adjusted misstatements.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted
Throughout Accounts	We identified several minor presentational and casting points which have been discussed with the finance team which will be amended.	Management have agreed to adjust all identified disclosure changes.
Throughout Accounts	A number of immaterial accounting policies and disclosures have been included in the financial statements. These should be removed to avoid obscuring material information within the financial statements.	
Accounting policies	We have identified a disclosure misstatement in relation to IFRS 15 ‘Revenue from Contracts with Customers’. IFRS 15 is applied where there is a contract with a customer and performance obligations. The Councils financial statements do not include all necessary disclosures expected as per the CIPFA code.	
Note 1, Expenditure and Funding analysis (EFA)	The EFA includes a number of disclosures. One of these is a table detailing how expenditure is allocated for decision making purposes across the Council’s departments and how this links to budgetary reporting. The analysis across service segment in column ‘As reported to the Cabinet in June 2025’ and ‘adjustments to arrive at the net amount funded from the general fund’ need to be reanalysed. This does not impact on the net expenditure chargeable to the general fund for each department, it is a presentation adjustment only.	
Note 5, Assumptions Made about the Future and Major Sources of Estimation Uncertainty	Enhanced disclosures are required to explain the uncertainty regarding Property, Plant and Equipment valuations. This note is designed to help users of the financial statements understand the degree of subjectivity and potential variability in reported figures due to estimation techniques. This disclosure should include: These disclosures should include: The nature of the assumption or uncertainty, the carrying amount at the balance sheet date and an explanation of the sensitivity of those amounts to changes in assumptions	

Audit adjustments

Misclassification and disclosure changes - continued

Disclosure	Misclassification or change identified	Adjusted?
Note 9, usable reserves - Capital adjustment account	£6.3m of costs have been incorrectly classified between headings as follows: - Charges for depreciation of non-current assets should be £32.6m rather than £26.3m - Amounts of non current assets written off on disposal or sale should be £12.9m rather than £19.2m	
Note 15 – Net Pension Liability	The Council has not included the correct principal assumptions used by the Actuary in its disclosure relating to the ‘basis for estimating assets and liabilities’ The rate of inflation should be changed from 3.5% to 3.3%, rate of increase in salaries from 3.5% to 3.3%, rate of increase in pensions from 3% to 2.8% and rate for discounting scheme liabilities from 4.8% to 5.8%	Management have agreed to adjust all identified disclosure changes.
Note 16, Property, Plant and Equipment (PPE)	1) The Council has included £5.4m in relation to lease recognition under IFRS 16 in asset additions rather than as a separate item. The Council should remove the £5.4m from asset additions and show this as a separate line adjusting the opening balance within the PPE note. 2) Assets under construction total £131.3m as at 31 March 2025. £125m of this value relates to the construction of infrastructure projects which upon completion will be transferred to the infrastructure asset balance as shown in note 17. The Council should include an explanation under the PPE table in note 16 to explain this. 3) Capital commitments of £65m are disclosed for the current financial year however no comparative information is included. This should be included as the comparative value is also a material disclosure. 4) Revaluation disclosure table includes incorrect value for assets ‘carried at Historical cost’ . Draft accounts include this at £12.1m which should be £5.9m , a difference of £6.2m. Consequently assets ‘valued at fair value’ at 31 March 2025 should be £371.4m rather than £356.2m.	
Note 17, Highways Infrastructure Assets	The comparative disclosure omits an amount of £7.6m related to asset reclassifications. The reported total net book value of £463.6m in the note remains accurate and agrees to prior year financial statements.	

Audit adjustments

Misclassification and disclosure changes - continued

Disclosure	Misclassification or change identified	Adjusted?
Note 20, Financial instruments	The disclosures in relation to financial instruments are complex and this is a lengthy disclosure within the Council's financial statements. We have identified the following : 1) An addition error has been identified in relation to the Council's working paper for financial instruments meaning that receivables and payables are misstated within the financial instrument note. In addition to this the annual leave accrual of £5.8m has been included erroneously as a financial instrument. The impact of these changes is that the debtors currently reported as £122.3m within financial instruments will be reduced to £78.8m and creditors of £206.2m will become £160.8m. 2) An inconsistency identified between the financial instruments note and the Balance sheet for lease liabilities. The financial instruments note should be restated to show £1.8m long term finance lease obligations and £1.2m short term financial lease obligations. This does not impact upon any values included in the Council's Balance Sheet. 3) The table 'Fair value of assets and liabilities carried at amortised cost' incorrectly includes assets valued at Fair Value through Profit and Loss). As such the values reported need to be reduced by £60.5m to exclude these items.	Management have agreed to adjust all identified disclosure changes.

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management’s proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjustment
Share of the asset understatement from the pension fund – 1.671 million	Nil	DR Pension Liability 1,671	Nil	Nil	Immaterial
The pension Fund Auditor has reported an understatement of the total investments for the Pension Fund of £5.946m. Based on the council's share of the fund this equates to £1.671m.		CR Pension Reserve 1,671			
Overall impact of current year unadjusted misstatements	0	0	0	0	

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting in 2023/24
Misclassification short term Investments and short-term debtors- 0.8 million During the course of the audit, it was identified that the Council incorrectly classified a short-term debtor in short term investments.	Nil	DR Short term debtors 800 CR Short term Investments 800	Nil	Nil	Value immaterial to financial statements.
Share of the asset understatement from the pension fund – 1.1 million The pension Fund Auditor has reported an understatement of the total investments for the Pension Fund of £4.2m. Based on the council's share of the fund this equates to £1.1m	Nil	DR Pension Liability 1,100 CR Pension Reserve 1,100	Nil	Nil	Value immaterial to financial statements.
Overall impact of prior year unadjusted misstatements	Nil	Nil	Nil	Nil	
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	Nil	Nil	Nil	Nil	

Action plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	Off-Ledger Adjustments During the audit, it was noted that the Council initially records certain transactions against general ledger codes that do not reflect their final classification in the financial statements. At year-end, these amounts are manually reclassified outside the main ledger system to align with the correct presentation required by the financial statements. These adjustments are performed off-ledger rather than through formal journal entries within the accounting system. Whilst we have not identified any issues with the adjustments made there are risks associated with off ledger processing, including; 1) Lack of Audit Trail - Manual reclassifications outside the ledger reduce transparency and create an incomplete audit trail. This makes it difficult to verify the accuracy and completeness of adjustments. 2) Control Weakness-Off-ledger adjustments bypass system controls (e.g., approval workflows, automated checks), increasing the risk of unauthorized or inappropriate changes. 3) Reduced Data Integrity-Financial data in the general ledger does not fully reflect the final reported figures, which can lead to inconsistencies between internal reports and published financial statements.	We recommend that the Council review its current practice of off-ledger reclassifications and consider aligning the general ledger coding with the final financial statement presentation. This would improve transparency and reduce reliance on manual adjustments Management response Agreed, this will be reviewed for 2025/26.

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Medium	ContrOCC* invoice flags As part of testing of invoices raised after the year end we selected an invoice which was subsequently credited by the council, as such this did not have an impact on the financial statements. It did however highlight a potential weakness in arrangements to supporting invoicing in this area. The reason for the credit related to the way in which care package costs had been entered into the ContrOCC system. Upon a persons death the split of the care package triggered an invoicing process from the Council which upon receipt by the customers' estate was subsequently challenged and a credit note issued. The risk is that if information is not added accurately in other information systems this can lead to erroneous invoicing. * ContrOCC is a subsidiary system of the Council relating to Adults and Children's social care.	We recommend that the Council carry out a process of review to ensure care packages are allocated appropriately to ensure inaccurate invoicing is avoided. Management response Agreed. All managers to be reminded that actions pertaining to case closures should be reviewed, this to include that Care Package Line Items (CPLI's) are recorded correctly into the case management system.

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Medium	Financial instruments A number of disclosure errors have been identified in relation to this complex note. These errors have included omissions, inconsistencies, misclassifications and two material calculation errors . Furthermore, amendments have been required in prior reporting periods to correct these issues, often necessitating prior period adjustments in accordance with applicable accounting standards. Such adjustments typically involve additional procedures to ensure compliance and transparency, as well as expanded disclosures to explain the nature and impact of the corrections. The recurring need for revisions to this note highlights the importance of implementing robust review and validation processes to mitigate the risk of future misstatements.	It is recommended that management implement enhanced review controls over the preparation of this note, including detailed checklists aligned to the relevant accounting standards. Additionally, consideration should be given to providing targeted training for staff involved in preparing these disclosures to ensure a thorough understanding of the requirements and reduce the likelihood of future errors. Management response Agreed. This is a complex note and will be reviewed for 2025/26.

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Green	Instructions to valuer We have reviewed outline Instructions to Valuer document issued by the Council to its valuer covering the 2024/25 financial period. However, we understand that no formal Terms of Engagement documents have subsequently been received by the Council. It is our view that for each instruction, the Council should ensure it has specific Terms of Engagement document to help establish accountability, ensure clarity on the scope and objectives, and provide an audit trail. This reduces the risk of misunderstandings, scope creep, or non-compliance with professional and regulatory standards.	The Council should ensure formal terms of engagement are agreed with its valuation expert Management response Agreed, this will be implemented for the 2025/26 valuation exercise.

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Low	Journal authorisation Journal testing highlighted an opportunity to strengthen the approval process. We noted instances where journals posted by senior team members were approved by junior staff. Best practice would typically require approval by a more senior individual to ensure appropriate oversight. The current approach may diminish the effectiveness of the review and could potentially impact the integrity and accuracy of financial reporting.	We recommend that journals be reviewed and approved by senior team members to ensure adherence to a robust review process. Management response This will be reviewed in 2025/26.

Action plan (continued)

Assessment	Issue and risk	Recommendations
● Low	Journal processing – annual leave As part of our procedures relating to journal entries, we request information from individuals who have posted journals during the year. While not exhaustive, this includes questions regarding the types of journals processed and the arrangements in place to ensure continuity of processing during periods of absence or leave. In response to the question on cover arrangements for journal processing during leave, some comments indicated ‘nobody’ or ‘none. Whilst we accept there are likely to be local arrangements in place to maintain business continuity the absence of formal policy or procedure to cover arrangements increases the risk of delays in processing journals and may result in incomplete or inaccurate financial records. This could impact the timeliness and reliability of financial reporting.	We recommend that the Council reviews and formalises current policies to ensure adequate cover for journal processing during staff absences. This should include documented procedures and clear responsibilities to mitigate the risk of disruption to financial processes. Management response Agreed.

Follow up of prior year recommendations

We identified the following issues in the audit of the Council’s financial statements in previous years, and reported the recommendations in our Audit Findings Reports. We set out an update here.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Weaknesses around the processing of capital accounting entries in the Council's Fixed asset register (FAR) and the valuations process. - Assets where revalued at 1st October rather than the year end. - Capital additions and assets under construction brought into use in year are processed as a manual adjustment and then revalued the following financial year- whereas the Code requires these to be revalued. - Finance leases are not included in the FAR but manually adjusted. - A large balance of assets that required revaluing under the Code were held at cost in Other Land and buildings. We recommended the Council reviewed its capital accounting processes for the above matters.	The valuation date has been moved to year end (31 March 2026) for the 2025/26 accounts
✓	We noted in the prior year three errors relating to VAT treatment in our expenditure and agency costs testing. We recommended the Council should review its process in relation to accounting for VAT and ensuring expenditure is accounted for in the correct financial year.	This recommendation has been agreed and was actioned across the 2024-25 financial year-year end.
✓	Our Creditors testing in the prior year noted 2 payroll pay control accounts that no supporting evidence could be provide for. We recommended that Control accounts should be reviewed and the Council should consider writing out old balances with no backing rather than continually carrying forward such balances year on year.	This recommendation has been agreed and was actioned across the 2024-25 financial year-year end.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Management provided us with a report downloaded directly from the fixed asset register with the revalued assets and valuation basis. From review we identified multiple changes in valuation basis compared to prior year. Subsequently from discussions it was identified that the valuation basis had been inputted incorrectly within the FAR and the valuation basis as per the valuation report was correct with prior year valuations.	We have not identified any changes to this process and as such this recommendation remains open.
✓	IFRS16 (Leases) is due to be fully implemented in 2024/25 following previous deferrals by CIPFA. In Note 3 of the accounts the Council stated they are satisfied that this standard will have no material impact on the accounts. The number and impact of any peppercorn leases is currently being assessed. The Council needs to ensure that it is fully prepared for this significant change.	IFRS implementation has been completed in 2024/25. Our work in this area is nearing completion and is detailed on page 11.
X	Income and expenditure listings provided to us by the Council had a large number of debits and credits in the transaction populations. We recommended the Council should reduce the level of audit input in our transaction testing by acting to “cleanse” populations to ensure we are only reviewing transactions that directly impact the financial statements.	We are still experiencing large listings that are not ‘cleansed’ to a transactional level. As such this recommendation remains open. With statutory reporting deadlines scheduled to come forward significantly in future years, the ability of the Council to provide clean transaction listings will become increasingly important. We are aware the Council has been recently reviewing reports available in order to expediate this.
X	We recommended in prior year audits that the Council have no authorisation or control process in relation to authorisation of journals below £20,000. We recommended the Council should ensure that all journals are reviewed and approved by an appropriate independent officer.	Management have confirmed that action is ongoing to address this recommendation. Internal audit have provided substantial assurance regarding the authorisation process.

07 Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30 November each year from 2024-25. In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Our audit plan presented to the 31 March 2025 Corporate Governance Committee did not identify any significant weakness areas or related risks, requiring separate attention in relation to Value for Money. Upon receipt of draft financial statements our risk assessment processes were updated and we identified two risks of significant weakness in relation to developing further savings plans and addressing the Dedicated Schools Grant deficit.

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report . We identified a significant weakness in the Authority's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a significant weakness in the Authority's arrangements for financial sustainability, as a result of the Councils Dedicated School Grant deficit. For 2024/25 the Council has reported a net Dedicated Schools Grant (DSG) overspend of £16.3m the cumulative funding gap is now £64m and is forecast to be £118m by 2028/29. While the Government has signalled it's intention to extend the Statutory Override to March 2028, the Council still needs to fund the in-year overspending, and we have made a key recommendation.

08 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, there are no matters that we are required to report.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council .
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council’s board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to November 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Leicestershire County Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Audit fees	£
Audit of Council	282,063
Total	282,063

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
DFT grant assessment	15,000	Appointment to complete work in relation to 2024/25 DFT grant assistance has not yet been confirmed	Self-Interest (because this is a recurring fee) Self review Management	There is a fee for the service. The fee is agreed in advance for this work, but may vary based on the number of any issues identified. A self interest threat could potentially be in place, however, the level of fee for the work on the DFT Engagement is generally lower than the audit fee and is not significant in the context of the Engagement Lead's portfolio or to the public services part of the firm on which Engagement Leads' performance is judged. These factors all mitigate the perceived self-interest threat to an acceptable level. A self review threat could potentially be in place as the firm is reviewing and reporting Grant income and expenditure for the entity. We have not prepared any elements of the work produced. Grants expenditure is included within the financial statements but the work required in respect of this assignment is separate to that required for purposes of the audit. Based on past experience, it is not expected that there will be material changes to grant income recorded in the financial statements arising from the work that we perform. Any changes to the Grant income and expenditure will be agreed with the Employer's Responsible Financial Officer or delegated deputy before we conclude our report of factual findings. This report will also comment on any amendments that the Employer has declined or is unable to make. Any changes to the financial information as a result will either be agreed by informed management of the Employer or will be determined by the Grant provider based on our factual findings. A management threat could be perceived as providing information to the grant provider is the responsibility of management. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will agree any amendments and factual findings with the Employer's Responsible Financial Officer, and we will obtain representations from the Employer in respect of our factual findings and include these in our report. Management will make their own decisions whether to amend for any errors identified as part of our testing or to make representations to the Grant provider.
Total	15,000			

Fees and non-audit services

Total audit and non-audit fee

(Audit fee) - £282,063	(Non-audit fee) - £15,000
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The above fees are exclusive of VAT and out of pocket expenses.
The fees agree to the financial statements (extract below)

Note 34: External Audit Costs

The Authority has incurred the following costs in relation to the audit of the statement of accounts:

2023/24 £		2024/25 £
	<i>Fees payable to external auditor:</i>	
273,146	Annual audit	282,063
15,000	Other services provided during the year	15,000
288,146	Total	297,063

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Group’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

Our team and communications

Helen Lillington

Engagement Lead/
Key Audit Partner



- Key contact for senior management and Audit Committee
- Signs opinion on financial statements
- Overall quality assurance

Mary Wren

Senior Audit Manager



- Audit planning
- Resource management
- Performance management reporting

Tim Lacey

Audit In-charge



- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Team of 3-4 audit assistants and specialist members of the team Including, IT audit, Digital Audit team and Property valuation experts.

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings • Auditor's Annual Report	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates, including invitations to chief accountants workshops
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit In-charge and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

The accounts and audit timeline





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Interim Audit Findings (ISA 260) Report for Leicestershire County Council Pension Fund

Year ended 31 March 2025

November 2025



Leicestershire County Council Pension Fund
County Hall
Glenfield
Leicester
LE3 8RA

13 November 2025

Dear Members of the Corporate Governance Committee

Audit Findings for Leicestershire County Council Pension Fund for the 31 March 2025

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and are being presented to the Corporate Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf](#). PSAA also publish quarterly quality monitoring reports which can be found at [Quarterly quality monitoring reports – PSAA](#).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Grant Patterson

Grant Patterson

Director

For Grant Thornton UK LLP

Chartered Accountants

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Contents

Section	Page	Appendices	Page
Headlines and status of the audit	6	A. Communication of audit matters to those charged with governance	47
Financial statements	11	B. Internal controls	49
Materiality	13	C. Our team and communications	50
Overview of audit risks	16	D. Logistics	51
Other findings	23		
Communication requirements and other responsibilities	29		
Audit adjustments	34		
Independence considerations	42		

Headlines and status of the audit

Headlines

Financial statements

Introduction

These are the key findings and other matters arising from the statutory audit of Leicestershire County Pension Fund (the 'Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2025 for the attention of the Corporate Governance Committee as those charged with governance.

ISA Requirements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and,
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Audit Work

Our audit work was primarily completed during June-August. Our findings are summarised on pages 15 to 27. We will be presenting this Audit Findings Report (AFR) to the Corporate Governance Committee on 24 November 2025.

We have not identified any adjustments to the financial statements that impact upon the Pension Fund's reported financial position.

We have identified:

- a £5.95m unadjusted difference in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2025 and the valuation statements received from the third-party investment managers. We recognise this is primarily driven by timing differences on closing down the financial statements and receipt of these valuation statements, and
- there is one unadjusted difference of £3.99m from the prior year, where accrued investment income was overstated, which when reversed in 2024/25 means investment income in 2024/25 is understated by the same value. There is no impact upon the year end net asset position of the fund.

Cumulatively, we are satisfied that the differences will not impact decisions made by users of the accounts and management are proposing not to amend the financial statements on the basis that the differences are not material both quantitatively and qualitatively. The Corporate Governance Committee will be asked to confirm their agreement to this through the Letter of Representation

We have identified a small number of classification and disclosure changes. The disclosure amendments have no impact on the value of assets available to the Fund. These and the unadjusted differences are detailed on pages 34 to 37.

No significant deficiencies have been identified for which we are required to raise recommendations for management as a result of our audit work this year. Our follow up of recommendations from the prior year's audit are detailed on pages 38 to 40.

Continued overleaf

Headlines

Financial statements

Audit Work - continued

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is substantially complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are also required to give a separate statement for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

We propose to issue our 'consistency' statement on the Pension Fund's Annual Report at the same time as we issue our final audit opinion on the Pension Fund financial statement as noted above. The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. If this is before the Council audit is completed the Fund will need to publish its Annual Report without our consistency report but with an explanation for the delay on its website.

We do note that whilst an opinion on the administering authority's financial statements can be issued by their auditor the formal certificate confirming completion of the audit of the administering authority cannot be given until their work on Whole of Government Accounts, any objections (if received) and our work on the Annual Report has been completed.

Headlines - status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

L3 investments – we have undertaken audit procedures on a number of investment assets held by LGPS Central. No issues have been identified as part of that work. However, audited accounts as at 31 March 2025 have now been received. This is considered new information in respect of the position as at 31 March 2025 and we are in the process of considering if it impacts upon our current conclusions.

- Completion of our work on directly held (investment) property
- Completion of procedures regarding subsequent events
- Completion of our work regarding litigation and claims
- Receipt of management representation letter
- Review of the final set of financial statements
- Senior engagement team review

Status:

- Significant elements outstanding – high risk of material adjustment or significant change to disclosures within the financial statements
- Some elements outstanding – moderate risk of material adjustment or significant change to disclosures within the financial statements
- Not considered likely to lead to material adjustment or significant change to disclosures within the financial statements

Subject to satisfactory completion of the points opposite, we anticipate issuing an unqualified audit opinion and unqualified consistency opinion.

For Leicestershire County Pension Fund, the Corporate Governance Committee is formerly those charged with governance i.e. it considers the draft financial statements and is part of the overall member oversight process and approves adoption and publication of the financial statements.

Drafts of our anticipated opinion and the management representation letter are separate items on the Agenda for consideration by the Corporate Governance Committee.

Headlines – local and national context

Administration and Governance

The net assets of the Leicestershire County Council Pension Fund as at the end of March 2025 amounted to £6,697.6m (31 March 2024: £6,391.5m).

The total membership of the Leicestershire County Council Pension Fund (the ‘Fund’) was c. 109,000 people as at the end of March 2025. Of this number around one third are active employees who still contribute to the scheme. In total, there were 195 active employers covered by the Fund at the end of March 2025.

The Fund has continued to work through the processes for connecting to the Pensions Dashboard ecosystem. On 1 October Leicestershire’s ISP live connection was successfully submitted and went live on the public sector staging date of 31 October 2025. The service itself will not be released to the general public until a later date. Schemes will be given at least 6 months notice before the public go-live date.

The Fund has continued to implement the McCloud remedy. The implementation period was due to end on 31 August 2025 but the Fund has taken the discretionary option to extend this to 31 August 2026 for members where a rectification calculation needs to be undertaken.

We have received requests from employer body auditors to undertake work on the accuracy and completeness of the information provided to the actuary as part of the 2024/25 IAS 19 valuation process. We have completed sufficient work such that these assurances have now been provided.

Investments and Funding

The 2022 triennial valuation was undertaken by Hymans Robertson, and showed that the Fund had assets sufficient to cover 105% of the accrued liabilities as at 31 March 2022. In a report to the Pensions Committee in September the actuary indicated that early indications from the 2025 valuation was that the Fund the Fund had assets sufficient to cover 140% of the accrued liabilities as at 31 March 2025.

At the end of May 2025 the Government published its response to the ‘Fit for the Future’ consultation. Its key proposals include:

- **reforming asset pooling** - transferring all assets to the management of the pool alongside taking principal investment advice from the pool and delegating implementation of the investment strategy to the pool,
- **boosting investment in local areas and regions** - setting out the approach to local investment in the Investment Strategy Statement and working with relevant Strategic Authorities to identify suitable local investment opportunities, and
- **strengthening the governance of LGPS Administering Authorities and LGPS pools** - undertaking an independent governance review once in every three-year period, have an independent advisor without voting rights, rather than an independent member of a committee and prepare strategies on governance, knowledge and training and administration.

The minimum standards for pooling and the independent governance review are being introduced in the Pension Schemes Bill which has just entered the Report Stage in Parliament. Subsequent regulations and statutory guidance will provide further detail on implementation of all the new requirements.

The Fund is in the LGPS Central pool and is advancing with pooling. At 31 March 2024 40.4% of assets were under direct pool management and this has increased slightly to 42.4% at 31 March 2025. The government is seeking 100% to be under pool management by 31 March 2026. The Fund notes that it has £1.1bn worth of passive equities which are invested in a low cost collectively pooled vehicle. If these are taken together as at 31 March 2025 it considers that 59% of its assets could be defined as pooled. We will track progress against this and the other proposals once regulations and guidance are finalised.

Financial statements

Financial statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance and the Local Pensions Committee to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the NAO Code of Audit Practice (the 'Code'). Its contents have been discussed with management and will be presented to the Corporate Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For Leicestershire County Pension Fund, the Corporate Governance Committee is formerly those charged with governance i.e. it considers the draft financial statements and is part of the overall member oversight process and approves adoption and publication of the financial statements. There is a separate Local Pensions Committee (LPC) which has responsibility for management of the Pension Fund including review of the Pension Fund Annual Report. The Investment Sub-Committee is responsible for appointing and monitoring the performance of Fund Managers. (These responsibilities are also exercised by the LPC).

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- an evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

In the Audit Plan presented to the Corporate Governance Committee on 23 June 2025, based on the prior year's financial statements, we identified the valuation of Directly Held Property as a significant risk, primarily due to its expected value and the sensitivity of the estimate to changes in key assumptions.

Upon receipt of the draft 2024/25 financial statements we noted that Directly Held Property was valued at £90.4 million, which is below our headline materiality threshold of £91.8 million. However, audit procedures are guided by a lower threshold known as Performance Materiality. As the value of Directly Held Property exceeds this level, audit testing has been performed on the balance. However, as reported as part of progress report to September 2025 Corporate Governance Committee we revised our risk assessment and are not treating the balance as a significant risk.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Corporate Governance Committee meeting on 24 November 2025 and the completion of the administering authority's audit.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

Materiality

Our approach to materiality

As communicated in our Audit Plan dated June 2025, we determined headline materiality at the planning stage as £91.8m based on 1.44% of Gross Investment Assets as at 31 March 2024 (prior year). Upon receipt of draft financial statements for the year ended 31 March 2025, we have reconsidered the headline materiality level calculated at planning and decided not to change. A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £91.8m based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements.
- We used 1.44% of gross investment assets as at 31 March 2024 as the benchmark for our materiality. This now represents as a benchmark 1.37% of gross investment assets at 31 March 2025.
- The benchmark percentage applied has increased from 1.20% in the prior period audit, to 1.37%, based on the following factors:
 - The Fund's portfolio being primarily Level 1 and Level 2 assets, for which market data is available for audit purposes.
 - Prior period experience noted limited findings with no adjusted or unadjusted misstatements raised in relation to the net assets statement.
 - It is still below our maximum benchmark of 2%.

Performance materiality

- We have determined performance materiality at £68.8m, this is based on 75% of headline materiality. We have not had to revise performance materiality from the planned level.

Specific materiality for the Fund Account

- We have determined a lower separate materiality for the fund account at £27m, this is based on 10% of gross expenditure (in the fund account) as at March 2024. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied.
- Similarly to our headline materiality we have reconsidered this based upon the draft financial statements. Whilst using the same benchmark would lead to an increased materiality of £31m we have noted that a large proportion of increased expenditure is linked to commutation and lump sums which can be considered one-off in nature. We have therefore decided not to change the materiality calculated. This now represents as a benchmark 8.6% of gross expenditure (in the fund account) as at March 2025 which is still within our expected range of 5-10%.

Reporting threshold

- We will report to you all misstatements identified in excess of £4.5m, in addition to any matters considered to be qualitatively material.

Our approach to materiality (continued)

A summary of our approach to determining materiality is set out below.

Description	Amount (£)	Qualitative factors considered
Materiality for the financial statements	91,800,000	Headline Materiality used equates to 1.37% of your gross investment assets as at 31 March 2025. We deemed this to be a level above which errors or omissions would alter the economic decisions of users of the accounts. Given the transparency of reporting and risks at the Fund we could have moved to a higher benchmark of 1.75% but we have capped this at a lower level in order to be able to provide appropriate assurances to employer body auditors to support their work under IAS 19. The Fund's portfolio is primarily cash and Level 1 and Level 2 assets, for which market data is available for audit purposes. Prior period experience noted limited findings with no significant adjusted or unadjusted misstatements raised in relation to the net assets statement.
Performance materiality	68,800,000	Performance Materiality is based on a percentage (75%) of the overall materiality. . In determining the 75% measurement percentage, we considered the relatively low number of prior-year control recommendations, misstatements and the control environment among other factors.
Specific materiality for the fund account	27,000,000	The contribution and benefit structures of the Fund are laid out within statute and through the actuary's triennial valuation report. Information is available and the overall audit approach required is not complex. Materiality for the Fund Account for planning equates to 8.6% of gross expenditure (in the fund account) as at 31 March 2025.
Specific performance materiality for the fund account	20,250,000	Performance Materiality for the Fund Account equates to 75% of the Specific Materiality for the Fund Account.
Trivial matters - reporting threshold	4,500,000	Trivial threshold is based on a percentage (5%) of the overall materiality. No issues noted in prior year and no significant change in business processes or control environment.

Overview of audit risks

Overview of audit risks

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

- Significant classes of transactions, account balances, and disclosures, are associated with risks of material misstatement but are not always significant risks (SCOT+).
- Material only are material financial statement line items not associated with risks of material misstatement.
- Other audit risks are accounts that are not associated with any SCOT + or with a material only financial statement line item or disclosure.

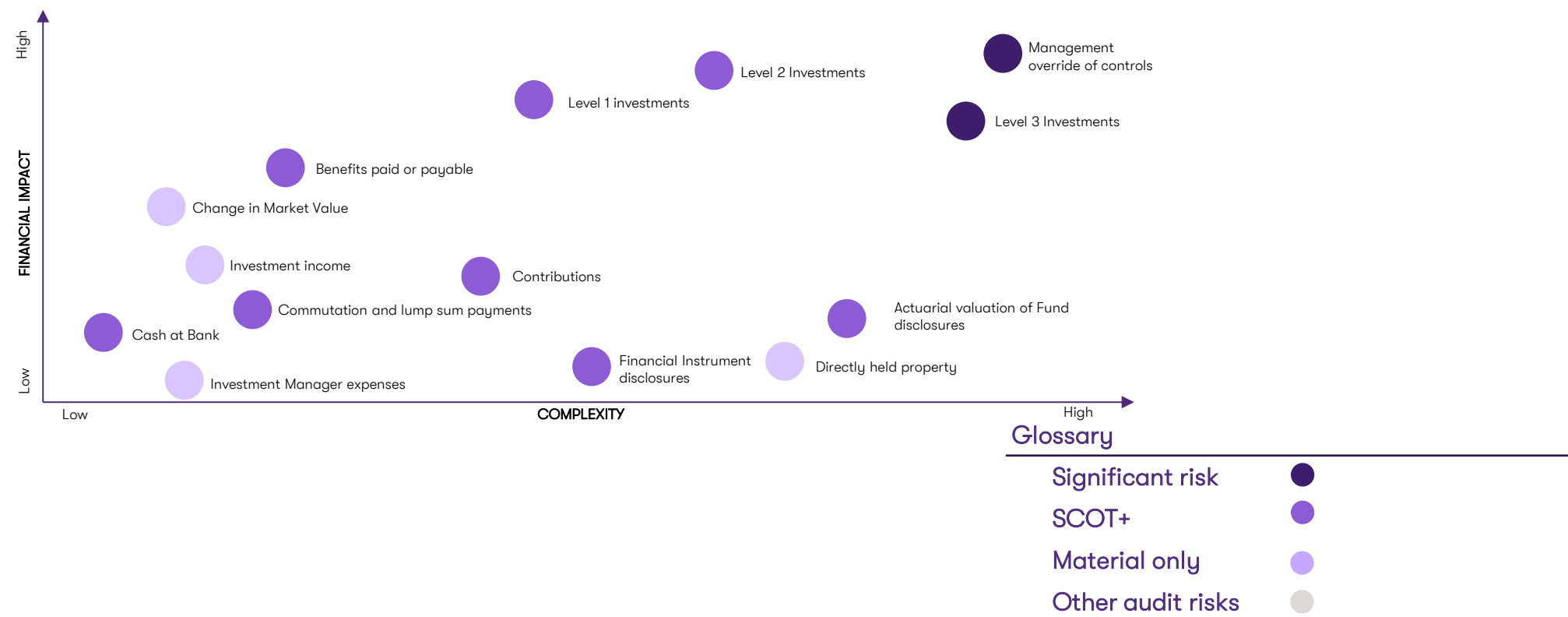
In the graph overleaf, we have presented the, significant risks, SCOT+, and material only and other risks relevant to the audit.



Overview of audit risks

In the graph below, we have presented our judgments in respect of the significant risks, SCOT+, and material only and other risks relevant to the audit.

As noted on Page 11 the one significant change our audit risk assessment communicated in our audit plan is to reassess directly held property as material only rather than a significant risk.



Overview of audit risks

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	● [Green]
Valuation of Level 3 Investments	Significant	↔	✗	High	● [Amber]
Directly held property	Material only	↓	✗	Low	● [Green]
Valuation of Level 1 Investments	SCOT+	↔	✗	Low	● [Green]
Valuation of Level 2 Investments	SCOT+	↔	✗	Low	● [Green]
Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26	SCOT+	↔	✗	Medium	● [Green]
Cash and cash equivalents	SCOT+	↔	✗	Low	● [Green]
Benefits payable	SCOT+	↔	✗	Low	● [Green]
Contributions receivable	SCOT+	↔	✗	Low	● [Green]
Financial instrument disclosures	SCOT+	↔	✗	Low	● [Green]

Glossary

- ↑

Assessed risk increased since audit plan
- ↔

Assessed risk consistent with audit plan
- ↓

Assessed risk decrease since audit plan
- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant changes to disclosures within the financial statements

Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
Management override of controls In accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls. The Fund faces external scrutiny of its spending and stewardship of assets, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	As part of our audit procedures, we have: 1. Evaluated the design and implementation of relevant controls around the financial reporting process. 2. Challenged management’s key accounting estimates, judgements and decisions; considering whether these judgements and estimates are individually or cumulatively indicative of management bias. 3. Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity. 4. Used our data analytic software (‘Inflo’) to interrogate journal entries, with particular focus on those journal entries that made material post year end adjustments or exhibited unusual characteristics such as journals with unusual posting combinations, journals that appeared to be ‘instructed’, were back-posted or journals that were posted by unusual or unexpected users. Journal entries identified as high risk were then tested to supporting documentation. 5. As noted on Page 27 we have factored deficiencies identified by our IT team into our planned work. 6. Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.	We have noted no material adjustments or findings in relation to management override of controls. We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology. Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.

Significant

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Valuation of level 3 investments The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud. Significant Relevant assertion(s) Valuation, Existence Applicable assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Evaluated the design and implementation of relevant controls of management’s process for valuing Level 3 investments and performed a walkthrough to confirm that controls are implemented as designed. 2. Challenged management’s valuation (for a sample – where applicable) of the investments through: a) Comparing the valuation to purchase and sale transactions of the investment near the reporting date where appropriate. b) Reviewing the audited financial statements of the investment accounts. Where there were different reporting dates, we carried out ‘look back tests’ to gain assurance on the valuation methods of the investment manager, comparing audit accounts to capital statements and then considering cashflows to year end (and indices where appropriate). c) Reviewing the corresponding independently sourced capital statement at 31 March 2025. 3. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts. 4. Reviewed and challenged, where necessary, management’s classification of the assets. 5. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate. 6. Completed sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances.	Our audit work identified that the actual value of level 3 investments as at 31 March 2025 were factually overstated by £5.491m due to timing delays of receipt of March valuations from Fund managers. For the untested population this would extrapolate to a further £0.454m overstatement. This is largely attributed to timing differences as a result of final capital statements not being available when the Pension Fund’s draft accounts were being compiled. Timing differences such as this are not unusual within Pension Funds. The difference is 0.08% of total investment assets and less than 15% of our performance materiality. Further information can be found on pages 23 and 24. Management has determined not to amend the Pension Fund’s Statement of Accounts on the basis that the difference is not materially quantitatively or qualitatively to readers of the accounts. The Corporate Governance Committee will be asked to confirm their agreement through the reporting of this Audit Findings Report and the Letter of Representation. Our work is substantially complete; outstanding procedures are detailed on page 8. We are satisfied that judgements made by management are appropriate and the valuations have been determined using consistent methodology.

Rebuttal of presumed risks

Risk	Risk relates to	Audit team’s assessment	Final audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	We have identified and completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including the administration authority, Leicestershire County Council, and the Fund, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Pension Fund.	At planning we did not consider this to be a significant risk for the Fund and that standard audit procedures would be carried out. We have continued to review this rebuttal throughout the audit to ensure this judgement remains appropriate and are satisfied that it does.
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have identified and completed a risk assessment of all expenditure streams for the Fund. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because: • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Pension Fund.	At planning we did not consider this to be a significant risk for the Fund and that standard audit procedures would be carried out. We have continued to review this rebuttal throughout the audit to ensure this judgement remains appropriate and are satisfied that it does.

Other findings

Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Summary of management’s approach

Level 3 investments - £2,093.6m

The Pension Fund has investments in unquoted equity and pooled investment vehicles that in total are valued on the net assets statement as at 31 March 2025 at £2,093.6million.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Local Pensions Committee, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

Northern Trust is the pension fund’s custodian; their role is the safeguard and keep asset records. The valuation of the funds is provided by the investment managers. Service auditor reports for investment managers and custodians were obtained and considered by management at the pension fund where appropriate.

The value of level 3 investments has increased by £33.4m in 2024/25, this is largely due to sales, transfers, purchases, and change in the market value for these funds.

Audit comments

In response to management’s approach, we have:

1. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison.
2. Ensured consistency of the investment management report with the financial statements.
3. Compared the valuation to purchase and sale transactions of the investment near the reporting date (where appropriate).

continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)	
3. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts. 4. Considered the completeness and accuracy of the underlying information used to determine the estimate. 5. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate. In undertaking this approach, we have also considered the completeness and accuracy of the underlying information used to determine the estimate, in addition to the impact of any changes to valuation method from the prior period (if applicable). We have also confirmed that the sensitivities disclosed in the notes to the accounts are reasonable and in line with the CIPFA Code, and the estimate is adequately disclosed in the financial statements. Please see our findings on page 36 where we have identified potential differences in investment values from those estimated by management of £5.946m between the final value of the private equity and infrastructure portfolio reported by investment managers from the estimated value in the accounts. We recognise this is primarily driven by timing differences on closing down the financial statements and receipt of these valuation statements. We are therefore satisfied that management’s estimation approach is reasonable.	

Assessment	
● [Green]	We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Assessment Key

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Other findings – key judgements and estimates (continued)

Summary of management's approach

Level 2 investments - £1,132.7m

The Pension Fund have investments in pooled investments that in total are valued on the net assets statement as at 31 March 2025 at £1,132.7million.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Local Pensions Committee, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments involve inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. The investments are not actively traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, investment managers make use of evaluated price feeds.

The value of the investment has increased by £58.2m in 2024/25, this is largely due to sales, transfers, purchases and change in the market value for these funds.

Audit comments

In response to management's approach, we have:

1. Ensured consistency of the investment management report with the financial statements.
2. Agreed the valuation back to quoted and/or publicly published prices at year-end where available.
3. Compared the valuation to purchase and sale transactions of the investment near the reporting date (where appropriate).
4. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts.

continued overleaf

Other findings – key judgements and estimates (continued)

Audit comments (continued)	
5.	Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate
6.	Evaluated management’s classification within the fair value hierarchy
In undertaking this approach, we have also considered the completeness and accuracy of the underlying information used to determine the estimate, in addition to the impact of any changes to valuation method from the prior period (if applicable).	
We have also confirmed that the sensitivities disclosed in the notes to the accounts are reasonable and in line with the CIPFA Code, and the estimate is adequately disclosed in the financial statements.	
We are therefore satisfied that management’s estimation approach is reasonable.	

Assessment	
● [Green]	We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Assessment Key

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

The Pension Fund and the Council share a common control environment in relation to Oracle Fusion. As part of 2024/25 IT work our specialist IT team identified what it considered to be 2 significant deficiencies pertaining to security role privileges and self-assigned access controls within Oracle. In response:

- Security role privileges were removed from all roles by the Council in September 2024 but, in its view, needed to be reinstated for certain corporate finance staff in order to manage the Chart of Accounts. For these individuals the Council is satisfied this level of access is appropriate and is willing to tolerate any residual risk.
- For self-assigned access controls one was project specific and ceased in June 2024. The other access is required in a design and development role and its use is monitored by a manager without privileged access. The Council therefore believes it has an appropriate mitigating control in place.

These deficiencies were considered in our audit approach to management override of control for 2024/25 and no issues were noted in the specific procedures performed. As these mitigation actions were taken part way through the 2024/25 financial year they are rated as red in the table below. Our IT team will review the Council’s security managements arrangements as part of the 2025/26 audit, including any mitigating controls initiated by the Council.

Our summary assessment is detailed below:

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Altair	ITGC assessment (design and implementation effectiveness only)	 [Green]	 [Green]	 [Green]	 [Green]	N/A
Oracle Fusion	ITGC assessment (design and implementation effectiveness only)	 [Amber]	 [Red]	 [Green]	 [Green]	N/A
Active Directory	ITGC assessment (design and implementation effectiveness only)	 [Green]	 [Green]	 [Black]	 [Black]	N/A

- [Red]
- [Amber]
- [Green]
- [Black]
- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for assessment

Communication requirements and other responsibilities

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	- A letter of representation has been requested from the Pension Fund. This was shared with management and the draft will be included in the Agendas for the meetings of the Corporate Governance Committee. There are no specific representations requested beyond those normally sought (such as confirmation not to adjust the financial statements). - This will be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.
5	Confirmation requests from third parties	We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted and the requests were sent. All requests were returned with positive confirmation and no alternative procedures were required.
6	Disclosures	- Our review found no material omissions in the financial statements. - Significant disclosures in the 2024/25 statutory financial statements include the Fair Value Hierarchy, Actuarial Present Value of Promised Retirement Benefits (but recognising the Fund applies 'Option C' by including the actuary's report), Uncertainty and risk disclosures. - We have noted that non-financial instruments have been included within the Financial instrument note (Note 21). Management's view is that enables a reader to better reconcile the figures to the total value of assets disclosed elsewhere within the financial statements. Whilst this is a departure from the CIPFA Code we are satisfied that it is clearly presented and that readers will not be misled and have therefore not requested that management adjust the financial statements.

Other communication requirements (continued)

Going Concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Commentary

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10.

continued overleaf

Other communication requirements (continued)

Going Concern

Commentary (continued)

The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Pension Fund and the environment in which it operates
- the Pension Fund's financial reporting framework
- the Pension Fund's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	The Pension Fund is administered by Leicestershire County Council (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to the appropriate item on the Committee agenda for our draft audit opinion.
Matters on which we report by exception	We are required to give a separate consistency statement for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our ‘consistency’ statement on the Pension Fund’s Annual Report at the same time as we issue our final audit opinion on the Pension Fund financial statement as noted above. The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. If this is before the Council audit is completed the Fund will need to publish its Annual Report without our consistency report but with an explanation for the delay on its website. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.

Audit adjustments

Adjusted misstatements

Impact of adjusted misstatements

- There are no adjusted misstatements to the primary financial statements to report.

Misclassification and disclosure changes

- The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure misstatement	Auditor recommendations	Management response
A number of typographical and presentation errors have been identified throughout the financial statements.	Amend as required.	Amendment made
Introduction and General and Membership - these are ahead of Primary Statements and not badged as being 'Notes' to the accounts. Page 87 specifically says "The notes on pages 87 to 112 form part of the financial statements." therefore excluding these. Amendment required to ensure all appropriate statements are referred to.	Amend as required.	Amendment made
Note 1 - state no accounting standards have been identified as issued but not yet adopted. CIPFA Bulletin 19 identifies IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) and Insurance Contracts (IFRS 17). The code requires disclosures of any accounting standards issued but not yet adopted.	Amend as required.	Amendment made
Note 2 - the accounting policy states that the actuarial present value of promised retirements benefits is assessed in accordance with IAS 19. This is incorrect and it should be IAS 26 instead in line with Code 6.5.2.8.	Amend as required.	Amendment made
Note 8 Benefits – The total of £241.8m agrees in total to the Fund Account however the split is not correct. A £4.1m presentation adjustment is required to ensure the Fund Account values stated agree to the supporting note to financial statements (2023/24 comparative figures also requires amendment).	Amend as required.	Amendment made
Note 10a- Investments Management Expenses £48.1m. CIPFA Code 6.5.5.1 (v) and the "Accounting for Local Government Pension Scheme Management Expenses (CIPFA, 2016)" explains costs should be split by type and investment manager, the draft financial statements are split by type only.	Amend as required.	Amendment made

Adjusted misstatements

Disclosure misstatement (continued)	Auditor recommendations	Management response
Financial instruments – Note 20- in order to assist the reader of the financial statements the note should clearly narrate how values relate to investment balances within Note 12 and use common terminology where appropriate to link the notes.	Amend as required.	Amendment made
Note 20b - reconciliation of assets held at Level 3 investments not been disclosed for the prior year comparatives	Amend as required.	Amendment made
Note 24 Related Parties states that contributions from LCC are £74.6m whereas it should be £75.1m as disclosed in Note 6.	Amend as required.	Amendment made
Note 26 AVCs - the draft published accounts stated that the note needed to be updated with contributions paid and total AVC value at year end. This information has been received from Prudential and the note is to be amended.	Amend as required.	Amendment made
Disclosures to explain the position in relation to Virgin Media case.	Amend as required.	Amendment made
Consider removal of zero lines and immaterial notes within the financial statements	Amend as required.	Amendment made

Unadjusted misstatements

This is a summary of unadjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

Adjustment ref.	Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total net assets £'000	Reason for not adjusting
		Debit £'000	Credit £'000	Debit £'000	Credit £'000		
	Total net assets per final accounts					6,697,600	
1	The actual value of level 3 investments as at 31 March 2025 were factually overstated by £5.492m due to timing delays of receipt of March valuations from Fund managers. For the untested population this would extrapolate to a further £0.454m overstatement. This is largely attributed to timing differences as a result of final capital statements not being available when the Pension Fund's draft accounts were being compiled.	5,946			5,946	(5,946)	Not material qualitatively or quantitatively
	Total net assets – recalculated to include unadjusted misstatements identified in 2024/25					6,691,654	

Impact of unadjusted misstatements in the prior year

The unadjusted misstatements identified as part of the 2023/24 financial statements audit are considered below in terms of the impact on the 2024/25 financial statements.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Impact on 2024/25 financial statements
Debit. Investment assets. (Credit). Change in investment assets Differences identified between the value of investments disclosed in the financial statements where some of the values are estimates at 31 March 2024 and the valuation statements received from the third party investment managers.	(4,226)	4,226	4,226	As all assets are revalued at 31 March 2025 there is no impact upon the net assets reported within the 2024/25 financial statements.
Debit Investment income (Credit) Short term deposits (cash and cash equivalents) An error was noted when interest income was accrued, management used the maturity date of the short-term loans instead of the year end date. This led to interest income being overstated.	3.991	(3,991)	(3,991)	Investment income was overstated in the 2023/24 financial statements, as such the reversal of this accrual into 2024/25 means investment income is understated by the same value. There will be no impact upon the year end net asset position as the corresponding entry would impact the (Profit) and Losses on Disposal of Investments and Changes in Value of Investments line with the Fund account.
Overall impact	(235)	235	235	

Follow up of prior year recommendations

We have not identified any recommendations for the Pension Fund as a result of issues identified during the course of this year’s audit.

This is a summary of where we identified recommendations for the Pension Fund because of issues identified during the prior year audit, and an update on actions taken by management as a result.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1 ✓	Inadequate supporting documentation for journals tested Cash float/control accounts Our review of Journal CRST060624B amounting to £4.676million that was posted to correct the cash float balance managed by Colliers Global and record expenses incurred in managing the properties. The following was observed: • The expenses charged in the current year are both historic and current year expenses. A total c£3m expenditure is split across the years as follows: £1.6m 2022/23, £0.5m 2021/22, £0.2m 2020/21, £0.7m 2019/20 & 2018/19 (combined). This evidence the lack of timely review, reconciliation and posting of expenses in the correct periods and clearing of the control accounts. • From review of the supporting evidence, we could only trace the balance of cash held by the IM of £546K. Suspense accounts cleared without supporting evidence Our review of journal CRST220624A amounting to £519K was posted in the general ledger clearing historic suspense payments related to Property income i.e. these were overpayments or otherwise unknown/miscellaneous payments that pension fund had not been able to reconcile.	Management response The particular areas identified with regards to this recommendation related to our property portfolio cash float. As noted, we engaged with Colliers Global to obtain a monthly breakdown of all cash movements to allow a full cash reconciliation & monthly posting to be completed. A handful of these monthly reports are attached for reference. Furthermore, with effect from 01/03/25, the management contract for the LPF Direct Property Portfolio has changed to LGPS Central, who have appointed DTZ Investors to manage the portfolio. DTZ provide a detailed quarterly report on the portfolio management and cash movements, including an initial 1-month report for the period to 31/03/25. Auditor assessment We are satisfied that this has taken place and as such the recommendation is closed.

- Assessment:**
- ✓ Action completed
 - Work in progress / Partially addressed
 - ✗ Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
2 →	Valuation of level 3 investment (financial assets) The following were our findings from testing in 2024/25 (similar points were raised in prior year): - Colliers, did not provide the fund with audited financial statements and type 2 controls report for 2 of the property funds (Henderson Fund and Legal & General fund) with a value £15.02million. - Lasalle (1 fund) and Partners Group (6 funds) did not provide us with the audited financial statements. The value of the funds are £422.87million For testing Lasalle and Partners we were able to obtain the type 2 controls report and we deem the relevant valuation controls were designed and operating effectively. Other alternative procedures such as indexation were performed to assess the reasonability of the year end valuations. Management should liaise with the fund managements to provide the audited financial statements where they are produced. In absence of such information, they should obtain the Type 2 controls report to gain comfort that the controls in place are operating effectively.	Auditor update and assessment • We were unable to obtain audited accounts for La Salle. • For the fund CRC CRF VI, Christofferson, Robb & Company confirmed that the Fund was not an investor in CRF VI by the end of 31 December 2024 therefore provided no audited financials. • Our testing in current year has identified SOC reports not received. • Kravis Kohlberg Roberts & Co (KKR) does not produce service organisations report. The investment manager stated that they do not have a SSAE 16 / ISAE 3402 report or a bridging letter but have several procedures in place to ascertain that internal controls are current and robust. Most notably, KKR is a public company subject to the internal control audit requirements of Section 404 of the Sarbanes-Oxley Act. We were able to gain sufficient assurance from alternative sources and as such we have assessed this recommendation as in progress. Management update 2024/25 As with previous years we are engaging with our investment managers to obtain copies of SOC reports, audited financial statements, bridging letters (where required) and any other documentation as appropriate to provide assurance over the valuations.

- Assessment:**
- ✓ Action completed
 - Work in progress / Partially addressed
 - ✗ Not yet addressed

Follow up of prior year recommendations

Assessment		Summary of Issue and risk previously communicated	Update on actions taken to address the issue
3	✖	Journal controls-lack of segregation of duties The journal entries process does not require approval for entering journals below £20 000. Failure to have a separate preparer and approver for journals could promote fraudulent financial reporting though we note this would require the entering of multiple journal entries below £20,000 for the impact to be material. Recommendation The Pension fund should ensure that all journals are not self approved by the preparer.	Auditor Update 2024/25 In the prior year we were satisfied that the residual value of these journals did not constitute a material risk. We have undertaken a similar analysis for the current financial year and are satisfied these values remain low and are well below trivial level as referred to on page 14. Management update 2024/25 Access to enter and approve journals in Oracle is restricted to officers within the Corporate and Technical Finance team only. As noted, the level of journals posted below £20k remains low. Internal Audit have also reviewed the process and have provided substantial assurance regarding the authorisation process. Auditor assessment We recognise the low level of journals under £20k, however, the ability to self approve journals remains a risk to the Council in terms of segregation of duties. As such this recommendation has been marked as ‘not yet addressed’.

Assessment:

- ✓ Action completed
- Work in progress / Partially addressed
- ✖ Not yet addressed

Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we disclose the following to you:

Matter	Conclusion
Our firm provides services to LGPS Central in respect of providing an independent opinion on their AAF 01/20 report.	We have concluded that these services would not have an impact on our independence, on the basis that these entities are legally and operationally independent from this pension scheme. In addition, these services are being provided by a team which is separate and independent from our audit team. The result of their work would not have any impact in the financial statements that are subject to our audit. We have considered that an objective reasonable and informed third party would concur with this conclusion.

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. In this context, we confirm that there are no such matters.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Independence considerations (continued)

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund or investments in the Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund’s committees, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The tables on the following page set out the total fees for non-audit services that we have been engaged to provide or charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The non-audit services are consistent with the Fund’s policy on the allotment of non-audit work to your auditor.

None of the services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Leicestershire County Council Pension Fund. The tables overleaf also summarise all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fee.

Our firm also provides audit and non-audit services to Leicestershire County Council. The fees in relation to these services and the related ethical considerations are reported in the Audit Findings Report issued to Those Charged With Governance (TCWG) for that entity. Consequently, such fees are disclosed in the Council’s financial statements rather than the Pension Fund’s.

Fees and non-audit services

The following tables set out the total fees for non-audit services that we have been engaged to provide or charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards have been applied to mitigate these threats. For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Leicestershire County Council Pension Fund.

The non-audit services are consistent with the Fund’s policy on the allotment of non-audit work to your auditor. None of the services were provided on a contingent fee basis. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fee.

Our firm also provides audit and non-audit services to Leicestershire County Council. The fees in relation to these services and the related ethical considerations are reported in the Audit Findings Report issued to Those Charged With Governance (TCWG) for that entity. Consequently, such fees are disclosed in the Council’s financial statements rather than the Pension Fund’s.

Audit fees	£
Audit of Pension Fund	95,720
Proposed use of expert	2,750
Total	98,470

Audit related non-audit services		£	Threats identified	Safeguards applied
IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice (Greenwood Academy)	£1,100 per letter		Self-Interest (because this is potentially a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £1,100 in comparison to the total proposed fee for the audit of £98,470 and relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
			Self-review	We have not prepared the financial information on which our assurances will be used by the requesting auditor to form an opinion on as part of their opinion on the financial statements of the admitted body. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management.
			Management	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.
Total		1,100		

Total audit and non-audit fee	£99,570
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The above fees are exclusive of VAT and out of pocket expenses.

The Greenwood Academy assurance request was received in October 2025 and was therefore not in our Audit Plan. With the exception of this the fees agree to Note 22 of the financial statements. No requests were received from bodies outside of the NAO Code in 2023/24 therefore none are in the 2023/24 fee.

22. External Audit Fee

2023/24 £		2024/25 £
95,123	Payable in respect of external audit	98,470
95,123	Total	98,470

Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		
Non-compliance with laws and regulations		
Unadjusted misstatements and material disclosure omissions		
Expected modifications to the auditor's report, or emphasis of matter		

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

B. Internal controls

We confirm that we have not identified a new deficiency or a new significant deficiency in our evaluation of relevant controls for 2024/25. See page 40 for the on-going journals control matter.

Relevant controls are those that auditors believe may prevent, detect or correct a material misstatement.



“The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance.” (ISA (UK) 265)

C. Our team and communications

Grant Thornton core team

Grant Patterson

Key Audit Partner

- Key contact for senior management and Corporate Governance Committee
- Overall quality assurance

Mary Wren

Senior Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Timothy Lacey

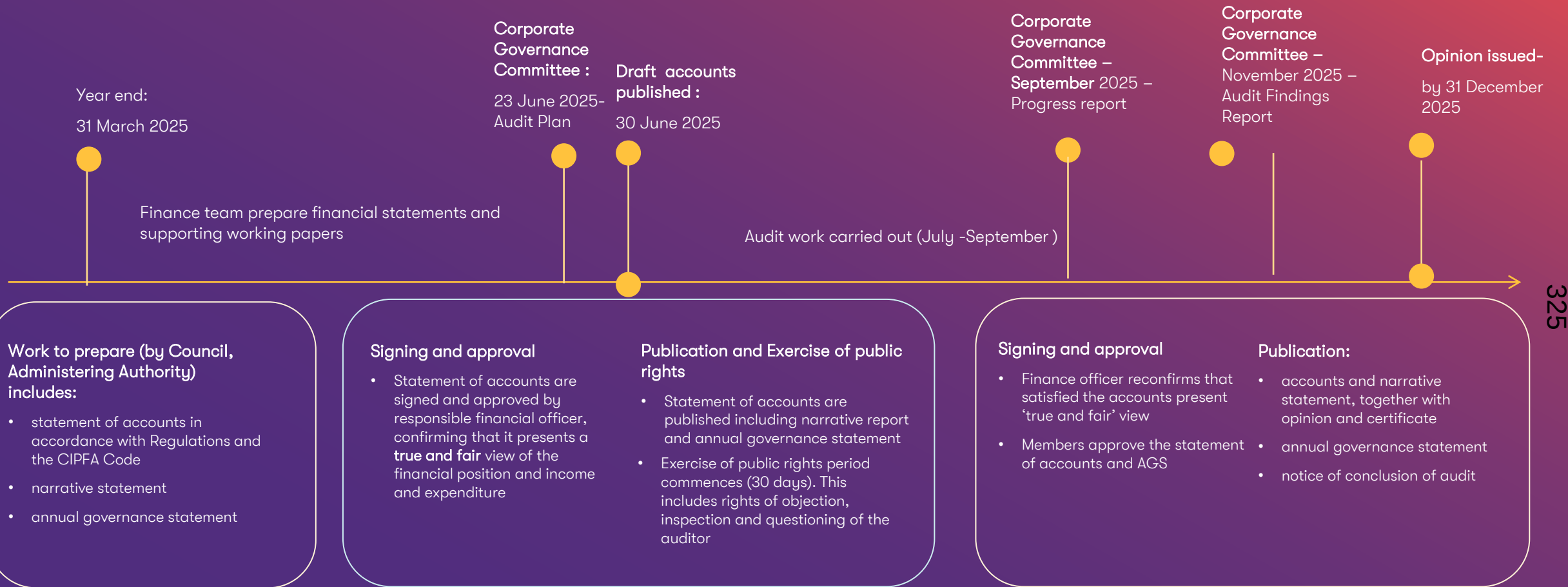
In-charge

- Audit team management
- Day-to-day point of contact
- Audit fieldwork]

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Client Surveys	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings Report	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior (In-charge) and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

D: Logistics





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APPENDIX E

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

Date 24 November 2025

Dear Grant Thornton UK LLP

Leicestershire County Council
Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Leicestershire County Council ("the Authority") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include land and building valuations and estimates involving the Council's defined benefit pensions liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures

APPENDIX E

are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Authority has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised.
- x. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter (Appendix 1) . We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
 - b. the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

- xv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

Information Provided

- xvi. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and

APPENDIX E

- c. access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Corporate Governance Committee at its meeting on 24 November 2025.

Yours faithfully

Name.....

Name.....

Position.....

Position.....

Date.....

Date.....

Signed on behalf of the Authority

Signed on behalf of the Authority

APPENDIX E

Appendix 1

Schedule of unadjusted misstatements

Audit adjustments

Impact of unadjusted misstatements					
The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.					
Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjustment
Share of the asset understatement from the pension fund – 1.671 million	Nil	DR Pension Liability 1,671	Nil	Nil	Immaterial
The pension Fund Auditor has reported an understatement of the total investments for the Pension Fund of £5.946m. Based on the council's share of the fund this equates to £1.671m.		CR Pension Reserve 1,671			
Overall impact of current year unadjusted misstatements	0	0	0	0	

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.					
Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting in 2023/24
Misclassification short term Investments and short-term debtors- 0.8 million	Nil	DR Short term debtors 800	Nil	Nil	Value immaterial to financial statements.
During the course of the audit, it was identified that the Council incorrectly classified a short-term debtor in short term investments.		CR Short term Investments 800			
Share of the asset understatement from the pension fund – 1.1 million	Nil	DR Pension Liability 1,100	Nil	Nil	Value immaterial to financial statements.
The pension Fund Auditor has reported an understatement of the total investments for the Pension Fund of £4.2m. Based on the council's share of the fund this equates to £1.1m		CR Pension Reserve 1,100			
Overall impact of prior year unadjusted misstatements	Nil	Nil	Nil	Nil	
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	Nil	Nil	Nil	Nil	

APPENDIX F

Grant Thornton UK LLP
17th floor, 103 Colmore Row
Birmingham
B3 3AG

24 November 2025

Dear Grant Thornton UK LLP

**Leicestershire County Council Pension Fund
Financial Statements for the year ended 31 March 2025**

This representation letter is provided in connection with the audit of the financial statements of Leicestershire County Council Pension Fund ("the Fund") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Fund financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Fund's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of Level 2 and Level 3 investments (including directly held property). We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition,

APPENDIX F

measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Fund has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- ix. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached in Appendix 1. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end for the reasons noted on the schedule. The financial statements are free of material misstatements, including omissions.
- x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xii. There are no prior period errors to bring to your attention.
- xiii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that:
 - a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
 - b. the financial reporting framework permits the Fund to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Fund from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.

APPENDIX F

- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xxii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxiii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Corporate Governance Committee at its meeting on 24 November 2025.

Yours faithfully

Name.....

Name.....

Position.....

Position.....

Date.....

Date.....

Signed on behalf of the Fund

Signed on behalf of the Fund

APPENDIX F

Appendix 1

Commercial in Confidence

Impact of unadjusted misstatements in the prior year

The unadjusted misstatements identified as part of the 2023/24 financial statements audit are considered below in terms of the impact on the 2024/25 financial statements.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Impact on 2024/25 financial statements
Debit. Investment assets. (Credit). Change in investment assets Differences identified between the value of investments disclosed in the financial statements where some of the values are estimates at 31 March 2024 and the valuation statements received from the third party investment managers.	(4,226)	4,226	4,226	As all assets are revalued at 31 March 2025 there is no impact upon the net assets reported within the 2024/25 financial statements.
Debit Investment income (Credit) Short term deposits (cash and cash equivalents) An error was noted when interest income was accrued, management used the maturity date of the short-term loans instead of the year end date. This led to interest income being overstated.	3,991	(3,991)	(3,991)	Investment income was overstated in the 2023/24 financial statements, as such the reversal of this accrual into 2024/25 means investment income is understated by the same value. There will be no impact upon the year end net asset position as the corresponding entry would impact the (Profit) and Losses on Disposal of Investments and Changes in Value of Investments line with the Fund account.
Overall impact	(235)	235	235	

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The Audit Findings | 37

Commercial in Confidence

Unadjusted misstatements

This is a summary of unadjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

Adjustment ref.	Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total net assets £'000	Reason for not adjusting
		Debit £'000	Credit £'000	Debit £'000	Credit £'000		
	Total net assets per final accounts					6,697,600	
1	The actual value of level 3 investments as at 31 March 2025 were factually overstated by £5.492m due to timing delays of receipt of March valuations from Fund managers. For the untested population this would extrapolate to a further £0.454m overstatement. This is largely attributed to timing differences as a result of final capital statements not being available when the Pension Fund's draft accounts were being compiled.	5,946			5,946	(5,946)	Not material qualitatively or quantitatively
	Total net assets – recalculated to include unadjusted misstatements identified in 2024/25					6,691,654	

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The Audit Findings | 38

APPENDIX F

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