Meeting: **Constitution Committee**

Date/Time: **Monday, 29 July 2019 at 9.30 am**

Location: **Executive Room, County Hall, Glenfield**

Contact: **Mrs J. Twomey (Tel: 0116 305 2583)**

Email: **joanne.twomey@leics.gov.uk**

Membership

Mr. N. J. Rushton CC (Chairman)

Dr. T. Eynon CC
Mr. J. B. Rhodes CC
Mr. S. J. Galton CC
Mr. R. J. Shepherd CC

AGENDA

Item		Report by	
1.	Election of Deputy Chairman		
2.	Minutes of the meeting held on 13 November 2018.		(Pages 3 - 4)
3.	Question Time.		
4.	Questions asked under Standing Order 7(3) and 7(5).		
5.	To advise of any other items which the Chairman has decided to take as urgent.		
6.	Declarations of interest.		
7.	Statement of Accounts and Pension Fund Accounts 2018/19.	Director of Corporate Resources	(Pages 5 - 188)
8.	Charitable Trusts - Future Arrangements	Director of Law and Governance	(Pages 189 - 194)

9. Any other items which the Chairman has decided to take as urgent.

Leicestershire County Council

Minutes of a meeting of the Constitution Committee held at County Hall, Glenfield on Tuesday, 13 November 2018.

PRESENT

Mr. N. J. Rushton CC (in the Chair)

Dr. T. Eynon CC	Mr. J. B. Rhodes CC
Mr. S. J. Galton CC	Mr. R. J. Shepherd CC

98. Minutes of the previous meeting.

The minutes of the meeting held on 27th July 2018 were taken as read, confirmed and signed subject to the amendment of minute 91 (Election of Deputy Chairman) which should read –

'That Mr. J. B. Rhodes CC be elected *Deputy* Chairman for the period ending with the date of the Annual Meeting of the County Council in 2019.'

99. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

100. Questions asked under Standing Order 7(3) and 7(5).

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

101. Urgent Items.

There were no urgent items for consideration.

102. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

103. Review and Revision of the Constitution - Management of Trustee Responsibilities

Members considered a report of the Chief Executive regarding proposals to change Part 3 of the Council's Constitution to delegate to the Constitution Committee the County Council's responsibilities when acting as a Trustee. A copy of the report is filed with these minutes.

Members noted that if supported by the Constitution Committee, the proposed change would be considered by the full Council at its meeting in December.

RESOLVED:

That the County Council be recommended to approve the proposed change to Part 3 (Responsibility for Functions) of the Constitution as set out in paragraph 9 of this report.

104. Report of the Independent Remuneration Panel on Annual Report and Group Whip Allowances

The Committee considered a report of the Chief Executive, the purpose of which was to present the findings of the Independent Remuneration Panel and invite the Committee to consider its content and recommendations to the County Council. A copy of the report is filed with these minutes.

The Committee was pleased to note the increase in the number of Annual Reports submitted by Members, but acknowledged that some were still outstanding which the Panel had requested be submitted at the earliest opportunity.

Members noted the intention of the Panel to review the Group Whip allowances in autumn 2019 when the new arrangements had been in operation for a full year.

In response to a question from Mr Shepherd, the Chief Executive advised that under the scheme, no allowances were payable to assistant group whips and any voluntary sub-payments made by the lead Group Whip would have to be managed outside the County Council's allowance system due to rules regarding the payment of tax and national insurance.

RESOLVED:

That the County Council be recommended to approve the recommendations set out in the report of the Independent Remuneration Panel on Member Annual Reports and Group Whips Allowance.

1212.00 - 12.20 pm CHAIRMAN
13 November 2018

Leicestershire County Council

CONSTITUTION COMMITTEE – 29 JULY 2019

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

STATEMENT OF ACCOUNTS & PENSION FUND ACCOUNTS 2018/19

Purpose of Report

1. The purpose of this report is to:

   a) present the 2018/19 financial statements, attached as Appendix A, for approval;
   b) inform the Committee of the main areas of the financial statements; and
   c) report the key findings from the external audit of the accounts.

Background

2. The Accounts and Audit Regulations 2015 require authorities to approve and publish their accounts, including the auditor's opinion, by the end of July following the end of the financial year.

3. A copy of the external auditor's, Grant Thornton UK LLP, report on the financial statements is attached as Appendix B. Letters of representation for the Statement of Accounts and Pension Fund are attached as Appendix C and Appendix D.

4. The Corporate Governance Committee will consider the auditor's report at its meeting on 26 July 2019. The auditor is required to communicate the results of the audit to those charged with governance prior to certifying the financial statements. The minutes from that meeting will be reported to the Constitution Committee. The auditor anticipates issuing an unqualified audit opinion.

5. The Statement of Accounts is prepared under the International Financial Reporting Standards (IFRS) based Code of Practice on Local Authority Accounts.

Statement of Accounts

6. The main areas of the financial statements are set out below.

Narrative Statement

7. 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.

<u>Movement in Reserves Statement (MIRS)</u>

8. 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. 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 (STACAAA). This account holds the estimated value of untaken annual leave and time-off-in-lieu as at the balance sheet date. The charge is recognised by the accounting standards, but statutory mitigation allows it to be reversed out via the STACAAA to avoid it being a charge to the General Fund.

9. Overall, usable reserves which comprise the General Fund, Earmarked Funds and Capital Funds, have increased as at 31 March 2019 from £163m to £184m; this is explained below.

10. The General Fund, which includes delegated funding for schools, carry forwards and the uncommitted balance of the County Council, increased overall to £24.5m as at 31 March 2019, from £24m as at 31 March 2018. Details are shown in note 11 to the accounts and below:

    a) School balances - reduced by £0.2m to £8.7m, mostly due to academy conversions.
    b) Carry forwards – reduction of £0.3m compared with last year.
    c) Uncommitted balance - held for unforeseen risks to the Council, increased by £1m to £15.8m overall. The fund is held to allow the Council to manage unforeseen financial events without the need to make immediate offsetting savings, with the potential real impact on County Council services. The balance at 31 March 2019 represents 4.2% of the net budgeted expenditure for 2019/20.

11. Earmarked funds totalled £141m as at 31 March 2019 (£125m at 31 March 2018). The increase was due to an increase in the capital financing reserve as a result of slippage in expenditure on the capital programme at the end of 2018/19 and also resources being set aside from the revenue outturn position to fund the increasing demands for capital investment. These are primarily projects that reduce liabilities and ongoing costs, generate income or investment in County Council services. The investments approved at year end include highways maintenance (£2m) and the contributions to the future developments fund (£4m). Details of the earmarked funds can be found in note 12 to the accounts.

12. The significant earmarked funds held are:

    - Capital Financing - £75m. This fund is used to hold Medium Term Financial Strategy (MTFS) revenue contributions to fund capital expenditure in later years of the approved four year capital programme. It also holds funding set aside for the future developments programme to fund projects that achieve ongoing revenue savings and support necessary service investment. Holding this fund is an essential part of the Council’s approach to avoiding incurring additional debt where possible. The amount shown in the accounts is net of £22.5m investment in Pooled Property Funds. The investment is shown against the capital financing reserve, but in effect is funded from the overall balance of earmarked funds and can be realised in the future when required.

- Insurance Funds - £13m. This is 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.

- Transformation - £12m. This is funding set aside to invest in transformation projects to achieve efficiency savings and service improvements across the County Council and to fund potential restructuring costs of reconfiguring those services.

13. The required level of earmarked funds is kept under review during the year. Formal assessments are undertaken and reported during the autumn, in February as part of the MTFS, and also at year end.

Comprehensive Income and Expenditure Statement (CIES)

14. The CIES shows the accounting cost of providing services in accordance with accounting standards rather than the amount funded from taxation and income. The County Council raises taxation to cover expenditure in accordance with statutory regulations which can be different from the accounting cost.

15. The headings used in the CIES align with the main reporting areas of the County 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 earmarked funds are reported.

16. The CIES shows a surplus on the Provision of Services for 2018/19 of £5m compared with a deficit of £6m in 2017/18. The main reason for the change is an increase in Council Tax income and capital grants – this is detailed in note 15 to the accounts.

Balance Sheet

17. The Balance Sheet shows the value of the assets and liabilities recognised by the County Council as at the balance sheet date. As at 31 March 2019 net assets of the County Council were £258m (£312m at 31 March 2018). The principal reason for the decrease is due to an increase in the net pension liability of £153m.

18. As at 31 March 2019, the net deficit on the pension fund had worsened to £742m from £589m at the same time last year. This was due to an increase in the value of the County Council's pension fund liabilities of £212m, partly offset by an increase in the value of investment assets of £59m over the same period. The discount rate used in the valuation decreased as at 31 March 2019 (in line with AA rated corporate bond yields) to 2.4%, which had the impact of increasing the present value of future liabilities. In addition, liabilities also increased by £13m for the estimated impact of the McCloud judicial judgement – court ruling relating to age discrimination concerning transitional pension protections - following the Supreme Court decision in

June 2019 to refuse the Government's request to appeal the decision. Details are shown in note 16 to the accounts.

19. The pension fund balance represents all pension entitlements that have been earned to date, but which are not yet in payment and has a substantial impact on the net position of the balance sheet. However, 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. The next triennial fund valuation, as at 1 April 2019, will inform the levels of future contributions required. The County Council has agreed a strategy with the Actuary to achieve a funding level of 100% over the next 20 years.

20. The Balance Sheet also shows the valuation of Property, Plant and Equipment owned by the County Council. A total of £1,010m was held as at year end, an increase of £73m over the year. This reflects capital additions in year through the approved capital programme, revaluation gains and losses, less depreciation.

21. Provisions total £7.8m (£7.3m at 31 March 2018). 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 provision held is for Insurance at £4.2m, and represents the estimated value of outstanding unsettled claims at 31 March 2019. Provisions also include £2.9m for the County Council's 'notional' share of the seven Leicestershire District Councils Business Rates appeals and bad debt provisions, an increase of £0.4m compared with the previous year, due mainly to continuing delays with the Valuation Office Agency completing rating appeals. The element in the County Council's accounts 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.

22. Investments include Cash and Cash Equivalents (highly liquid investments that mature within three months or less from the date of acquisition) and short and long term investments. These total £285m as at 31 March 2019 compared with a total of £242m at the same time last year. The increase is due to an increase in usable reserves, explained earlier in the report, and an increase in receipts in advance, mainly Section 106 housing developer contributions used to fund infrastructure requirements arising from developments.

23. During 2018/19 the County Council set aside £10.4m as minimum revenue provision (MRP) for the repayment of debt. This has the effect of reducing the capital financing requirement (CFR) and the ongoing MRP charge to the revenue budget. The financing costs of capital totals £23m each year. The CFR is shown in note 40 to the accounts and stands at £247m 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 £264m. The difference between the CFR and actual debt is a temporary overborrowed position of £17m and is pending opportunities for the early repayment of debt where the savings outweigh the redemption penalties. This position is kept under regular review as part of the Council's Treasury Management Strategy.

Annual Governance Statement

24. The financial statements are accompanied by the Annual Governance Statement (AGS), signed by the Chief Executive and Leader of the County Council. The statement sets out the purpose of the system of internal control, how it operates in the County Council and how its effectiveness has been reviewed. The AGS has been approved by the Corporate Governance Committee.

Pension Fund Accounts

25. The financial statements also include the Pension Fund Accounts for the Local Government Pension Scheme administered by the County Council.

26. The last available triennial actuarial valuation of the pension fund showed that as at 31 March 2016 the fund's assets covered approximately 76% of the liabilities accrued up to that date. This funding level was an increase on the 72% position reported in the 2013 valuation. The deficit puts significant upward pressure onto the contribution rates of employing bodies, but these were contained somewhat for tax raising bodies by using a smoothing mechanism and by the use of a 20 year deficit-spreading period.

27. To ensure that the fund remains financially sound to meet benefit payments, the Actuary will recommend the rate of employer contributions on an individual employer basis for each employing body in the fund for a three year period. In 2018/19 the average employer rate was 23.8% of pay (22.7% at 2017/18). There were 263 employers within the fund and 98,991 members in the pension scheme.

28. The overall net assets of the fund increased during the year from £4.1bn at the start to £4.3bn as at 31 March 2019. This was due to an increase in the value of the investments, shown in note 12 to the Pension Fund Accounts.

Key Findings of the External Auditor

29. The external auditor has reviewed the financial statements and has concluded that there are no material accounting issues. The external auditor anticipates issuing an unqualified opinion for:

    a) the Statement of Accounts and Pension Fund Accounts – give a true and fair view of the financial position of the authority as at 31 March 2019 and have been prepared in accordance with proper accounting practice, the CIPFA Code of practice on Local Authority Accounting in the United Kingdom 2018/19.

    b) Value for Money arrangements – 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 those arrangements.

30. The key areas arising from the audit were:

    - The Council's accounts were amended to include the impact of the McCloud judicial judgement. The estimated impact of the ruling is £13.1m and this has been updated in the accounts.

- Property, Plant and Equipment note, amendments required between categories within the Note.
- Pension Fund Accounts, additional disclosure notes required to meet the CIPFA recommended code of practice.

31. The original planned audit fees totalled £80,532. As part of the audit the auditor has had to carry out additional procedures which were not included in the original fee; these have been discussed and agreed with the Director of Corporate Resources and total £10,500:

    a. McCloud judgement, £3,000 - additional work required to review the impact.
    b. Pension, IAS19 letters, £6,000 – assurance provided to other Employers auditors. The Fund will recover these fees from the Employers concerned.
    c. Property, Plant and Equipment £1,500 – additional assurance required by the Financial Reporting Council.

Recommendation

32. The Committee is recommended to approve the financial statements for 2018/19.

Background Papers

Provisional revenue and capital outturn, Cabinet - 24 May 2019
http://politics.leics.gov.uk/documents/s145939/201819%20Provisional%20Revenue%20and%20Capital%20Outturn.pdf

Provisional revenue and capital outturn, Scrutiny Commission - 12 June 2019.
http://politics.leics.gov.uk/documents/s146289/2018-19%20MTFS%20prov%20outturn%20report%20Scrutiny%20Commission%2012-6-19.pdf

Circulation under the Local Issues Alert Procedure

None.

Equal Opportunities Implications

None.

Appendices

Appendix A – Financial Statements 2018/19
Appendix B – External Auditors Report
Appendix C – Letter of Representation – County Council
Appendix D – Letter of Representation – Pension Fund

Officers to Contact

Mr C Tambini, Director of Corporate Resources,
Corporate Resources Department,
☎0116 305 6199   E-mail Chris.Tambini@leics.gov.uk

Mr D Keegan, Assistant Director (Strategic Finance and Property),
Corporate Resources Department,
☎0116 305 7668   E-mail Declan.Keegan@leics.gov.uk

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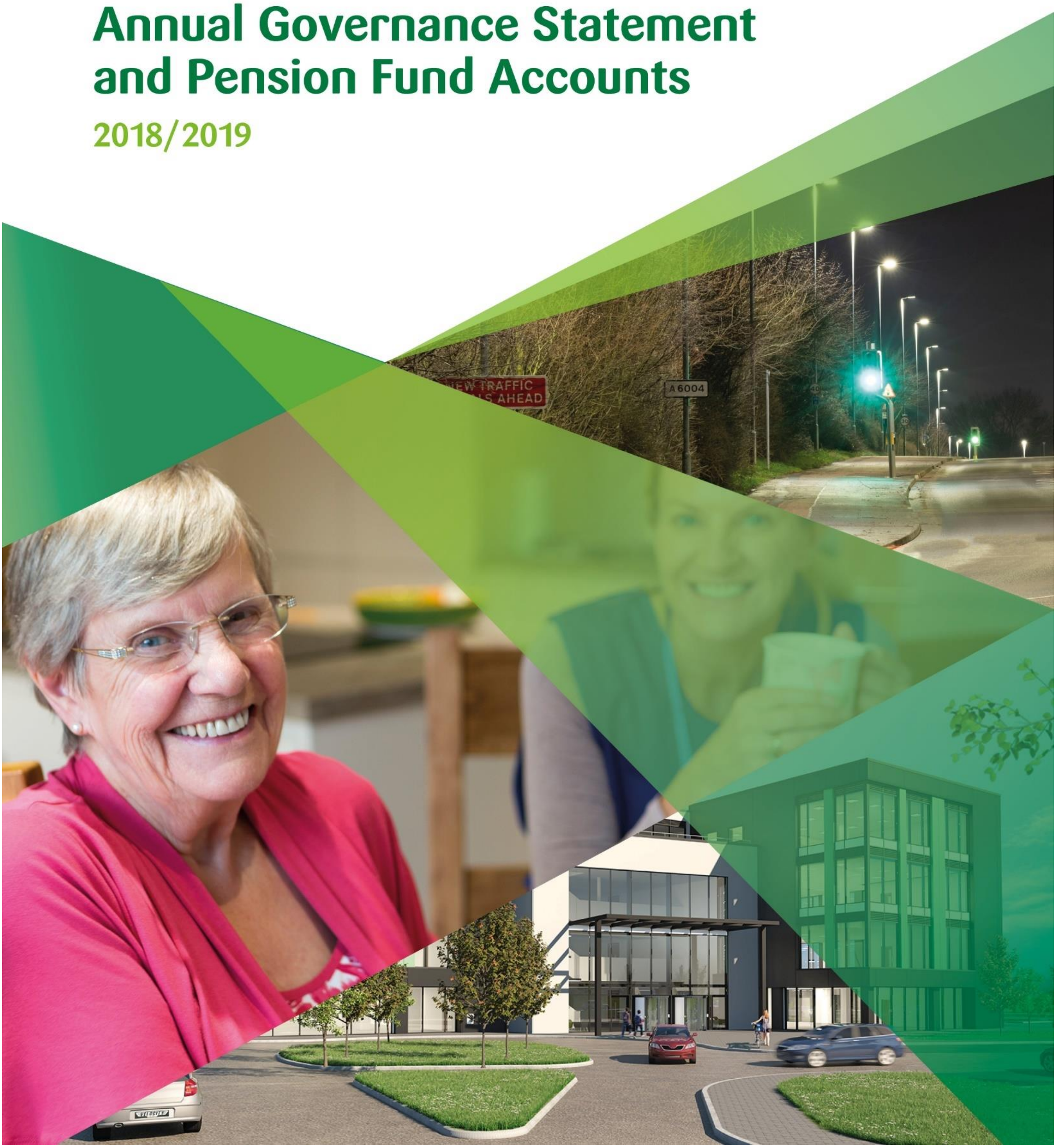
Leicestershire County Council

Statement of Accounts, Annual Governance Statement and Pension Fund Accounts

2018/2019



Contents

Copies of the Statement of Accounts and Annual Governance Statement are available from the Technical Accounting Team, Corporate Resources Department, Leicestershire County Council, County Hall, Glenfield, Leicester, LE3 8RB.

Alternatively, the accounts can be viewed on the County Council's website by visiting: http://www.leicestershire.gov.uk/

Introduction to the Statement of Accounts

Councillor Preface

Being the lowest funded County Council in the Country has brought many challenges but one which we have met with real determination.

The County Council continues to face significant financial, demographic and service demand challenges. It needs to deliver savings of £75m (of which £20m remain unidentified) over the next four financial years to 2022/23, with £13m savings to be made in 2019/20. This is a challenging task especially given that savings of £200m have already been delivered over the last nine years. In addition, over the period of the Medium Term Financial Strategy, growth of £50m is required to meet demand and cost pressures with £14m required in 2019/20. Inflation pressures of £44m are also forecast over the next 4 years.

We are on track to meet this challenge because of the forward planning and our excellent track record in delivering savings. 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 including an ageing population I am confident that we have the right team in place to meet these challenges.

Mr. J.B. Rhodes
Cabinet Lead Member for Corporate Resources and Deputy Leader of the County Council

Foreword from the Director of Corporate Resources

The County Council continues to meet the challenges associated with our extremely difficult financial position. The Council continues to deliver savings, generate income, and modernise services.

During 2018/19 the Council has successfully completed a number of capital projects, without borrowing any money, including:

- £17m investment in school buildings, including an additional 1,102 school places.
- £17m investment in highways maintenance
- £3m investment in Superfast broadband to rural communities and businesses.
- £21m investment in new assets to support economic development and generate income to help protect crucial services

The future will continue to be challenging, however with continued hard work and careful planning it is a future that we are prepared for.

I would like to thank all our staff for their work to balance the Council's budget, deliver efficiency savings and provide value for money, in addition to closing the accounts promptly and to such a high standard.

Chris Tambini
Director of Corporate Resources

Narrative Statement

Organisational Overview and External Environment

The Council has consolidated its priority outcomes into the Strategic Plan and Outcomes Framework for 2018-22. The Plan guides service commissioning and delivery in order to secure maximum delivery against these outcomes.

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 £200m saved since 2010 and a further £75m to save by 2022/23. The position is serious with major implications for the provision of services to the people of Leicestershire. Reductions in government funding are making it increasingly difficult to maintain good service delivery levels and target service improvements where required.

Leicestershire as a Place

Leicestershire covers an area of 208,000 hectares, with a population of around 690,000 people. The population is growing, and is predicted to reach 784,000 by 2039, with particular growth among the over 65's. 82% of Leicestershire's area is classified as rural while 70% of the population live in our towns and urban areas.

Unemployment rates are consistently below national and regional levels. Manufacturing is the largest industrial sector in the county, accounting for 14% of all employment, followed by Professional, Scientific and Technical (11%) and Retail (9%). 93% 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 new Strategic Planning Framework, and working sub-regionally (with Leicester City and the Leicestershire district authorities) and regionally on economic and transport planning, such as with the Midlands Engine.

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 6,085 employees (excluding schools) organised into 6 departments:

- Adults and Communities
- Chief Executive's
- Children & Family Services
- Corporate Resources
- Environment and Transport
- Public Health

Governance

The Council's Annual Governance Statement summarises the outcome of the Council's review of the Governance Framework that has been in place during 2018/19. 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 no significant governance issues in 2018/19.

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.

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:

- **Strong Economy** - Leicestershire's economy is growing and resilient so that people and businesses can fulfil their potential.
- **Wellbeing and Opportunity** - The people of Leicestershire have the opportunities and support they need to take control of their health and wellbeing.
- **Keeping People Safe** - People in Leicestershire are safe and protected from harm.
- **Great Communities** - Leicestershire communities are thriving and integrated places where people help and support each other and take pride in their local area.
- **Affordable and Quality Homes** - Leicestershire has a choice of quality homes that people can afford.

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.

Financial Performance

Revenue Budget

A summary of the net revenue outturn for 2018/19 is set out below:

2017/18 Budget	2017/18 Outturn	2017/18 Variance		2018/19 Budget	2018/19 Outturn	2018/19 Variance
£m	£m	£m		£m	£m	£m
135.7	130.2	(5.5)	Adults & Communities	137.1	132.0	(5.1)
10.4	9.7	(0.7)	Chief Executive's	10.4	9.9	(0.5)
61.7	65.6	3.9	Children & Family Services	71.8	72.4	0.6
33.1	32.7	(0.4)	Corporate Resources	33.0	32.7	(0.3)
67.2	66.1	(1.1)	Environment & Transport	66.7	66.0	(0.7)
0.2	(0.7)	(0.9)	Public Health	(0.6)	(0.6)	(0.0)
0.0	10.1	10.1	Approved additional commitments	0.0	8.9	8.9
42.0	37.3	(4.7)	Central Items and Contingencies	44.1	40.5	(3.6)
350.3	**351.0**	**0.7**		**362.5**	**361.8**	**(0.7)**
			Funded by:			
(60.8)	(61.8)	(1.0)	Business Rates	(64.6)	(64.9)	(0.3)
(1.3)	(1.3)	0.0	Carry forwards from previous year	(0.3)	(0.3)	0.0
(268.7)	(268.7)	0.0	Council Tax	(289.1)	(289.1)	0.0
(19.5)	(19.5)	0.0	Revenue Support Grant	(8.5)	(8.5)	0.0
(350.3)	(351.3)	(1.0)		(362.5)	(362.8)	(0.3)
0.0	**(0.3)**	**(0.3)**	**NET OUTTURN**	**0.0**	**(1.0)**	**(1.0)**

In 2018/19, the authority underspent its revenue budget by £1.0m. This has been added to the uncommitted general fund balance. The Authority has made significant progress in achieving the savings in the MTFS, but there is still a long way to go. The underspend to a large extent reflects the early achievement of efficiency savings. Price and service demand pressures have been largely contained in the year. Inflation and demographic pressures mean that this position will not be maintained beyond the short term.

Capital Budget

A summary of the capital outturn for 2018/19 is set out below:

2017/18 Budget	2017/18 Outturn	2017/18 Variance	Capital	2018/19 Budget	2018/19 Outturn	2018/19 Variance
£m	£m	£m		£m	£m	£m
4.8	4.4	(0.4)	Adults & Communities	7.1	6.5	(0.6)
4.8	3.8	(1.0)	Chief Executive's	5.5	2.9	(2.6)
26.4	20.6	(5.8)	Children & Family Services	22.6	16.7	(5.9)
21.0	28.4	7.4	Corporate Programme	23.3	21.1	(2.2)
5.0	3.6	(1.4)	Corporate Resources	5.9	3.5	(2.4)
32.6	32.9	0.3	Environment & Transport	47.4	34.8	(12.6)
0.0	0.0	(0.0)	Public Health	0.5	0.5	0.0
94.6	**93.7**	**(0.9)**		**112.3**	**86.0**	**(26.3)**

Overall there has been a net underspending of £26m compared with the updated budget. The main variances relate to revised timescales for three major highways projects within the Environment and Transportation department. The net underspend will be carried forward to 2019/20 to fund schemes that were not completed in 2018/19.

Further detail of the budget outturn variances for revenue and capital can found be in the Cabinet report dated 24th May 2019 available on the County Council's Website.

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 2017/18, the Council's overall performance position was 7th of 27 two-tier county council areas, using a basket of 228 performance indicators spanning Council and partnership activity. In a separate exercise, iMPOWER Consulting analysed the productivity of English local authorities using published data for 2017/18, taking performance metrics and calculating overall outputs per pound invested. The Council was ranked top performer – reflecting the Council's good overall performance and also the fact Leicestershire is the lowest funded county and has to maintain rigorous cost and efficiency controls.

The Councils five strategic outcomes set out our aspirations for our people and places. The following tables highlight progress towards these outcomes. Where it is available, the tables indicate which comparative quartile Leicestershire's performance falls into based on the latest published national data, which in most cases is for the previous year. The 1st quartile is defined as performance that falls within the top 25% of relevant comparators. The 4th quartile is defined as performance that falls within the bottom 25% of relevant comparators. The Authority's Annual Delivery Report and Performance Compendium (to be published autumn 2019) will provide a more detailed account of performance during the year.

Strong Economy - Leicestershire's economy is growing and resilient so that people and businesses can fulfil their potential.

Performance Indicators	Previous Result	Latest Result	Latest Quartile
Leicestershire has a highly skilled and employable workforce			
% of working age population qualified to level 4+ (degree)	36.2% (2017)	38.0% (2018)	2
% Job Seekers Allowance Claimant rate	1.1% (2017/18)	1.5% (2018/19)	1
Leicestershire has the right infrastructure for sustainable growth			
% of principal roads where structural maintenance should be considered	1.0% (2016/17)	1.0% (2017/18)	1
Overall satisfaction with the condition of highways	39.5% (2017)	29.4% (2018)	1
Leicestershire is an attractive place where businesses are supported to flourish			
Gross Value Added (GVA) per head	£23,411 (2016)	£23,900 (2017)	tbc
% premises with access to high speed broadband	94.8% (July 2018)	96.5% (April 19)	n/a

Primary Statements

Wellbeing and Opportunity - The people of Leicestershire have the opportunities and support they need to take control of their health and wellbeing.

Performance Indicators	Previous result	Latest Result	Latest Quartile
Every child gets the best start in life / children's health			
Excess weight in primary school age children (4-5 year olds)*	20.3% (2016/17)	24.3 (2017/18)	4
Excess weight in primary school age children (10-11 year olds)*	29.6% (2016/17)	32.7% (2017/18)	4
% of reception pupils reaching a 'Good' level of development	70.1% (2017)	70.8% (2018)	3
Leicestershire has a healthy population with increased healthy life expectancy and reduced health inequalities			
% adults with excess weight	62.7% (2016/17)	60.6% (2017/18)	2
% Smoking Prevalence in adults	13.5% (2016)	12.1% (2017)	1
Every child has access to good quality education			
% of schools rated Good or Outstanding	88.7% (2017)	86.0% (2018)	2
People are cared for at home, in their own community, whenever possible, and for as long as possible			
Permanent admissions to residential and nursing care homes of those aged 65+	632.7 (2016/17)	547.9 (2017/18)	2
Delayed transfers of care from hospital – adult social care only (per 100,000 population)	3.7 days (2016/17)	1.1 days (2017/18)	1

Keeping People Safe - People in Leicestershire are safe and protected from harm.

Performance Indicators	Previous result	Latest Result	Latest Quartile
People at the most risk or in crisis, are protected and supported to keep them safe			
% child protection cases which were reviewed within required timescales	100% (2016/17)	94.9% (2017/18)	2
All children in Leicestershire are living in stable environments and have secure attachments			
% children in same placement for 2+ years or placed for adoption	69.3% (2016/17)	73.0% (2017/18)	1
% of care leavers aged 19, 20 and 21 in suitable accommodation	90.0% (2016/17)	89.0% (2017/18)	1
People in Leicestershire are safe in their daily lives			
Total crime rate (per 1000 population)	60.0 (2017/18)	65.7 (2018/19)	2
Number of casualties on our roads	1,705 (2016/17)	1,194 (2017/18)	1
Number of people killed or seriously injured on our roads	225 (2016/17)	213 (2017/18)	1

Great Communities - Leicestershire communities are thriving and integrated places where people help and support each other and take pride in their local area.

Performance Indicators	Previous result	Latest Result	Latest Quartile
% stating that they were satisfied with their local area as a place to live	95.2% (2017/18)	93.4% (2018/19)	n/a
% of household waste sent by local authorities for reuse, recycling, composting	49.7% (2016/17)	45.8% (2017/18)	3
% local authority collected waste landfilled	29.9% (2016/17)	33.6% (2017/18)	4

Affordable and Quality Homes - Leicestershire has a choice of quality homes that people can afford.

Performance Indicators	Previous result	Latest Result	Latest Quartile
Leicestershire has the right number and type of homes in the right places to meet needs and support economic growth			
Number of new dwellings completed – all	3,660 (2016/17)	3,140 (2017/18)	1
Housing affordability - ratio of lower quartile house price to lower quartile earnings	8.13 (2016)	8.45 (2017)	2

Outlook

The County Council is operating in an extremely challenging financial environment following nine years of austerity and spending pressures, particularly from social care. There is also significant uncertainty around future funding levels. Despite recent Government announcements that austerity is coming to an end, it is unclear how this will affect Local Government funding. Next year, 2019/20, will be the final year of the four-year Local Government Settlement and the position for 2020/21 onwards will be subject to a Comprehensive Spending Review in 2019 and the results of Government reviews on Fair Funding and the Business Rates Retention Scheme.

The Authority’s Medium Term Financial Strategy (MTFS) agreed in February 2019 is based on a council tax increase of 3.99% for 2019/20, including a 1% increase regarding the adult social care precept, followed by annual increases of 1.99% in the following years.

Delivery of the MTFS requires savings of £74.5m to be made from 2019/20 to 2022/23. This MTFS sets out in detail £34.8m of savings and proposed reviews that will identify further savings to offset the £19.9m funding gap in 2022/23. A further £19.9m of savings will be required to ensure that High Needs funding can be contained within the Government grant. Strong financial control, plans and discipline will be essential in the delivery of the MTFS.

To ensure that the MTFS is a credible financial plan unavoidable cost pressures have been included as growth. By 2022/23 this represents an investment of £49.7m, primarily to meet the forecast increase in demand for social care. The MTFS also includes a £43.8m provision for pay and price inflation

There is little doubt that the Authority faces the most uncertain and risky financial environment for a generation. There are a number of known major risks over the next few years that could have a significant financial impact on the Authority. These include:

- Non-achievement of savings and income targets.
- Service pressures resulting in an overspend, including demand led children’s and adult social care, particularly on the children’s social care and SEN placements budget.
- The increasing reliance on income generated from services in other parts of the public sector.
- Inflation is higher than the Bank of England’s 2% target.
- 2020 is a year which could see the biggest changes to local government for a generation.

To meet the financial challenge and the need to deliver services differently, the Authority’s Transformation Programme will continue to support the delivery of the MTFS savings, through challenging and supporting commissioning and service delivery. Once business cases have been completed savings will be confirmed and included in a future MTFS.

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 at: www.leicestershire.gov.uk

Current Borrowing / Investments

The capital financing requirement (CFR) shown in note 40 to the financial statements measures the Authority's need to borrow for capital purposes. The total of non-current assets at the Balance Sheet date was £1,104m (2017/18 £1.019m). The CFR was £247m (2017/18 £257m) and actual debt was £264m (2017/18 £265m). The difference between the CFR and the actual debt is a temporary overborrowed position, pending the repayment of debt. During 2018/19 no new loans were raised (£0m 2017/18). Details of the loans held by the Authority are shown in note 45 to the financial statements. The level of capital borrowing is within the Authority's 2018/19 Prudential Indicators that inform the Authority whether its capital investment plans are affordable, prudent and sustainable.

Investments held by the Authority total £270m as at 31 March 2019 (£208m 31 March 2018). 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.

Local Government Pension Scheme

The Authority participates in the Local Government Pension Scheme (LGPS) for the majority of its non-teaching employees (who are members of the Department for Education Teachers Pension Scheme). The net pension liability for the Authority was estimated to be £742m as at 31 March 2019 compared with £589m as at 31 March 2018. The position has deteriorated due to a reduction in the discount rate used in the valuation. The discount rate reduced from 2.7% to 2.4% in line with AA rated corporate bond yields. The pension fund is revalued every three years and employers' contributions amended to reflect the requirement to reduce the current net liability. The latest triennial valuation was 1 April 2016.

Cyber-Attacks

The County Council appreciates the risk from cyber-attacks. It has governance and monitoring in place and follows best practice to reduce risk, identify unusual activity and keeps its network and data secure.

Basis of Preparation and Contents of the Statement of Accounts

The Statement of Accounts sets out the Authority's income and expenditure for the year, and its financial positions as at 31 March 2019. 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 2018/19, which in turn is underpinned by International Financial Reporting Standards. The primary financial statements are:

- ***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.

- ***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.

▪ ***Balance Sheet:***

The Balance Sheet shows the value as at the 31st March 2019 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'.

▪ ***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.

▪ ***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.

Changes in Accounting Standards

There were no material changes in accounting standards for 2018/19.

Date of Authorisation of Accounts

The accounts were authorised for issue by the Director of Corporate Resources on the 29 July 2019. This was the last date when events after the Balance Sheet date have been considered.

C TAMBINI
DIRECTOR OF CORPORATE RESOURCES
29 JULY 2019

Movement In Reserves Statement

Movement In Reserves During 2018/19

	General Fund Balance £m	Earmarked Reserves Balance £m	Total Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Note
Balance at 31 March 2018 Brought Forward	**24.0**	**125.1**	**149.1**	**1.2**	**12.4**	**162.7**	**148.9**	**311.6**	
Total Comprehensive Expenditure and Income	5.0	0.0	**5.0**	0.0	0.0	**5.0**	(58.4)	**(53.4)**	
Adjustments between accounting basis & funding basis under regulations	(4.5)	15.7	**11.2**	2.5	2.3	**16.0**	(16.0)	**0.0**	8
Increase/ (Decrease) in Year	0.5	15.7	**16.2**	2.5	2.3	**21.0**	(74.4)	**(53.4)**	
Balance at 31 March 2019 Carried Forward	**24.5**	**140.8**	**165.3**	**3.7**	**14.7**	**183.7**	**74.5**	**258.2**	

Movement In Reserves During 2017/18

	General Fund Balance £m	Earmarked Reserves Balance £m	Total Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Note
Balance at 31 March 2017 Brought Forward	**25.8**	**109.4**	**135.2**	**2.7**	**18.3**	**156.2**	**57.2**	**213.4**	
Total Comprehensive Expenditure and Income	(6.1)	0.0	**(6.1)**	0.0	0.0	**(6.1)**	104.3	**98.2**	
Adjustments between accounting basis & funding basis under regulations	4.3	15.7	**20.0**	(1.5)	(5.9)	**12.6**	(12.6)	**0.0**	8
Increase/ (Decrease) in Year	(1.8)	15.7	**13.9**	(1.5)	(5.9)	**6.5**	91.7	**98.2**	
Balance at 31 March 2018 Carried Forward	**24.0**	**125.1**	**149.1**	**1.2**	**12.4**	**162.7**	**148.9**	**311.6**	

Comprehensive Income and Expenditure Statement

2017/18 Gross Expenditure £m	2017/18 Gross Income £m	2017/18 Net Expenditure £m		Note	2018/19 Gross Expenditure £m	2018/19 Gross Income £m	2018/19 Net Expenditure £m
			CONTINUING SERVICES				
230.2	(93.3)	136.9	Adults and Communities		232.9	(101.0)	131.9
20.6	(8.2)	12.4	Chief Executive's Department		20.4	(4.3)	16.1
331.0	(221.3)	109.7	Children and Family Services		313.0	(210.0)	103.0
73.6	(28.8)	44.8	Corporate Resources		82.9	(32.6)	50.3
94.5	(27.8)	66.7	Environment and Transport		115.4	(30.5)	84.9
27.3	(27.1)	0.2	Public Health		27.4	(26.7)	0.7
3.0	(4.8)	(1.8)	Central Items		6.1	(6.4)	(0.3)
780.2	**(411.3)**	**368.9**	**NET COST OF SERVICES**		**798.1**	**(411.5)**	**386.6**
0.3	(0.3)	0.0	Other Operating Expenditure (Excluding transfer of Academies)	13	0.3	(0.2)	0.1
8.9	0.0	8.9	Other Operating Expenditure (Transfer of Academies)	6,13	6.4	0.0	6.4
63.0	(36.3)	26.7	Financing and Investment Income and Expenditure	14	65.9	(40.6)	25.3
0.0	(398.4)	(398.4)	Taxation and Non-specific Grant Income	15	0.0	(423.4)	(423.4)
		6.1	**(SURPLUS) / DEFICIT ON PROVISION OF SERVICES**				**(5.0)**
			Items that will not be reclassified to the (surplus) or deficit on the provision of services:				
		(48.1)	Surplus on Revaluation of Property, Plant and Equipment	(note 17)			(52.3)
		(55.0)	Remeasurement of the Net Defined Benefit Liability/(Asset)	(note 16)			110.7
		(103.1)	**Total Items that Will Not Be Reclassified to the (Surplus) or Deficit on the Provision of Services**				**58.4**
			Items that will may be reclassified to the (surplus) or deficit on the provision of services:				
		(1.2)	Deficit on the Revaluation of Available for Sale Financial Assets				0.0
		(1.2)	**Total Items that May Be Reclassified to the (Surplus) or Deficit on the Provision of Services**				**0.0**
		(104.3)	**OTHER COMPREHENSIVE (INCOME) AND EXPENDITURE**				**58.4**
		(98.2)	**TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE**				**53.4**

Balance Sheet

31 March 2018 £m		Note	31 March 2019 £m	
506.9	Land and Buildings	17	547.6	
11.6	Vehicles, Plant, Furniture & Equipment	17	13.2	
387.9	Infrastructure Assets	17	401.1	
11.3	Community Assets	17	11.3	
16.0	Assets Under Construction	17	32.9	
3.4	Surplus Assets	17	4.0	
937.1	**Total Property, Plant and Equipment**			**1,010.1**
1.1	Investment Property	19	1.4	
4.5	Heritage Assets	18	4.7	
2.2	Intangible Assets	17	1.6	
37.4	Long Term Investments	20	54.0	
36.5	Long Term Debtors	22	32.2	
1,018.8	**TOTAL NON-CURRENT ASSETS**			**1,104.0**
1.7	Assets Held for Sale	17	1.7	
0.4	Current Intangible Assets	17	0.2	
1.0	Inventories	21	1.4	
91.2	Short Term Debtors	23	94.2	
33.8	Cash and Cash Equivalents	24	15.4	
170.6	Short Term Investments	20	216.0	
298.7	**TOTAL CURRENT ASSETS**			**328.9**
(3.7)	Short Term Borrowing	20	(3.7)	
(115.8)	Short Term Creditors	26	(120.0)	
(1.1)	Short Term Capital Grants Receipts in Advance	37	(3.2)	
(0.1)	Short Term Finance Lease Liabilities	41	(0.1)	
(3.8)	Short Term Provisions	27	(4.0)	
0.0	Bank Overdraft	24	0.0	
(124.5)	**TOTAL CURRENT LIABILITIES**			**(131.0)**
(267.0)	Long Term Borrowing	20	(266.4)	
(1.2)	Long Term Finance Lease Liabilities	41	(1.2)	
(3.2)	Long Term Creditors	25	(3.5)	
(3.5)	Long Term Provisions	27	(3.8)	
(589.2)	Net Pensions Liability	10	(741.7)	
(17.3)	Long Term Capital Grants Receipts in Advance	37	(27.1)	
(881.4)	**TOTAL NON-CURRENT LIABILITIES**			**(1,043.7)**
311.6	**NET ASSETS / (LIABILITIES)**			**258.2**
24.0	General Fund	11	24.5	
125.1	Earmarked Revenue Reserves	12	140.8	
1.2	Capital Receipts Reserve		3.7	
12.4	Capital Grants Unapplied		14.7	
162.7	**TOTAL USABLE RESERVES**			**183.7**
282.6	Revaluation Reserve	10	325.4	
0.4	Available for Sale Financial Instruments Reserve	10	0.0	
460.3	Capital Adjustment Account	10	499.0	
(4.9)	Financial Instruments Adjustment Account	10	(4.7)	
(589.2)	Pension Reserve	10	(741.7)	
3.7	Collection Fund Adjustment Account	10	1.6	
(4.0)	Accumulated Absences Account	10	(5.1)	
148.9	**TOTAL UNUSABLE RESERVES**			**74.5**
311.6	**TOTAL RESERVES**			**258.2**

Cash Flow Statement

2017/18			2018/19	
£m		Note	£m	£m
6.1	Net (surplus) or deficit on the provision of services	1		(5.0)
(81.7)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	28	(88.2)	
41.6	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	28	47.8	
(34.0)	Net cash flows from Operating Activities			(40.4)
13.6	Net cash flows from Investing Activities	29		63.3
10.0	Net cash flows from Financing Activities	30		0.5
(10.4)	**Net (Increase)/Decrease in Cash and Cash Equivalents**			**18.4**
(23.4)	**Cash and Cash Equivalents at the Beginning of the Reporting Period**	24		**(33.8)**
(33.8)	**Cash and Cash Equivalents at the End of the Reporting Period**	24		**(15.4)**

The notes to the financial statements are detailed on pages 15 - 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 & Funding Analysis

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund £m	Adjustments between Funding and Accounting Basis £m	Net Expenditure in the CIES £m	Service Segment	Net Expenditure Chargeable to the General Fund £m	Adjustments between Funding and Accounting Basis £m	Net Expenditure in the CIES £m
123.7	13.2	136.9	Adults and Communities Department	118.1	13.8	131.9
10.7	1.7	12.4	Chief Executive's Department	10.9	5.2	16.1
72.9	36.8	109.7	Children and Family Services Department	71.4	31.6	103.0
32.2	12.6	44.8	Corporate Resources Department	28.7	21.6	50.3
49.3	17.4	66.7	Environment and Transport Department	64.2	20.7	84.9
(0.3)	0.5	0.2	Public Health Department	(0.6)	1.3	0.7
(1.8)	0.0	(1.8)	Central Items	(0.5)	0.2	(0.3)
286.7	**82.2**	**368.9**	**Net Cost of Services**	**292.2**	**94.4**	**386.6**
(300.6)	(62.2)	(362.8)	Other Income and Expenditure	(308.4)	(83.2)	(391.6)
(13.9)	**20.0**	**6.1**	**(Surplus) or Deficit**	**(16.2)**	**11.2**	**(5.0)**
		(135.2)	Opening General Fund Balance			(149.1)
		(13.9)	Less /Plus Surplus or (Deficit) on General Fund Balance in Year			(16.2)
		(149.1)	**Closing General Fund Balance**			**(165.3)**

Note 2: Expenditure and Funding Analysis (a)

This note provides reconciliation for the main adjustments to Net Expenditure chargeable to the General Fund 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 2018/19

Adjustments from the GCF to arrive at the CIES	Adjustments for Capital Purposes £m	Adjustments for Pensions Purposes £m	Other Adjustments £m	Total Adjustments £m
Service Segment				
Corporate Resources Department	11.9	9.4	0.2	**21.5**
Chief Executive's Department	3.0	2.2	0.0	**5.2**
Children and Family Services Department	16.3	14.7	0.7	**31.7**
Environment and Transport Department	14.7	5.9	0.1	**20.7**
Adults and Communities Department	5.0	8.7	0.1	**13.8**
Public Health Department	0.5	0.8	0.0	**1.3**
Central Items	0.0	0.0	0.2	**0.2**
Net Cost of Services	**51.4**	**41.7**	**1.3**	**94.4**
Other Income and Expenditure from the Expenditure and Funding Analysis	(85.1)	0.0	1.9	**(83.2)**
Difference between the GCF surplus or deficit and the CIES surplus or deficit on provision of services	**(33.7)**	**41.7**	**3.2**	**11.2**

Adjustments Between Funding and Accounting Basis 2017/18

Adjustments from the GCF to arrive at the CIES	Adjustments for Capital Purposes £m	Adjustments for Pensions Purposes £m	Other Adjustments £m	Total Adjustments £m
Service Segment				
Corporate Resources Department	6.0	6.5	0.1	**12.6**
Chief Executive's Department	0.1	1.6	0.0	**1.7**
Children and Family Services Department	27.5	10.9	(1.6)	**36.8**
Environment and Transport Department	13.5	3.9	0.0	**17.4**
Adults and Communities Department	7.0	6.2	0.0	**13.2**
Public Health Department	0.0	0.5	0.0	**0.5**
Central Items	0.0	0.0	0.0	**0.0**
Net Cost of Services	**54.1**	**29.6**	**(1.5)**	**82.2**
Other Income and Expenditure from the Expenditure and Funding Analysis	(63.6)	0.0	1.4	**(62.2)**
Difference between the GCF surplus or deficit and the CIES surplus or deficit on provision of services	**(9.5)**	**29.6**	**(0.1)**	**20.0**

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.

Income received by the Authority is analysed on a segmental basis as follows:

2017/18 Income from Services £m	Service Segment	2018/19 Income from Services £m
(33.1)	Corporate Resources Department	(37.0)
(9.6)	Chief Executive's Department	(6.6)
(217.1)	Children and Family Services Department	(214.0)
(32.4)	Environment and Transport Department	(37.2)
(93.9)	Adults and Communities Department	(102.1)
(27.1)	Public Health Department	(26.8)
(4.0)	Central items	(4.9)
(417.2)	**Total Income Analysed on a Segmental Basis**	**(428.6)**

Note 2: Expenditure and Funding Analysis (b)

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

2017/18 £m		2018/19 £m
	Expenditure	
273.5	Employee Benefits Expenses	274.6
37.5	IAS 19 and Other Pension Cost Adjustments	44.3
431.6	Other Service Expenses	448.8
53.7	Depreciation, amortisation and impairment	44.7
15.7	Interest Payments	13.8
0.3	Precepts and Levies	0.3
8.7	Loss on Disposal of Non-Current Assets	6.2
821.0	**Total Expenditure**	**832.7**
	Income	
(163.8)	Fees, Charges and Other Income	(164.2)
(4.5)	Interest and Investment Income	(2.9)
(329.0)	Council Tax and NNDR	(352.7)
(317.0)	Government Grants and Contributions	(317.6)
(0.6)	(Surplus) on Trading Accounts	(0.3)
(814.9)	**Total Income**	**(837.7)**
6.1	**(Surplus) or Deficit on Provision of Services**	**(5.0)**

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:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.
- IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Authority as it already complies.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Authority does not have any material transactions within the scope of the amendment.
- IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts.

Note 4: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 48, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made are:

- 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 shows a net overall balanced position and as a result the scheme administrators do not intend to request any contributions. However, the position continues to be regularly monitored and if it becomes probable that a transfer of future economic benefits will be required a Provision will be established.

- The Authority has determined that the East Midlands Shared Services Joint Committee meets the definition of a jointly controlled operation. The Authority has therefore accounted for its share of the Joint Committee's income and expenditure within its accounts as detailed in note 39.

- Schools which have converted to Academies, and where the assets are owned by the Authority, have taken the assets on 125 year leases. The buildings meet the definition of a finance lease and have been written out of the Authority's Balance Sheet on transfer. The Authority has determined that the land is an operating lease. Based on control and the Authority's statutory duty to provide school places it has determined that the land values remain in the Authority's Balance sheet and are valued at Existing Use Value. Since 2011/12, a total of 190 schools have transferred to become Academies as at 31 March 2019 with a total buildings value of £404m written out of the Authority's Balance Sheet. The value of land retained on the Authority's Balance as at 31 March 2019 is £175.2m.

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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 2019 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	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate presents uncertainty as to whether the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The carrying value of Property, Plant and Equipment at 31 March 2019 is £1,010m.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Property, Plant and Equipment would increase by £0.9m for every year that useful lives had to be reduced.

Insurance Reserve	The Insurance Reserve is held to meet the estimated costs of future claims to enable the Council to meet excesses not covered by insurance policies. There is uncertainty that the Authority may have to meet potential liabilities arising from its failed former insurer, Municipal Mutual Insurance Limited (MMI), that is subject to a run-off of claims following its closure to insurance business in 1992. The latest accounts of MMI show a balanced position.	The position is regularly reviewed to ensure that there are sufficient funds in the insurance reserve to fund future uninsured liabilities. As at 31 March 2019 the Insurance Reserve has a balance of £12.9m as shown in note 12.
Pensions Liability	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 Pension Liability at 31 March 2019 is £742m	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £203m. A one year increase in member life expectancy compared with the assumption used would increase the liabilities by between £61m and £102m. However, the assumptions interact in complex ways. During 2018/19, the Authority's actuaries advised that the net pension liability had decreased by £35m as a result of estimates being corrected as a result of experience and increased by £145m attributable to updating of the assumptions.
Debtors	At 31 March 2019, the Authority had a balance of sundry debtors of £23.6m and secured memo debt (elderly persons debt secured against properties) of £4.4m. Provisions for doubtful debts are maintained for certain categories of income by individual departments. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment for doubtful debts would require an additional £2.2m to be set aside as an allowance.

Note 6: Material Items of Income and Expense

During 2018/19 nine schools transferred to Academy Status resulting in the net book value of the schools, £6.4m (2017/18 eighteen schools at £8.9m) being written out of the Authority's Balance Sheet through the Other Operating Expenditure section of the Comprehensive Income and Expenditure Statement (CIES). These entries are reversed out via the Movement in Reserves Statement and do not have an impact on the General Fund. The Authority has no choice in whether to transfer these assets and does not receive any consideration for their transfer. Further transfers of schools to Academy Status are expected in 2019/20 and later years.

When schools become Academies the pension fund assets and liabilities of the schools, as assessed by the Actuary at the time of transfer, are transferred from the Authority's pension scheme to separate pension funds within the Local Government Pension Scheme. For 2018/19 there was an overall net reduction in liabilities to the Authority's pension scheme totalling £3.1m (2017/18 £5.2m) on settlement which has been credited to the central items line in the CIES.

Note 7: Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 31 May 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2019 as they provide information that is relevant to an understanding of the Authority's financial position, but do not relate to conditions at that date:

A further four schools have transferred to Academy Status by the authorised for issue date.

On the 23rd June 2016 The United Kingdom of Great Britain and Northern Ireland (UK) voted for withdrawal from the European Union (EU). Subsequently, on the 29 March 2017 Parliament enacted Article 50 of the Lisbon Treaty. In so doing this triggered the legal framework for withdrawal and commenced a formal period of two years in which the particulars will be decided. Exit from the EU was scheduled for 29 March 2019 but has been delayed with the actual date of departure uncertain. Until that date the UK remains a full member of the EU with all the rights and obligations of EU membership. It is therefore considered that triggering of Article 50 represents a non-adjusting event for which no estimate of its financial effect on the Authority can be reliably made.

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.

Note 9: Usable Reserves

	Usable Reserves			
2018/19	**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	41.7			**(41.7)**
Financial Instruments	(0.2)			**0.2**
Council Tax and NDR	2.1			**(2.1)**
Accumulated Absences	(1.1)			**1.1**
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	61.6		2.3	**(63.9)**
Total Adjustments to Revenue Resources	**104.1**	**0.0**	**2.3**	**(106.4)**
Adjustments between Revenue and Capital Resources				
Transfer of Non-Current asset sale proceeds from revenue to the Capital Receipts Reserve	(7.5)	7.5		**0.0**
Statutory provision for the repayment of debt (MRP)	(10.4)			**10.4**
Principal repayments of transferred Debt & Local Authority Mortgage Scheme (LAMS)	5.0			**(5.0)**
Capital expenditure financed from revenue balances	(25.9)			**25.9**
Total Adjustments between Revenue and Capital Resources	**(38.8)**	**7.5**	**0.0**	**31.3**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(5.0)		**5.0**
Application of capital grants to finance capital expenditure	(54.1)			**54.1**
Total Adjustments to Capital Resources	**(54.1)**	**(5.0)**	**0.0**	**59.1**
Total Adjustments	**11.2**	**2.5**	**2.3**	**(16.0)**

	Usable Reserves			
2017/18	**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	29.6			**(29.6)**
Financial Instruments	(0.2)			**0.2**
Council Tax and NDR	1.6			**(1.6)**
Accumulated Absences	(1.6)			**1.6**
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	71.4		(5.9)	**(65.5)**
Total Adjustments to Revenue Resources	**100.8**	**0.0**	**(5.9)**	**(94.9)**
Adjustments between Revenue and Capital Resources				
Transfer of Non-Current asset sale proceeds from revenue to the Capital Receipts Reserve	(13.4)	13.4		**0.0**
Statutory provision for the repayment of debt (MRP)	(10.8)			**10.8**
Principal repayments of transferred Debt & Local Authority Mortgage Scheme (LAMS)	7.4			**(7.4)**
Capital expenditure financed from revenue balances	(25.0)			**25.0**
Total Adjustments between Revenue and Capital Resources	**(41.8)**	**13.4**	**0.0**	**28.4**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(14.9)		**14.9**
Application of capital grants to finance capital expenditure	(39.0)			**39.0**
Total Adjustments to Capital Resources	**(39.0)**	**(14.9)**	**0.0**	**53.9**
Total Adjustments	**20.0**	**(1.5)**	**(5.9)**	**(12.6)**

Note 10: 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.

2017/18 £m		2018/19 £m
247.7	**Balance at 1 April**	**282.6**
74.0	Upward revaluation of assets	72.4
(25.9)	Downward revaluation of assets losses not charged to the Surplus or (Deficit) on the Provision of Services	(20.1)
(10.5)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(5.8)
(2.7)	Difference between fair value depreciation and historical cost depreciation	(3.7)
282.6	**Balance at 31 March**	**325.4**

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

2017/18 £m		2018/19 £m
430.2	**Balance at 1 April**	**460.3**
	Reversal of items relating to capital expenditure debited or credited to Comprehensive Income and Expenditure:	
(23.8)	Charges for depreciation of non-current assets	(24.6)
(16.2)	Revaluation losses on Property, Plant and Equipment	(12.8)
(0.8)	Amortisation of intangible assets	(0.9)
(11.3)	Revenue expenditure funded from capital under statute	(9.3)

(6.0)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(5.1)
	Capital financing applied in year:	
14.9	Use of the Capital Receipts Reserve to finance new capital expenditure	5.0
39.0	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	54.1
5.9	Application of grants to capital financing from the Capital Grants Unapplied Account	0.0
10.8	Statutory provision for the financing of capital investment charged against the General Fund Balance	10.4
0.0	Fair value profit and loss valuations	0.6
(7.4)	Principal Repayments of transferred Debt and Local Authority Mortgage Scheme	(4.9)
25.0	Capital expenditure charged against the General Fund Balance	26.0
0.0	Movements in the Fair Value of Investment Properties	0.2
460.3	**Balance at 31 March**	**499.0**

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 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.

2017/18 £m		2018/19 £m
(5.2)	**Balance at 1 April**	**(4.9)**
	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:	
0.6	Annual write down of premiums paid on rescheduled debt	0.4
(0.3)	Annual write down of discounts received on rescheduled debt	(0.2)
(4.9)	**Balance at 31 March**	**(4.7)**

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.

2017/18 £m		2018/19 £m
(614.5)	**Balance at 1 April**	**(589.2)**
55.0	Remeasurements of the net defined benefit liability	(110.8)
(64.5)	Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the CIES	(78.8)
34.8	Employer's pensions contributions and direct payments to pensioners payable in the year	37.1
(589.2)	**Balance at 31 March**	**(741.7)**

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).

2017/18 £m		2018/19 £m
5.4	**Balance at 1 April**	**3.7**
(1.7)	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.	(2.1)
3.7	**Balance at 31 March**	**1.6**

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.

2017/18 £m		2018/19 £m
(5.6)	**Balance at 1 April**	**(4.0)**
5.6	Settlement or cancellation of accrual made at the end of the preceding year	4.0
(4.0)	Amounts accrued at the end of the current year	(5.1)
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	(1.1)
(4.0)	**Balance at 31 March**	**(5.1)**

Note 11: General Fund Balance

The balance of the fund includes the following sums:

2017/18 £m		2018/19 £m
8.9	Delegated Funding for Schools	8.7
0.3	Carry forward of underspend across other services	0.0
9.2	**Earmarked Reserves as at 31 March**	**8.7**
14.8	Uncommitted balance	15.8
24.0	**Balance at 31 March**	**24.5**

Note 12: Movements in Earmarked Revenue Reserves

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

	Balance at 31 March 2017 £m	Transfers From Revenue £m	Transfers To Revenue £m	Balance at 31 March 2018 £m	Transfers From Revenue £m	Transfers To Revenue £m	Balance at 31 March 2019 £m
Insurance	20.3	2.1	(10.0)	12.4	1.3	(0.8)	12.9
Renewals of Vehicles & Equipment	5.6	0.3	(0.2)	5.7	0.5	(2.0)	4.2
Children & Family Services							
- Supporting Leicestershire Families	1.6	0.0	0.0	1.6	0.0	0.0	1.6
- C&FS Developments	2.7	0.0	(1.4)	1.3	0.0	(0.3)	1.0
Adults & Communities							
- Adult & Social Care Developments	6.8	7.7	(12.5)	2.0	4.9	(1.3)	5.6
Public Health - Leicestershire & Rutland Sport	0.9	0.2	0.0	1.1	0.2	0.0	1.3
Environment & Transport							
- Commuted Sums	2.6	0.3	(0.3)	2.6	0.5	0.0	3.1
- LLITM	1.2	1.1	(0.1)	2.2	0.6	(0.5)	2.3
Corporate Resources - Industrial Properties	1.1	0.5	(0.4)	1.2	0.7	(0.4)	1.5
Corporate							
- Transformation Fund	13.4	2.4	(3.9)	11.9	3.2	(3.1)	12.0
- Capital Financing	25.5	40.4	(5.2)	60.7	42.3	(28.1)	74.9
- Broadband	5.4	0.5	(0.2)	5.7	0.2	(2.3)	3.6
- Business Rates Retention	1.4	0.2	0.0	1.6	0.9	0.0	2.5
- Inquiry & Other Costs	1.3	0.0	(0.1)	1.2	0.0	0.0	1.2
Other (reserves below £1m at 31 March 19)	16.8	2.5	(7.6)	11.7	2.7	(3.0)	11.4
Sub-Total	**106.6**	**58.2**	**(41.9)**	**122.9**	**58.0**	**(41.8)**	**139.1**
Children and Family Services – Dedicated Schools Grant	**2.8**	0.7	(1.3)	**2.2**	1.9	(2.4)	**1.7**
TOTAL	**109.4**	**58.9**	**(43.2)**	**125.1**	**59.9**	**(44.2)**	**140.8**

The following are the main reserves held by the Authority:

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 2019 and a reserve to meet future claims.

Renewal of Systems, Equipment and Vehicle
Resources for the funding of replacement IT systems, equipment and vehicles.

***Children & Family Services* - Supporting Leicestershire Families**
Reserve held to fund the Supporting Leicestershire Families service which is providing early help and intervention services for vulnerable families across Leicestershire. The funding is planned to be used in 2020/21 when government grant funding is expected to end.

Adult & Social Care Developments
Unapplied grants are to be utilised to fund one off 'pump priming' initiatives, invest to save projects and provide a resource to finance potential risks affecting the service.

Commuted Sums
To fund future revenue costs arising from developer schemes.

Leicester and Leicestershire Integrated Transport Model (LLITM)
The reserve is for money generated from charging other local authorities for using this model. Surplus income is added into the reserve and will be used to finance activity to refresh the model in the future.

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.

Capital Financing
Revenue contributions to fund capital expenditure in future years.

Broadband
Funding set aside to develop super-fast broadband to areas within Leicestershire with poor service.

Children & Family Services – Dedicated Schools Grant (DSG)
DSG is ring fenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School and Early Years Finance (England) Regulations 2017.

Note 13: Other Operating Expenditure

2017/18 £m		2018/19 £m
0.3	Flood Defence Levies	0.3
(0.3)	(Gains)/losses on the disposal of non-current assets (Excluding Academies)	(0.4)
8.9	(Gains)/losses on the disposal of Academies	6.4
8.9	**Total**	**6.3**

Note 14: Financing and Investment Income and Expenditure

2017/18 £m		2018/19 £m
15.8	Interest payable and similar charges	13.8
16.1	Pensions interest cost and expected return on pensions assets	16.0
(4.5)	Interest receivable and similar income	(4.0)
(0.1)	Income & Expenditure in relation to investment properties and changes in their fair value	(0.3)
(0.6)	Other investment income (surplus or deficit on Trading Accounts)	(0.3)
26.7	**Total**	**25.2**

Note 15: Taxation and Non-Specific Grant Incomes

2017/18 £m		2018/19 £m
(266.7)	Council tax income	(286.9)
(62.3)	Non domestic rates	(65.8)
(30.4)	Non ring-fenced government grants	(14.2)
(39.0)	Capital grants and contributions	(56.5)
(398.4)	**Total**	**(423.4)**

Note 16: 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 48.

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 position as at 31st March 2019 has deteriorated since the previous year. The discount rate used in the valuation decreased marginally (in line with AA rated corporate bond yields) from 2.7% to 2.4%, which had the impact of increasing the present value of future liabilities. Overall the net liability within the LGPS increased to £742m (31 March 2018, £589m).

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

2017/18 £m		2018/19 £m
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	Service cost comprising:	
53.1	Current service cost	52.6
0.5	Past service costs	13.1
(5.2)	Settlements and Curtailments	(3.1)
	Financing and Investment Income and Expenditure:	
16.1	Net Interest expense	16.2
64.5	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	78.8
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(22.7)	Return on planned assets (excluding the amount included in the net interest expense)	(35.6)
0.0	Actuarial gains/losses arising from changes in demographic assumptions	0.0
(30.8)	Actuarial gains/losses arising from changes in financial assumptions	145.1
(1.5)	Other	1.3
9.5	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**189.6**
	Movements in Reserves Statement	
29.6	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the code	**41.7**
	Actual amount charged against the General Fund Balance for Pensions in the year	
31.8	Employers contributions payable to scheme	34.2
3.0	Unfunded benefits	2.9
34.8	Total amount charged against the General Fund Balance for Pensions in the year	**37.1**

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pension assets and liabilities line at 31 March 2019 was a loss of £742m and at 31 March 2018 was a loss of £589m.

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

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

2017/18 £m		2018/19 £m
(1,816.5)	**As at 1 April**	**(1,832.6)**
(53.1)	Current service cost	(52.6)
(47.2)	Interest Cost	(49.6)
(8.6)	Contributions by scheme participants	(8.9)
	Remeasurement (gains) and losses:	
0.0	Changes in demographic assumptions	0.0
30.8	Changes in financial assumptions	(145.1)
1.3	Other	(1.1)
	Past service costs:	
(0.5)	(Losses) / Gains on curtailments	(13.1)
51.3	Benefits paid	52.9
9.9	Liabilities extinguished on settlements	6.2
(1,832.6)	**As at 31 March**	**(2,043.9)**

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

2017/18 £m		2018/19 £m
1,202.0	**As at 1 April**	**1,243.4**
31.1	Interest Income	33.4
	Remeasurement gain/(loss):	
22.7	Return on plan assets	35.6
31.9	Employer contributions	33.9
8.6	Contributions by scheme participants	8.8
(51.3)	Benefits paid	(52.9)
3.0	Contributions in respect of unfunded benefits	3.1
(4.6)	(Losses) / Gains on settlements	(3.1)
1,243.4	**As at 31 March**	**1,302.2**

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.

Local Government Pension Scheme assets comprised:

2017/18 £m	2017/18 % of total assets		2018/19 £m	2018/19 % of total assets
		Equity Securities:		
30.2	2%	Other	22.7	2%
		Debt Securities:		
103.8	8%	UK Government	110.3	9%
11.4	1%	Other	16.9	1%
44.2	4%	Private Equity	60.0	5%
		Real Estate:		
109.2	9%	UK Property	97.3	7%
		Investment Funds and Unit Trusts:		
585.8	47%	Equities	523.0	40%
142.7	12%	Bonds	55.0	4%
43.3	3%	Hedge Funds	0.1	0%
29.1	2%	Commodities	46.1	4%
58.8	5%	Infrastructure	68.5	5%
36.8	3%	Other	265.0	20%
		Derivatives		
0.0	0%	Interest rate		0%
(3.6)	0%	Foreign Exchange	(1.7)	0%
51.7	4%	Cash and Cash Equivalents	39.0	3%
1,243.4	**100%**	**As at 31 March**	**1,302.2**	**100%**

The scheme history of the pension fund is as follows:

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Present value of liabilities:	(1,730.8)	(1,522.5)	(1,816.5)	(1,832.6)	(2,043.9)
Fair value of assets:	999.8	998.8	1,202.0	1,243.4	1,302.2
Surplus / (Deficit)	**(731.0)**	**(523.7)**	**(614.5)**	**(589.2)**	**(741.7)**

The liability shows the underlying commitment that the Authority has in the long run to pay post-employment (retirement) benefits. This total liability of £742m 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 2016.

The principal assumptions used by the actuary have been:

31 March 2018		31 March 2019
	Mortality assumptions (in years):	
	Longevity at 65 for current pensioners:	
22.1	▪ Men	22.1
24.3	▪ Women	24.3
	Longevity at 65 for future pensioners:	
23.8	▪ Men	23.8
26.2	▪ Women	26.2
3.4%	Rate of inflation	3.5%
3.4%	Rate of increases in salaries	3.5%
2.4%	Rate of increase in pensions	2.5%
2.7%	Rate for discounting scheme liabilities	2.4%
	Proportion of employees opting to commute part of their annual pension to a retirement lump sum:	
50%	Pre April 2008 Service	50%
75%	Post April 2008 Service	75%

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. 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 2019:

	Approximate % Increase in Employer Liability	Approximate monetary amount (£m)
0.5% decrease in Real Discount Rate	10%	202.2
0.5% increase in the Salary Increase Rate	1%	26.1
0.5% increase in the Pension Increase Rate	9%	172.7

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 20 years. Funding levels are monitored on an annual basis. The last triennial valuation was completed on 31 March 2016.

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 £34.8m expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17.4 years, 2018/19 (17.4 years 2017/18).

Impact of recent Court Judgements

McCloud Judgement - a ruling has been made by the Court of Appeal regarding age discrimination arising from public sector pension scheme transition arrangements. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the protections. The UK Government requested leave to appeal to the Supreme Court, but this was denied at the end of June 2019. The Fund's actuary has estimated the impact for Leicestershire County Council to be approximately £13m and this has been included in net pensions liability shown within this Note and the Balance Sheet.

Guaranteed Minimum Pensions – a ruling has been made that (LGPS) defined benefit pension schemes must compensate members for differences attributable to guaranteed minimum pensions (GMPs). In broad terms, the GMP represents the minimum pension an occupational pension scheme must provide a scheme member as an alternative to the State Earnings Related Pension Scheme (SERPS). GMPs are inherently unequal due to a number of factors including the different retirement ages for men and women and female GMPs accruing at a higher rate. Currently the Government have only agreed to an interim solution whereby LGPS Funds (and therefore employers within) have to pay all the increases on their GMP. If the interim solution is made permanent it is estimated that the impact for the Authority could be up to a 0.5% increase in overall liabilities. This would add up to £10m to the overall net pensions liability. Due to the uncertainty around the implementation and potential Government appeal against the ruling, the impact has not yet been included in the net pension liability shown in the Balance Sheet.

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 2018/19 the Authority paid £7.3m (2017/18 £8.1m) to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.5% (2017/18 16.5%) 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 2018/19 these amounted to £2.0m (2017/18 £2.0m), representing 4.9% (2017/18 4.5%) 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 16b.

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 2018/19 the Authority paid £0.0m to the NHS pension scheme (£0.1m in 2017/18) in respect of public health staff. This amount is recognised as an expense in the CIES under the Public Health services line.

Note 17: Property, Plant and Equipment, Intangible and Held for Sale Assets

	Land and Buildings* £m	Vehicles Plant and Equipment £m	Infrastructure £m	Community Assets £m	Assets Under Construction £m	Surplus Assets £m	Total £m	Intangible Assets £m	Assets Held for Sale £m
Gross Carrying Amount as at 31 March 2018	**517.5**	**17.6**	**409.8**	**11.3**	**16.0**	**3.5**	**975.7**	**3.6**	**1.7**
Additions	28.1	5.7	23.7	0.0	21.0	0.0	78.5	0.2	0.0
Capital Expenditure Not Increasing Value	(9.3)	(0.6)	0.0	0.0	0.0	0.0	(9.9)	0.0	0.0
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	50.8	0.0	0.0	0.0	0.0	0.4	51.2	0.0	0.0
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	(17.1)	0.0	0.0	0.0	0.0	0.0	(17.1)	0.0	0.0
Disposals	(10.2)	(0.1)	0.0	0.0	0.0	(1.0)	(11.3)	0.0	0.0
Asset Reclassifications	1.1	0.0	1.7	0.0	(4.1)	1.2	(0.1)	0	0.0
Gross Carrying Amount as at 31 March 2019	560.9	22.6	435.2	11.3	32.9	4.1	1,067.0	3.8	1.7
Accumulated Depreciation as at 1 April 2018	(10.6)	(6.0)	(21.9)	0.0	0.0	(0.1)	(38.6)	(1.4)	0.0
Depreciation	(8.4)	(3.4)	(12.2)	0.0	0.0	0.0	(24.0)	(0.8)	0.0
Depreciation written out to the Revaluation Reserve	0.8	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0
Depreciation written out to the Surplus/ Deficit	4.0	0.0	0.0	0.0	0.0	0.0	4.0	0.0	0.0
Impairment Losses/(reversals) recognised in the Revaluation reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment Losses/(reversals) recognised in the Surplus/Deficit on the provision of services	0.5	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0
Derecognition Depreciation	0.4	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0
Accumulated Depreciation as at 31 March 2019	(13.3)	(9.4)	(34.1)	0.0	0.0	(0.1)	(56.9)	(2.2)	0.0
Net Book Value as at 31 March 2019	**547.6**	**13.2**	**401.1**	**11.3**	**32.9**	**4.0**	**1,010.1**	**1.6**	**1.7**

*Includes Travellers' Sites valuation of £2m not shown under Council Dwellings due to materiality.

	Land and Buildings*	Vehicles Plant and Equipment	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total	Intangible Assets	Assets Held for Sale
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Carrying Amount as at 31 March 2017	**471.6**	**14.1**	**365.3**	**11.3**	**30.5**	**3.2**	**896.0**	**3.0**	**2.3**
Additions	34.0	3.9	26.9	0.0	8.1	0.0	72.9	0.6	0.0
Capital Expenditure Not Increasing Value	(4.3)	(0.2)	0.0	0.0	0.0	0.0	(4.5)	0.0	0.0
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	45.5	0.0	0.0	0.0	0.0	0.5	46.0	0.0	0.9
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	(18.7)	0.0	0.0	0.0	0.0	0.0	(18.7)	0.0	0.0
Disposals	(13.6)	(0.2)	0.0	0.0	0.0	(2.2)	(16.0)	0.0	(1.5)
Asset Reclassifications	3.0	0.0	17.6	0.0	(22.6)	2.0	0.0	0.0	0.0
Gross Carrying Amount as at 31 March 2018	**517.5**	**17.6**	**409.8**	**11.3**	**16.0**	**3.5**	**975.7**	**3.6**	**1.7**
Accumulated Depreciation as at 1 April 2017	(7.8)	(2.9)	(10.5)	0.0	0.0	0.0	(21.2)	(0.6)	0.0
Depreciation	(7.3)	(3.1)	(11.4)	0.0	0.0	0.0	(21.9)	(0.8)	0.0
Depreciation written out to the Revaluation Reserve	1.2	0.0	0.0	0.0	0.0	0.0	1.2	0.0	0.0
Depreciation written out to the Surplus/ Deficit	2.3	0.0	0.0	0.0	0.0	0.0	2.3	0.0	0.0
Impairment Losses/(reversals) recognised in the Revaluation reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment Losses/(reversals) recognised in the Surplus/Deficit on the provision of services	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0
Derecognition Depreciation	0.8	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0
Accumulated Depreciation as at 31 March 2018	(10.6)	(6.0)	(21.9)	0.0	0.0	(0.1)	(38.6)	(1.4)	0.0
Net Book Value as at 31 March 2018	**506.9**	**11.6**	**387.9**	**11.3**	**16.0**	**3.4**	**937.1**	**2.2**	**1.7**

*Includes Travellers' Sites valuation of £2m not shown under Council Dwellings due to materiality.

Depreciation/Amortisation

Where depreciation/amortisation is provided for, assets are depreciated/amortised 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 – 40 years.
- Vehicles, plant, furniture and equipment – estimated useful life (averaging around 5 years).
- 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.

Capital Commitments

At 31 March 2019, the Authority has entered into a number of contracts for the acquisition, construction or enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £28.7m, (similar commitments at 31 March 2018 were to a value of £9.9m). The following table outlines the major contracts:

Major Contract	£m
Loughborough University Science Enterprise Park Development	18.7
Airfield Business Park	6.5
Coalville Workspace Project	3.0

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. All valuations were carried out internally by qualified 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. Note 48 provides further details on the Authority's accounting policies.

	Land and Buildings £m	Surplus Assets £m	Total £m
Carried at Historical Cost:	34.9	0.0	34.9
Valued at Fair Value as at:			
31 March 2019	231.0	1.7	232.7
31 March 2018	181.0	0.6	181.6
31 March 2017	65.8	1.7	67.5
31 March 2016	34.9	0.0	34.9
Total Cost or Valuation	**547.6**	**4.0**	**551.6**

Current Intangible Assets

The Authority holds £0.2m of intangible current assets (£0.4m 2017/18). The total of current intangible assets is comprised solely of landfill allowance credits. These allowances convey the Authority's right to divert amounts of bio-degradeable waste to landfill as part of the Landfill Allowance Trading Scheme (LATS) as established via the Department for Environment and Rural Affairs (DEFRA).

Non-Current Intangible Assets

The Authority has non-current intangible assets of £1.6m (£2.2m 2017/18). 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 48 for further details concerning fair value and the input hierarchy.

	2018/19		
	£m	£m	£m
	Level 1 *Quoted Prices in Active Markets for Identical Assets*	**Level 2** *Other Significant Observable Inputs*	**Level 3** *Significant Unobservable Inputs*
Total - Surplus Properties		**4.0**	

	2017/18		
	£m	£m	£m
	Level 1 *Quoted Prices in Active Markets for Identical Assets*	**Level 2** *Other Significant Observable Inputs*	**Level 3** *Significant Unobservable Inputs*
Total – Surplus Properties		**3.4**	

Note 18: Heritage Assets

	Art Collection	Archaeo-logical Collection	Fashion Collection	Working Life Collection	Civic Collection	Total
	£m	£m	£m	£m	£m	£m
Net book value as at 31 March 2017	**3.0**	**0.4**	**0.1**	**0.8**	**0.2**	**4.5**
Additions	0.0	0.0	0.0	0.0	0.0	**0.0**
Disposals	0.0	0.0	0.0	0.0	0.0	**0.0**
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	**0.0**
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	0.0	0.0	0.0	0.0	0.0	**0.0**
Depreciation	0.0	0.0	0.0	0.0	0.0	**0.0**
Net Book Value as at 31 March 2018	**3.0**	**0.4**	**0.1**	**0.8**	**0.2**	**4.5**

Additions	0.0	0.0	0.0	0.0	0.0	**0.0**
Disposals	0.0	0.0	0.0	0.0	0.0	**0.0**
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	0.2	0.0	0.0	0.0	0.0	**0.2**
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	0.0	0.0	0.0	0.0	0.0	**0.0**
Depreciation	0.0	0.0	0.0	0.0	0.0	**0.0**
Net Book Value as at 31 March 2019	**3.2**	**0.4**	**0.1**	**0.8**	**0.2**	**4.7**

As per the accounting policy for Heritage Assets within note 49, assets and additions are initially recognised at cost. Revaluations are based on specialist or insurance valuations. There have been revaluations of some of the Art Collection items and no disposals in 2018/19. Due to this, there is therefore some upward movement in the value of Heritage Assets. Sale proceeds are accounted for in accordance with statutory requirements as these assets would meet the definition of a capital receipt.

Heritage Asset Collections:

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

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, jewelry, 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 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) and the Blue Box Century Theatre; 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.

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:

2017/18 £m		2018/19 £m
(0.1)	Rental Income From Investment Property	(0.1)
0.0	Direct Operating Expenses	0.0
(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:

2017/18 £m		2018/19 £m
1.1	**Opening Balance as at 1st April**	**1.1**
0.0	Additions – Purchases	0.0
0.0	Additions – Construction	0.0
0.0	Additions - Subsequent Expenditure	0.0
0.0	Disposals	0.0
0.0	Gain/Loss From Fair Value Adjustments	0.3
	Transfers:	
0.0	(To)/From Inventory	0.0
0.0	(To)/From Property, Plant & Equipment	0.0
1.1	**Closing Balance as at 31st March**	**1.4**

As at the 31st March 2019 no investment properties are classified as assets held for sale.

Fair Value Hierarchy

The Authority's investment property portfolio has been assessed as Level 2 for valuation purposes. Note 48 provides details of fair value and the input level hierarchy as specified by IFRS 13.

Investment Properties	2018/19 £m **Level 1** *Quoted Prices in Active Markets for Identical Assets*	£m **Level 2** *Other Significant Observable Inputs*	£m **Level 3** *Significant Unobservable Inputs*
Residential Properties		0.7	
Commercial Units		0.6	
Other		0.1	
Total		**1.4**	

Investment Properties	2017/18 £m **Level 1** *Quoted Prices in Active Markets for Identical Assets*	£m **Level 2** *Other Significant Observable Inputs*	£m **Level 3** *Significant Unobservable Inputs*
Residential Properties		0.6	
Commercial Units		0.4	
Other		0.1	
Total		**1.1**	

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 Principal Valuers within the Commissioning 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:

31 March 2018 Long Term £m	31 March 2018 Current £m		31 March 2019 Long Term £m	31 March 2019 Current £m
		Financial Assets at Amortised Cost:		
17.0	170.6	Investments	10.0	216.0
36.5	70.3	Debtors	32.2	74.5
0.0	33.8	Cash and Cash Equivalents	0.0	15.4
20.4	0.0	Available for Sale Financial Assets	0.0	0.0
		Financial Assets at Fair Value through Profit and Loss:		
0.0	0.0	Investments	44.0	0.0
73.9	**274.7**	**Total Financial Assets**	**86.2**	**305.9**
		Financial Liabilities at Amortised Cost:		
204.1	3.7	Borrowing	203.6	3.7
20.5	95.7	Creditors	30.7	99.9
1.3	0.0	Finance Lease Liabilities	1.3	0.0
		Financial Liabilities at Fair Value through Profit and Loss:		
62.9	0.0	Borrowing	62.8	0.0
288.8	**99.4**	**Total Financial Liabilities**	**298.4**	**103.6**

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:

2017/18 £m		2018/19 £m
	Net Gains/(Losses) on:	
0.4	Financial Assets measured at Amortised Cost	0.0
0.0	Financial Assets measured at Fair Value through Profit and Loss	1.1
0.4	**Total Net Gains/ (Losses)**	1.1
4.5	**Total Interest Income**	4.7
15.5	**Total Interest Expense**	15.3

Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by Borrowings and Investments 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 2018 Carrying Amount £m	31 March 2018 At Fair Value £m		31 March 2019 Carrying Amount £m	31 March 2019 At Fair Value £m
190.0	203.0	**Financial Assets**	218.5	228.5
270.7	474.6	**Financial Liabilities**	270.1	477.7

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.

Financial assets - fair value is higher than the carrying amount because the Authority holds investments where the interest rate is higher than current market rate.

Fair Value Hierarchy

The Authority's financial assets and liabilities have been assessed as Level 2 for valuation purposes. Note 48 provides an explanation of fair value and the input level hierarchy.

	2018/19		
	£m	£m	£m
Fair Value	**Level 1** *Quoted Prices in Active Markets for Identical Assets*	**Level 2** *Other Significant Observable Inputs*	**Level 3** *Significant Unobservable Inputs*
Financial Assets		228.5	
Financial Liabilities		(477.7)	
Total		**(249.2)**	

	2017/18		
	£m	£m	£m
Fair Value	**Level 1** *Quoted Prices in Active Markets for Identical Assets*	**Level 2** *Other Significant Observable Inputs*	**Level 3** *Significant Unobservable Inputs*
Financial Assets		203.0	
Financial Liabilities		(474.6)	
Total		**(271.6)**	

Note 21: Inventories

	Leicestershire Highways (stores)	Leicestershire Highways (fuel)	School Food (consumables)	Sub-total	Other (less than £0.1m)	Total
	£m	£m	£m	£m	£m	£m
Opening Balance 31 March 2018	**0.4**	**0.0**	**0.2**	**0.6**	**0.4**	**1.0**
Purchases	4.1	0.6	3.5	**8.2**	0.8	**9.0**
Recognised as an expense during the year	(3.7)	(0.5)	(3.5)	**(7.7)**	(0.9)	**(8.6)**
Written in balance	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Written off balances	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Reversal of write-offs in previous years	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Closing Balance 31 March 2019	**0.8**	**0.1**	**0.2**	**1.1**	**0.3**	**1.4**

Note 22: Long Term Debtors

31 March 2018 £m		31 March 2019 £m
	Long Term Debtors (amounts falling due after one year)	
30.2	Outstanding debt relating to transferred services (e.g. Leicester City, Police, ESPO)	28.6
3.0	Residential Care Charges (secured against properties)	3.0
3.3	Other Long Term Debtors	0.6
36.5	**Total Long Term Debtors**	**32.2**

Note 23: Short Term Debtors

31 March 2018 £m				31 March 2019 £m		
Debtors	Payments in Advance	Total		Debtors	Payments in Advance	Total
72.1	19.1	91.2	**Total Short Term Debtors**	76.1	18.1	94.2

Note 24: Cash & Cash Equivalents

31 March 2018 £m		31 March 2019 £m
	Net Cash Balance at Year End:	
0.4	School & Imprest Accounts	(0.3)
1.0	Main Bank Accounts	1.2
1.4	**Subtotal Cash In Hand / (Overdrawn)**	**0.9**
13.0	Service User Funds Bank Account*	12.0
19.4	Short-Term Deposits with Banks and Building Societies	2.5
33.8	**Total Cash and Cash Equivalents**	**15.4**

* 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 2018 £m		31 March 2019 £m
	Amounts Received in Advance: (more than one year)	
0.5	Regional Growth Fund	0.2
2.7	Section 106 Housing Developer Revenue Contributions	3.3
3.2	**Total Long Term Creditors**	**3.5**

Note 26: Short Term Creditors

31 March 2018 £m				31 March 2019 £m		
Creditors	Receipts in Advance	Total		Creditors	Receipts in Advance	Total
100.5	15.3	115.8	**Total Short Term Creditors**	104.9	15.1	120.0

Note 27: Provisions

	31 March 2018 £m	Additional Provisions £m	Provisions Used £m	31 March 2019 £m
Short Term				
Non Domestic Rates	2.5	0.4	0.0	2.9
Insurance	0.3	0.2	(0.1)	0.4
CRC Liability	0.2	0.1	(0.2)	0.1
Other	0.8	0.4	(0.6)	0.6
Total Short Term Provisions	**3.8**	**1.1**	**(0.9)**	**4.0**
Long Term				
Insurance	3.5	0.5	(0.2)	3.8
Total Long Term Provisions	**3.5**	**0.5**	**(0.2)**	**3.8**
Total Provisions	**7.3**	**1.6**	**(1.1)**	**7.8**

***Details* of Provisions Held:**

Non Domestic Rate Appeals (LCC Share)

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 2019 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.

Carbon Reduction Commitment (CRC) Liability

Provision established to fund the purchase of CRC allowances that are based on emissions, i.e. carbon dioxide produced as energy is used.

Note 28: Cash Flow Statement – Operating Activities

2017/18 £m		2018/19 £m
	The cash flows for operating activities include the following items:	
(4.5)	Interest Received	(4.3)
15.8	Interest Paid	15.6
	The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:	
(22.6)	Depreciation	(24.9)
(20.8)	Impairment and Downward Revaluations	(17.2)
(6.3)	Increase / (decrease) in Creditors	(4.0)
6.8	Increase / (decrease) in Debtors	(0.1)
(1.5)	Increase / (decrease) in Inventories	0.5
(29.6)	Movement in Pension Liability	(41.7)
(16.7)	Carrying amount of Non-Current Assets Sold or De-recognised	(10.6)
(2.3)	Other non-cash items charged to the net surplus or deficit on the provision of services	(1.5)
(81.7)	**Total adjustments to the net surplus or deficit on the provision of services for non-cash movements**	**(88.2)**
	The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:	
8.0	Proceeds from the sale of property, plant and equipment investment property and intangible assets	4.5
(11.3)	Servicing of Finance	(10.8)
44.9	Capital Grants and Contributions	54.1
41.6	**Total adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities**	**47.8**

Note 29: Cash Flow Statement - Investing Activities

2017/18 £m		2018/19 £m
72.5	Purchase of property, plant and equipment, investment property and intangible assets	59.4
(7.6)	Purchase of short-term and long-term investments	60.4
(8.0)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4.5)
(44.9)	Capital Grants and Contributions	(54.1)
1.6	Other receipts from investing activities	2.1
13.6	**Net Cash Flows from Investing Activities**	**63.3**

Note 30: Cash Flow Statement - Financing Activities

2017/18 £m		2018/19 £m
0.0	Cash receipts of short-term and long-term borrowing	0.0
10.0	Repayments of short-term and long-term borrowing	0.5
10.0	**Net Cash Flows from Financing Activities**	**0.5**

Note 31: Trading Operations

During the year the Authority operated an Industrial Property Trading Account. Services are provided directly to the local economy through the letting of industrial units to local businesses. The following table details the surplus.

	Industrial Properties £m
Income	(2.1)
Expenditure	0.8
Surplus in 2018/19	**(1.3)**
Surplus in 2017/18	**(1.0)**

Note 32: 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 West Leicestershire Clinical Commissioning Group, NHS East Leicestershire and Rutland Clinical Commissioning Group and NHS Leicester City Clinical Commissioning Group. Leicester City Council acts as the host authority. The Authority contributed £1.1m (2017/18 £1.2m) to the pool. The memorandum account shows total expenditure of £5.1m (2017/18 £4.7m) and gross income of £5.1m (2017/18 £4.7m). Funding commenced in 2005/06 and the partners have agreed to commission this service until March 2021.

2017/18 £m		2018/19 £m
	Funding Provided to the Pooled Budget	
(1.2)	Leicestershire County Council	(1.1)
(3.5)	Clinical Commissioning Groups / Leicester City Council / Rutland County Council	(4.0)
(4.7)	**Total**	**(5.1)**
	Expenditure Met from the Pooled Budget	
1.2	Leicestershire County Council	1.1
3.5	Clinical Commissioning Groups / Leicester City Council / Rutland County Council	4.0
4.7	**Total**	**5.1**
0.0	**Net Position on the Pooled Budget**	**0.0**

b) *The provision of services for adults with learning disabilities.* Partners who contribute to this pool are NHS West Leicestershire Clinical Commissioning Group and NHS East Leicestershire and Rutland Clinical Commissioning Group. Leicestershire County Council acts as host to the arrangement. The Authority contributed £7.9m (2017/18 £8.3m). The memorandum account shows total expenditure of £20.3m (2017/8 £21.5m) and gross income from the partners of £21.8m (2017/8 £22.7m). 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.

2017/18 £m		2018/19 £m
	Funding Provided to the Pooled Budget	
(8.3)	Leicestershire County Council	(7.9)
(14.4)	Clinical Commissioning Groups	(13.9)
(22.7)	**Total**	**(21.8)**
	Expenditure Met from the Pooled Budget	
8.3	Leicestershire County Council	7.9
13.2	Clinical Commissioning Groups	12.4
21.5	**Total**	**20.3**
(1.2)	**Net Position on the Pooled Budget**	**(1.5)**
0.0	**Surplus to the Authority**	**0.0**

c) *The Better Care Fund*. On the 1st 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. 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 shows gross expenditure of £56.0m (2017/18 £52.1m) and gross income of £56.0m (2017/18 £52.1m).

2017/18 £m		2018/19 £m
	Funding Provided to the Pooled Budget	
(12.9)	Leicestershire County Council	(16.1)
(39.2)	Clinical Commissioning Groups	(39.9)
(52.1)	**Total**	**(56.0)**
	Expenditure Met from the Pooled Budget	
12.9	Leicestershire County Council	16.1
39.2	Clinical Commissioning Groups	39.9
52.1	**Total**	**56.0**
0.0	**Net Position on the Pooled Budget**	**0.0**

Note 33: 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	Compen-sation for loss of office £000	Benefits in kind £000	Total Remuneration Excl. Employers Pension Contribution £000	Employers Pension Contributions (N1) £000	Total Remuneration - including Employers Pension Contribution £000
2018/19						
Chief Executive - John Sinnott	199	0	6	205	0	205
Director of Adults & Communities	133	0	0	133	32	165
Director of Public Health	133	0	0	133	19	152
Director of Environment & Transport	120	0	0	120	29	149
Director of Corporate Resources - S151 Officer	120	0	0	120	29	149
Director of Law and Governance	111	0	0	111	27	138
Director of Children & Family Services (N2)	61	0	0	61	15	76
Total	**877**	**0**	**6**	**883**	**151**	**1,034**
2017/18						
Chief Executive - John Sinnott	195	0	5	200	46	246
Director of Adults & Communities	126	0	0	126	29	155
Director of Public Health	130	0	0	130	19	149
Director of Corporate Resources - S151 Officer (N3)	114	0	0	114	27	141
Director of Corporate Resources (N4)	94	0	5	99	22	121
Director of Law and Governance	104	0	0	104	24	128
Director of Environment & Transport (N5)	66	0	0	66	15	81
Director of Environment & Transport (N6)	57	0	0	57	13	70
Director of Children & Family Services (N7)	0	0	0	0	0	0
Total	**886**	**0**	**10**	**896**	**195**	**1,091**

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

N1 – Revised employer's pension contribution rates in 2018/19.
N2 - The new Director was appointed in September 2018, with an annualised salary of £120k.
N3 - The Director of Finance was appointed as Director of Corporate Resources from 30th March 2018 and retained S151 Officer responsibilities. The 2017/18 annualised salary for this post was £118k.
N4 - The Director (0.6 full time equivalent) left LCC in March 2018. 2017/18 costs include £6k paid at the beginning of 2018/19.
N5 - The Director left LCC in October 2017. The annualised salary for this post was £130k.
N6 - The new Director was appointed in October 2017. The annualised salary for this post was £118k.
N7 - An interim director was employed via an agency and left in September 2018.

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.

2017/18							2018/19					
Including Severance			Excluding Severance				Including Severance			Excluding Severance		
Schools	Non School	Number of Employees 2017/18	Schools	Non School	Number of Employees 2017/18	Remuneration Band	Schools	Non School	Number of Employees 2018/19	Schools	Non School	Number of Employees 2018/19
36	27	63	37	27	64	£50,000-£54,999	43	52	95	43	50	93
33	44	77	33	44	77	£55,000-£59,999	24	48	72	24	48	72
20	9	29	20	8	28	£60,000-£64,999	26	14	40	24	10	34
16	9	25	16	9	25	£65,000-£69,999	17	11	28	17	11	28
11	3	14	11	3	14	£70,000-£74,999	6	4	10	6	4	10
4	5	9	2	5	7	£75,000-£79,999	3	3	6	3	2	5
3	3	6	3	3	6	£80,000-£84,999	2	4	6	2	4	6
0	3	3	0	2	2	£85,000-£89,999	2	1	3	2	0	2
0	4	4	0	4	4	£90,000-£94,999	1	9	10	1	9	10
0	1	1	0	1	1	£95,000-£99,999	0	1	1	0	1	1
0	0	0	0	0	0	£100,000-£104,999	0	1	1	0	1	1
0	0	0	0	0	0	£105,000-£109,999	0	0	0	0	0	0
0	1	1	0	1	1	£110,000-£114,999	0	0	0	0	0	0
0	0	0	0	0	0	£115,000-£119,999	0	1	1	0	1	1
0	0	0	0	0	0	£120,000-£124,999	0	0	0	0	0	0
0	0	0	0	0	0	£125,000-£129,999	0	1	1	0	0	0
123	**109**	**232**	**122**	**107**	**229**	**Total**	**124**	**150**	**274**	**122**	**141**	**263**

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £m	2018/19 £m
£0 - £20,000	81	48	15	24	96	72	0.7	0.4
£20,001 - £40,000	10	8	6	10	16	18	0.5	0.5
£40,001 - £60,000	3	5	2	2	5	7	0.3	0.3
£60,001 - £80,000	0	0	0	1	0	1	0.0	0.1
£80,001 - £100,000	0	0	1	3	1	3	0.1	0.3
£100,001 - £150,000	1	0	0	0	1	0	0.1	0.0
Total	**95**	**61**	**24**	**40**	**119**	**101**	**1.7**	**1.6**

i) The above table includes accrued liabilities. See note 44 for further details
ii) The numbers of officers shown are the actual number, not full time equivalents.

Note 34: Members' Allowances

Amounts were paid to members of the Authority as follows:

2017/18 £m		2018/19 £m
0.6	Basic Allowance	0.7
0.3	Special Responsibility Allowance	0.3
0.1	Other Expenses	0.0
1.0	**Total**	**1.0**

Note 35: External Audit Costs

2017/18 Restated £		2018/19 £
	Fees payable to external auditor:	
76,950	▪ Annual audit	59,250
0	▪ Certification of grant claims *	0
2,500	▪ Certification of other returns	0
79,450	**Total**	**59,250**

* Grant claims continue to be accounted for on the basis of actual payments in year, rather than an estimation of costs relating to 2018/19 grant claims.

Note 36: Dedicated Schools Grant

The Authority's expenditure on schools is funded by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2018. 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 2018/19 are as follows:

	2017/18		Schools Budget Funded by DSG		2018/19	
£m	£m	£m		£m	£m	£m
Central Exp	Individual Schools Budget	Total		Central Exp	Individual Schools Budget	Total
		(462.5)	Final DSG Before Academy Recoupment			(485.9)
		282.6	Academy Figure Recouped			309.5
		(179.9)	**Total DSG after Academy recoupment**			**(176.4)**
		(2.8)	Brought Forward from Previous Year			(2.2)
		0.0	Carry Forward Agreed in Advance			0.0
(93.7)	**(89.0)**	**(182.7)**	**Agreed Initial Budgeted Distribution**	**(98.4)**	**(80.2)**	**(178.6)**
0.0	0.0	0.0	In Year Adjustments	(0.6)	0.2	(0.4)
(93.7)	**(89.0)**	**(182.7)**	**Final Budgeted Distribution**	**(99.0)**	**(80.0)**	**(179.0)**
91.7	0.0	91.7	Actual Central Expenditure	98.4	0.0	98.4
0.0	88.8	88.8	Actual ISB Deployed to Schools	0.0	78.9	78.9
0.0	0.0	0.0	Local Authority Contribution	0.0	0.0	0.0
(2.0)	**(0.2)**	**(2.2)**	**Carry Forward**	**(0.6)**	**(1.1)**	**(1.7)**

Note 37: Grant Income

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

(i) Credited to the Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

2017/18 £m			2018/19 £m	
		Revenue:		
19.6		Revenue Support Grant (RSG)	8.6	
3.3		RSG Transition Grant	0.0	
0.7		Education Services Grant	0.0	
4.0		New Homes Bonus Scheme Grant	3.6	
2.4		Adult Social Care General Grant	1.5	
0.4		Local Support Services Grant	0.5	
	30.4			14.2
		Capital:		
		Department for Education:		
6.5		Basic Need	9.2	
0.0		Basic Need (advance)	7.4	
2.8		Maintenance	2.5	
0.0		Special Education Needs Capital Provision	0.7	
		Department for Transport:		
11.8		Local Transport Plan - Maintenance	11.4	
0.0		Maintenance one-off grant	6.3	
2.7		Local Transport Plan – Integrated Transport Schemes	2.7	
1.1		Maintenance Incentive Element	2.4	
2.7		National Productivity Incentive Element	1.3	
1.2		Flood Resilience Fund	0.8	
1.3		Pothole Grant	0.0	
		Department for Digital, Culture, Media and Sport		
0.0		Broadband UK Grant	0.7	
		Department of Health		
3.3		Disabled Facilities Grant	3.6	
0.7		*Leicester and Leicestershire Enterprise Partnership*	2.3	
1.9		*Section 106 Housing Developer Contributions*	2.3	
3.0		*Other Capital Contributions* (below £1m at 31 March 2019)	2.9	
	39.0			56.5
	69.4	**Total (Note 15 non ring-fenced government grants and capital grants and contributions)**		**70.7**

(ii) Credited to gross income within the Continuing Services section of the Comprehensive Income and Expenditure Statement

2017/18 £m			2018/19 £m	
		Children and Family Services – Education:		
181.8		Dedicated Schools Grant	176.5	
5.7		Pupil Premium Grant	5.4	
3.9		Universal Infant Free School Meals	3.2	
1.6		6th Form Funding	1.5	
1.5		PE & Sports Grant	1.7	
1.4		Troubled Families Programme	0.0	
0.0		Asylum Seekers	1.2	
	195.9			189.5
		Adults and Communities – Dept of Health:		
9.5		Improved Better Care Fund	12.4	
4.7		Skills Funding Agency	4.3	
0.0		Adult Social Care Winter Pressures	2.4	
1.2		Independent living Fund	1.2	
	15.4			20.3
		Public Health		
	25.5	Public Health Grant		24.9
		Corporate Resources		
	1.4	Music Grant		1.4
	18.5	Other income (below £1m at 31 March 2019)		15.1
	256.7	**Total**		**251.2**

b) The Authority has received a number of 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:

Short-Term Capital Grants Receipts in Advance:

31 March 2018 £m		31 March 2019 £m
	Dept for Transport:	
0.0	National Productivity Incentive Fund - Hinckley	1.0
0.0	Pothole Grant	0.8
0.9	Section 106 Housing Developer Contributions	0.7
0.2	Other Grants and Contributions	0.7
1.1	**Total**	**3.2**

Long-Term Capital Grants Receipts in Advance:

31 March 2018 £m		31 March 2019 £m
17.2	Section 106 Housing Developer Contributions	27.1
0.1	Other Grants and Contributions	0.0
17.3	**Total**	**27.1**

Note 38: Related Parties

Details of the total Government grants received are shown in Notes 15 and 37. The employers' contribution paid to the Pension Fund is shown in Note 16. Interests in consortia and other organisations are disclosed in Note 39. Details of the related party transactions with the Eastern Shires Purchasing Organisation (ESPO) are included within Note 39.

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 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 37. Grant receipts outstanding at 31 March are also shown in Note 37.

Members

Members of Leicestershire County Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 34. During 2018/19, works and services to the total value of £0.1m (2017/18 £0.7m) were commissioned from companies, in which two members had an interest. Contracts were entered into in full compliance with the Authority's standing orders.

Currently, the Authority has contracts with voluntary and community sector organisations to the value of £0.2m (2017/18, £0.2m), in which 9 members (2017/18, 2 members) have an interest. In addition, payments totalling less than £0.1m have been made during 2018/19 (2017/18, less than £0.1m) to organisations, in which 4 members had a position on the governing body (2017/18, 5 members). Payments totalling £0.4m have been made to organisations whose senior management includes members of the family of 1 member. 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

Officers

During 2018/19, works and services to the value of less than £0.1m were procured through the East Midlands Lawshare Framework (2017/18 less than £0.1m), in which one senior officer's family member had an interest. Contracts were entered into in full compliance with the Authority's standing orders.

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 32.

Note 39: 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 (2017/18 £0.1m) and an outstanding debtor balance of £0.3m as at 31 March 2019 (2017/18 £0.3m). 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 2019 is £5.8m (2017/18 £6.3m).

The Authority in effect owns approximately one sixth of ESPO assets and liabilities, which in 2017/18 were net liabilities of £0.3m. These are not included on the Authority's Balance Sheet. A copy of ESPO's statement of accounts is available from ESPO, Barnsdale Way, Grove Park, Enderby, Leicester. LE19 1ES. Details of the 2018/19 accounts are not yet available.

b) Leicester, Leicestershire and Rutland Combined Fire Authority

The Authority is a constituent member of Leicester, Leicestershire and Rutland Combined Fire Authority. The Authority received £0.8m of income during 2018/19 from Leicester, Leicestershire and Rutland Combined Fire Authority (2017/18 £0.7m). The Authority had an outstanding debtor balance of less than £0.1m as at 31 March 2019 (2017/18 £0.2m). A copy of the Fire Authority statement of accounts is available from: Leicester, Leicestershire and Rutland Combined Fire Authority at 12 Geoff Monk Way, Birstall, Leicester, LE4 3HR

c) East Midlands Shared Services

The Authority runs a joint operation with Nottingham City Council (NCC) to provide shared transactional finance, human resources and payroll services to both authorities 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 a separate legal personality and is therefore not a separate entity.

Operations relating to EMSS are carried out at both LCC and NCC 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 net costs for the Authority of 42.59%. EMSS does not separately own any assets or liabilities.

A summary of the income and expenditure of EMSS and the associated amounts included in the Authority's accounts are as follows:

Total EMSS 2017/18 £m	Amounts Included in LCC CIES 2017/18 £m		Total EMSS 2018/19 £m	Amounts Included in LCC CIES 2018/19 £m
		Income:		
(1.4)	(1.4)	Direct external income - LCC	(1.5)	(1.5)
(0.6)	0.0	Direct external income - NCC	(0.6)	(0.0)
0.0	(2.8)	NCC share of net LCC direct costs	(0.0)	(2.7)

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(2.0)	**(4.2)**	**Total Income**	**(2.1)**	**(4.2)**
		Expenditure:		
6.3	6.0	Direct costs incurred by LCC	6.0	5.7
0.2	0.0	Direct costs incurred by NCC	0.2	0.0
6.5	6.0	**Total Expenditure**	6.2	5.7
4.5	**1.8**	**Net Expenditure**	**4.1**	**1.5**

d) Leicestershire & Rutland Sports Partnership

Leicester-Shire and Rutland Sport (LRS) is a County Sports Partnership (CSP) which works with the Local Authorities of Leicestershire, Leicester and Rutland working together with schools, National Governing Bodies of Sport, clubs, coaches and volunteers to create a lasting legacy for sport and physical activity. The CSP is funded from different sources including Leicestershire County Council, LCC Public Health and Sport England. LCC is the host Authority and LRS accounts form a part of the overall Public Health budget. A summary of the income and expenditure specific to LRS follows:

2017/18 £m	Income and Expenditure Category	Sport England £m	Local Authority £m	Other Public Sector Income £m	Non-public Income £m	2018/19 £m
	Income:					
(2.2)	Revenue Grants	(0.6)	(1.3)	(0.0)	(0.0)	(1.9)
0.0	Membership Income	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
0.0	Sponsorship Income	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(0.2)	Other Income	(0.0)	(0.0)	(0.2)	(0.1)	(0.3)
(0.1)	Enterprise & Innovation	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
(2.5)	**Total Income**	**(0.6)**	**(1.3)**	**(0.2)**	**(0.2)**	**(2.3)**
	Expenditure:					
0.8	Support costs	0.4	0.4	0.1	0.0	0.9
0.4	Overheads	0.0	0.1	0.0	0.0	0.1
0.8	Get Active	0.0	0.7	0.1	0.0	0.8
0.1	Stay Active	0.1	0.0	0.0	0.0	0.1
0.0	Active Economy	0.0	0.0	0.0	0.0	0.0
0.0	Well Led	0.0	0.0	0.0	0.0	0.0
0.2	Workforce	0.1	0.0	0.0	0.0	0.1
0.0	MarComms	0.0	0.0	0.0	0.0	0.0
0.0	Other Expenditure	0.0	0.1	0.0	0.0	0.1
0.0	Enterprise & Innovation	0.0	0.0	0.0	0.0	0.0
2.3	**Total Expenditure**	**0.6**	**1.3**	**0.2**	**0.0**	**2.1**
(0.2)	**Net**	**0.0**	**0.0**	**0.0**	**(0.2)**	**(0.2)**
0.2	**Earmarked Deferred project Expenditure**					**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 £2.2m in 2018/19 (£1.5m 2017/18). The majority of transactions for the Fund are processed by the Authority and are recovered from the Fund. At 31 March 2019 the Authority had a debtor with the fund of £3.6m (31 March 2018, debtor £1.2m).

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 33 and 34.

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 Authority) 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 tariff 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.

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 Authority, 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 and Leicestershire Pool (LLP).

The Authority is the lead authority for the LLP.

A summary of the position for 2018/19 is shown below which shows an overall surplus on the Pool of £8.5m.

2018/19	Funding Baseline £m	Rates Baseline £m	Retained Rates £m	Levy £m	Safety Net £m
Blaby	2.1	16.1	19.3	1.6	0.0
Charnwood	4.1	18.9	19.7	0.4	0.0
Harborough	1.7	14.8	19.7	2.4	0.0
Hinckley & Bosworth	2.5	11.8	13.9	1.0	0.0
Melton	1.3	5.4	6.3	0.4	0.0
NW Leicestershire	2.3	19.8	25.0	2.6	0.0
Oadby & Wigston	1.5	5.1	5.3	0.1	0.0
Total	**15.5**	**91.9**	**109.2**	**8.5**	**0.0**
2018/19 Net Gain					**8.5**
Net Gain b/f					**8.1**
Less payment made to the LLEP during 2018/19					**(6.1)**
Total 31 March 2019					**10.5**

2017/18	Funding Baseline £m	Rates Baseline £m	Retained Rates £m	Levy £m	Safety Net £m
Blaby	2.1	15.7	17.1	0.7	0.0
Charnwood	4.0	18.3	19.3	0.5	0.0
Harborough	1.7	14.4	15.8	0.7	0.0
Hinckley & Bosworth	2.4	11.4	13.6	1.1	0.0
Melton	1.2	5.3	6.0	0.4	0.0
NW Leicestershire	2.2	19.3	24.3	2.5	0.0
Oadby & Wigston	1.4	4.9	5.3	0.2	0.0
Total	**15.0**	**89.3**	**101.4**	**6.1**	**0.0**
2017/18 Net Gain					**6.1**
Net Gain b/f					**6.4**
Less payment made to the LLEP during 2017/18					**(4.4)**
Total 31 March 2018					**8.1**

The total of £10.5m held as at 31 March 2019 comprises a £2.0m contingency towards future Pools, with the balance of £8.5m for investment in the wider Leicestershire area and is shown as a creditor in the Authority's accounts (£6.1m was transferred to the Leicester and Leicestershire Economic Partnership (LLEP) during 2018/19). The contingency is shown in the Authority's accounts 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) *Concessionary Travel Fares Scheme*

The Authority administers the Concessionary Travel Fares Scheme for areas covered by Leicester City Council and the District Councils in Leicestershire, for which income and expenditure is shown below:

2017/18 £m		2018/19 £m
(8.9)	Income	(9.1)
13.9	Expenditure	14.2
5.0	**Net Cost**	**5.1**

Note 40: 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.

2017/18 £m		2018/19 £m
267.7	Opening Capital Financing Requirement	**256.9**
	Capital Investment:	
72.8	Property, Plant and Equipment	71.8
0.6	Intangible Assets	1.5
20.4	Revenue Expenditure Funded from Capital under Statute	13.4
0.0	Long Term Investments (N1)	2.5
	Sources of Finance:	
(14.8)	Capital Receipts	(5.0)
(54.0)	Government grants and other contributions	(58.3)
(25.0)	Direct revenue contributions	(25.9)
(10.8)	Statutory Minimum Revenue Provision (N2)	(10.4)
256.9	**Closing Capital Financing Requirement**	**246.5**
	Explanation of Movements in Year	
	Increase in underlying need to borrow:	
0.0	Supported by government financial assistance	0.0
0.0	Unsupported by government financial assistance	0.0

(N1) During 2018/19 the County Council purchased £2.5m of Pooled Property Investments to generate ongoing revenue savings. The total held is £22.5m as at 31 March 2019.

(N2) The Statutory Minimum Revenue Provision (MRP) is a prudent amount that the Authority is obligated under statutory provisions to set aside to finance the costs incurred to fund capital expenditure projects. The Authority's approach for government supported borrowing is for repayment of 4% per annum of the outstanding debt and for unsupported borrowing to make repayment by equal annual instalments over twenty five years.

Note 41: Leases

a) *Amounts Paid to Lessors*

Finance lease rentals paid to lessors in the year totalled £0.3m (2017/18 £0.3m). Lease rentals paid to lessors during the year in respect of operating leases for vehicles and equipment totalled £1.2m (2017/18 £1.2m).

b) *Amounts Received from Lessees*

Lease rentals on Authority owned buildings received from lessees during the year in respect of operating leases totalled £1.5m (2017/18 £1.5m). Expected Lease rentals projected to be received in 2019/20 is £1.5m. During 2018/19 nine schools transferred to Academy Status resulting in the net book value of the schools, £6.4m being written out of the Authority's Balance Sheet as these have been transferred on 125 year finance lease terms (2017/18 18 schools, £8.9m). No consideration is received by the Authority for these finance leases.

c) *Leased Assets*

The Authority has a liability to make payments for the following leases during 2018/19 and beyond. The comparators in 2017/18 for 2018/19 and beyond are as follows:

2017/18					2018/19			
Finance Lease Principal (NPV)	Finance Cost	Finance Leases Total	Operating Leases		Finance Lease Principal (NPV)	Finance Cost	Finance Leases Total	Operating Leases
£m	£m	£m	£m		£m	£m	£m	£m
				Lease Payments due:				
0.1	0.2	0.3	0.8	Within 1 year	0.1	0.2	0.3	0.5
0.3	0.8	1.1	1.3	2 to 5 years	0.3	0.8	1.1	0.6
0.9	3.5	4.4	0.0	Over 5 years	0.9	3.2	4.1	0.0
1.3	**4.5**	**5.8**	**2.1**	**Total**	**1.3**	**4.2**	**5.5**	**1.1**

Finance Leased Assets have a carrying value within Land and Buildings within Property, Plant and Equipment of £0.9m as at 31 March 2019 (31 March 2018 £0.9m).

Note 42: Impairment Losses

During 2018/19, the Authority has not recognised any impairment losses (2017/18 nil). However, revaluations downwards of £24.6m have been recognised in the Revaluation Reserve and revaluations downwards of £18.0m have been recognised in the Comprehensive Income and Expenditure Statement. There have also been reversal of historical downwards revaluations of £4.4m to the revaluations reserve and £0.9m in the Comprehensive Income and Expenditure Statement.

Note 43: 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 2018/19 are £1.6m (2017/18 £1.7m).

Note 44: Contingent Liabilities

a) 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 management accounts for the half year to 31 December 2018 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.

b) Projects that have been awarded European grant funds and lottery funds; if the assets provided are withdrawn from public use before the end of the agreed term, repayment of grant may be necessary.

Note 45: 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 polices 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 are detailed below:

Matrix for UK Banks and Building Societies

Maximum Sum Outstanding	£50m	£30m	£20m
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	£15m	£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 £30m 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 = £25m
Maximum amount in all Money Market Funds = £125m

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 2018 that this was likely to crystallise.

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

	Amount at 31st March 2018 £m	**Historical experience of default %**	**Historical experience adjusted for market conditions at 31 March 18 %**	**Estimated maximum exposure to default and un-collectability £m**	**Amount at 31 March 2019 £m**
Deposits with banks and financial institutions	190.0	0.0	0.0	0.0	218.5
Sales ledger	20.7	0.2	0.0	0.0	23.6
Total	**210.7**				**242.1**

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:

2017/18 £m		2018/19 £m
15.1	Less than three months	16.9
1.5	Three to six months	1.5
1.5	Six months to one year	2.2
2.6	More than one year	3.0
20.7	**Total**	**23.6**

In respect of the above sales ledger debt, the Authority has made a provision of £2.2m 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 not 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 2018 £m		31 March 2019 £m
	Analysis of Loan Maturity Profile:	
3.7	Less than 1 year	3.7
3.7	**Total Short Term Loans by Maturity**	3.7
1.0	Between 1 and 2 years	1.0
1.7	Between 2 and 5 years	1.7
7.5	Between 5 and 10 years	7.5
1.1	Between 10 and 15 years	0.6
0.3	Between 15 and 20 years	0.3
0.4	Between 20 and 25 years	6.7
40.0	Between 25 and 30 years	48.6
82.0	Between 30 and 35 years	96.8
79.3	Between 35 and 40 years	49.6
0.1	Between 40 and 45 years	0.1
53.6	Greater than 45 years	53.6
267.0	**Total Long Term Loans by Maturity**	266.5
270.7	**Total Loans by Maturity**	270.2

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 2019, 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	N/A
Increase in interest receivable on variable rate investments	2.8
Increase in government grant receivable for financing costs	0.0
Impact on Surplus or Deficit on the Provision of Services	**2.8**
Decrease in fair value of fixed rate investment assets	(20.0)
Impact on Other Comprehensive Income and Expenditure	**(20.0)**
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)	(107.1)

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 hold any equity shares, thus there is no price risk to the Authority.

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 46: 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	375,000
Fidelity guarantee	100,000
Motor	1,250

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 47: Trust Funds (Excluded from the Balance Sheet)

The Authority acts as trustee and/or administrator for approximately 20 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.

Trustees are nominated by Leicestershire County Council, Leicester City Council and the National Trust to the Bradgate Park and Swithland Wood charity. This is the largest Trust the Authority is involved with. Due to the timing of the production of the Authority's Statement of Accounts, the figures shown below are compiled on an estimated basis.

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. Under regulations issued through the Charities Act 2011, trust fund accounts where annual income exceeds £10,000, require an independent examination. The main trust funds are as follows:

	Balance at 31 March 2018 £m	Income £m	Expenditure £m	Balance at 31 March 2019 £m
Trust Funds:				
Kibworth High School Endowment	0.3	0.0	0.0	0.3
Bradgate Park & Swithland Wood Charity *	0.9	1.7	(1.7)	0.9
Others	0.3	0.0	0.0	0.3
Total Trust Funds	**1.5**	**1.7**	**(1.7)**	**1.5**

* Not sole trustee. The Authority administers the funds and is represented on the board of trustees.

Note 48: Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19 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 three 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 is 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. The valuation is carried out by qualified Chartered Surveyors, who are also Registered Valuers, from the Commissioning Estates service within the Corporate Resources Department. Asset lives have been reviewed and standardised over the last two years and have been updated within the Asset Register. 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 Authority's Strategic Property Manager as at 1 April 2018. 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-minimus level then this value will be recognised in the Comprehensive Income and Expenditure Statement as capital expenditure not increasing value.

- ***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 these de-minimus levels are recognised in the Comprehensive Income and Expenditure Statement as capital expenditure not increasing in value.

- ***Infrastructure Assets*** are valued on the basis of depreciated 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 actual payments made to date.

- ***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*** are assets that are actively being marketed for sale, the asset sale is highly probable, and the sale is expected within 12 months. An asset is classed as held for sale when the carrying value will be principally recovered through a sale transaction rather than through its continuing use. The asset is revalued immediately on an open market basis and any loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

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.

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 5 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;

- ***The Art Collection***
- ***The Archaeological Collection***
- ***The Working Life Collection***
- ***The Fashion 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

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on use of specific assets.

Authority as a Lessee:

Finance Leases:

When assessing whether the lease is a finance lease the following criteria have been considered:

- Lease transfers ownership at the end of the term.
- Lessee has option to purchase asset at price lower than fair value.
- Lease term is major part of economic life of the asset.
- Present value of minimum lease payments is substantially all of the fair value of the asset.
- Leased assets are so specialised in nature that only the lessee can use them without major modifications.

Property, plant and equipment held under finance leases are reflected in the appropriate category of non-current asset on the Balance Sheet. The asset recognised is matched by a deferred liability to pay future rentals. In addition, assets financed by a deferred purchase arrangement are similarly reflected in non-current assets, with the liability to the merchant bank included in long term borrowings.

Operating Leases:

Rentals paid under operating leases are charged directly to Comprehensive Income and Expenditure Statement as an expense in the services benefiting from use of the leased property, plant and equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

The Authority as Lessor:

Finance Leases:

The Authority does not have any finance leases as a Lessor. Where operating leases exist, the assets are still shown on the Balance Sheet and any rental income is credited to the Comprehensive Income and Expenditure 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.

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. No depreciation charge is made for the land, community assets, assets under construction or assets held for sale.

Assets are depreciated using the straight line method over the following periods:

- ***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*** - 40 years.
- ***Vehicles, Plant, Furniture and Equipment*** - estimated useful life (averaging around 5 years).
- ***Components*** **-** will vary between 20 – 50 years for new components/blocks
- ***Assets Held for Sale*** – Depreciation is not charged on Assets Held for Sale.

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.

16. 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 fair value with interest charged to the Comprehensive Income and Expenditure Statement calculated at the effective rate of interest, which discounts estimate future cash payments over the life of the instrument (essentially an average rate for the expected duration of that loan), rather than the cash paid in a year.

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.

17. 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 accruals 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 of 3.4%.

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.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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.

23. Accounting for the Costs of the Carbon Reduction Commitment Scheme

The Authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the second phase, which ends on 31 March 2019. The Authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used) a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to service areas on the basis of energy consumption.

24. 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.

25. 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.

26. 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.

27. 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.

MR. J.B. RHODES
CABINET LEAD MEMBER FOR CORPORATE RESOURCES AND DEPUTY LEADER OF THE COUNTY COUNCIL
29 JULY 2019

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 2019.

C TAMBINI
DIRECTOR OF CORPORATE RESOURCES
29 JULY 2019

Pension Fund

(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.

Membership

Membership of the LGPS is voluntary and 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-18	31-Mar-19
Number of employers	254	263
Number of employees in the scheme (Actives)		
County Council	7,832	7,875
Other employers	25,806	26,537
Total	**33,638**	**34,412**
Number of pensioners		
County Council	10,724	11,177
Other employers	15,746	16,796
Total	**26,470**	**27,973**
Deferred pensioners		
County Council	12,526	12,423
Other employers	24,177	24,183
Total	**35,703**	**36,606**
Total number of members in the pension scheme	**95,811**	**98,991**

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 2019. Employers contributions are set based on triennial actuarial funding valuations. In 2018/19 the average employer rate was 23.8% of pay (22.7% 2017/18).

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 uprated 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 2019

2017/18 £m		Notes	2018/19 £m
	Contributions		
(139.2)	Employer Contributions	6	(149.5)
(38.3)	Member Contributions	6	(39.9)
(12.4)	Transfers in from Other Pension Funds	7	(10.3)
(189.9)	**Total Contributions**		**(199.7)**
	Benefits		
115.0	Pensions	8	124.8
31.8	Commutation of Pensions and Lump Sum Retirement Benefits	8	32.5
3.1	Lump Sum Death Benefits		4.6
18.0	Payments to and on Account of Leavers	9	11.9
167.9	**Total Benefits**		**173.8**
22.0	**Net Additions)/(Withdrawals) from Dealings with Members**		**(25.9)**
6.4	Management Expenses	10	7.1
(15.6)	**Net Additions/(Withdrawals) Including Fund Management Expenses**		**(18.8)**
	Returns on investments		
(42.9)	Investment income	11	(36.8)
(144.0)	Profit and Losses on Disposal of Investments and Changes in Value of Investments	12	(173.1)
(186.9)	**Net Returns on Investments (Sub Total)**		**(209.9)**
(202.5)	**Net Increase / (Decrease) in the Net Assets Available for Benefits fund During the Year**		**(228.7)**
(3,880.8)	Net assets of the scheme Opening		(4,083.3)
(4,083.3)	**Net assets of the scheme Closing**		**(4,312.0)**

Net Assets Statement as at 31 March 2019

2017/18 £m		Notes	2018/19 £m
4,076.1	Investment assets	12	4,361.2
(1.2)	Investment liabilities	12	(54.0)
4,074.9			**4,307.2**
11.7	Current Assets	15	10.6
(3.3)	Current Liabilities	15	(5.8)
4,083.3	**Net Assets of the Fund at 31 March**		**4,312.0**

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.

The notes on pages 88 to 109 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 2018/19 financial year and its position as at 31 March 2019. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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 2018/19.

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 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

a) *Contribution Income*

Normal contributions are accounted for on an acruals 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.

b) *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.

c) 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

d) 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.

e) 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.

f) 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), except for investment management expenses which are disclosed as net payments charged as opposed to grossing up the payments. The authority is collating gross management expenses and will be fully compliant in 2019/20.

Net Assets Statement

g) 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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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 IAS19 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.

m) 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.

n) 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 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.

3. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. The estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in the introduction to the accounts. Actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance between longer term and short term yield/ return.

Investment in LGPS Central Asset Pool

This investment has been valued at cost on the basis that fair value as at 31 March 2019 cannot be reliably estimated. Management have made this judgement because; a) the Pool only became licensed to trade in February 2018, b) no dividends to shareholders has yet been declared, and c) no published trading results are yet available.

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 IAS7 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.

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
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns	For instance: • A 0.5% decrease in the discount rate used would result in an increase in the pension liability of £765m

	on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	• A 0.5% increase in the pension increase rate would increase the pension liability by £599m • A one year increase in assumed life expectancy would increase the liability by between £209m and £348m.
Private Equity Investments	Private equity investment 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 £197m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 28%, an increase or decrease of £55m.
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.	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 by up to 15%, i.e. an increase or decrease of £58m on the carrying value of £386m.

5. *Events after the Reporting Date*

There are no material events after the reporting date that would require an adjustment or additional disclose to the accounts.

6. *Contributions*

2017/18 £m		2018/19 £m
	Employers	
132.0	Normal	143.1
2.5	Deficit Repair	3.7
0.1	Voluntary additional	0.1
3.9	Advanced payments for early retirements	1.8
0.7	Additional payments for ill-health retirements	0.8
	Members	
37.9	Normal	39.5
0.4	Purchase of additional benefits	0.4
177.5	**Total**	**189.4**

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:

2017/18 £m		2018/19 £m
42.4	Leicestershire County Council	44.4
126.4	Scheduled bodies	136.2
8.7	Admitted bodies	8.8
177.5	**Total**	**189.4**

7. Transfers In

2017/18 £m		2018/19 £m
9.7	Individual transfers in from other schemes	10.3
2.7	Bulk transfers in from other schemes	0.0
12.4	**Total**	**10.3**

8. Benefits

The benefits paid can be analysed by type of Member Body as follows:-

2017/18 £m		2018/19 £m
53.4	Leicestershire County Council	57.3
89.0	Scheduled bodies	96.4
7.5	Admitted bodies	8.2
149.9	**Total**	**161.9**

9. Payments to and on Account of Leavers

2017/18 £m		2018/19 £m
0.8	Refunds to members leaving the scheme	0.9
0.1	Payments for members joining state scheme	0.0
17.1	Individual transfers to other schemes	11.0
0.0	Bulk transfers to other schemes	0.0
18.0	**Total**	**11.9**

10. Management Expenses

2017/18 £m		2018/19 £m
4.9	Investment Management Expenses	4.9
1.1	Pension Scheme Administration Costs	1.8
0.4	Oversight and Governance Expenses	0.4
6.4	**Total**	**7.1**

11. Investment Income

2017/18 £m		2018/19 £m
2.9	Dividends from equities	2.4
0.0	Income from Government Bonds	0.2
2.2	Income from index-linked securities	2.2
30.9	Income from pooled investment vehicles	24.4
7.0	Net rents from properties	7.0
0.3	Interest on cash or cash equivalents	0.5
(0.5)	Net Currency Profit / (Loss)	0.1
0.1	Insurance Commission	0.0
42.9	**Total**	**36.8**

12. Investments

	Value at 1 April 2018 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2019 £m
Equities	80.3	57.4	(58.7)	3.4	82.4
Government Bonds	0.7	28.2	0.0	0.0	28.9
Index-linked securities	384.2	586.0	(600.4)	21.4	391.2
Pooled investment vehicles	3,332.0	631.9	(595.6)	206.7	3,575.0
Properties	102.1	0.0	0.0	0.5	102.6
Cash and currency	157.6	0.0	(28.5)	0.0	129.1
Derivatives contracts	14.9	40.0	0.0	(58.9)	(4.0)
Other investment balances	3.1	1.1	(2.2)	0.0	2.0
Total	**4,074.9**	**1,344.6**	**(1,285.4)**	**173.1**	**4,307.2**

	Value at 1 April 2017 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2018 £m
Equities	77.5	47.0	(43.8)	(0.4)	80.3
Government Bonds	0.0	0.7	0.0	0.0	0.7
Index-linked securities	373.3	289.7	(275.9)	(2.9)	384.2
Pooled investment vehicles	3,070.1	365.6	(184.9)	81.2	3,332.0
Properties	96.3	0.1	(0.1)	5.8	102.1
Cash and currency	238.1	0.0	(80.5)	0.0	157.6
Derivatives contracts	15.6	6.7	(67.7)	60.3	14.9
Other investment balances	1.7	1.4	0.0	0.0	3.1
Total	**3,872.6**	**711.2**	**(652.9)**	**144.0**	**4,074.9**

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.

The Fund has the following investments which exceed 5% of the total net value of assets:

2017/18 £m		2018/19 £m
0	LGPS Central - Global Equity Active Multi Manager Fund	313.1
270.4	Legal and General North America Index Fund	267.8
260.4	Legal and General FTSE RAFI North America Fund	264.3
530.8	**Total**	**845.2**

2017/18 £m		2018/19 £m
	Equities	
23.2	UK quoted	21.5
1.3	UK unquoted	1.3
55.8	Overseas quoted	59.6
80.3		**82.4**
	Government Bonds	
0.7	UK Government Unquoted	0.7
0.0	UK Government Quoted	5.8
0.0	Overseas Quoted	22.4
0.7		**28.9**
	Index Linked Securities	
347.1	UK quoted	358.0
37.0	Overseas quoted	33.2
384.1		**391.2**

	Pooled investment vehicles (unquoted)	
262.6	Property funds	283.0
152.5	Private equity	210.3
468.3	Bond and debt funds	520.7
0.3	Hedge funds	0.2
1,887.2	Equity-based funds	1,909.4
12.1	Commodity-based funds	15.4
91.4	Timberland fund	132.5
142.1	Managed futures fund	129.4
119.9	Targeted return fund	147.7
195.6	Infrastructure fund	226.4
3,332.0		**3,575.0**
	Properties	
102.1	**UK (Note 14)**	**102.6**
157.6	**Cash and currency**	**129.1**
	Derivatives contracts	
12.9	Forward foreign exchange assets	47.1
0.1	Currency option assets	1.4
3.1	Other option assets	1.5
(1.1)	Forward foreign exchange liabilities	(54.0)
0.0	Currency option liabilities	0.0
15.0	**Sterling Denominated**	**(4.0)**
3.1	**Other Investment Balances**	**2.0**
4,074.9	**Total Investments**	**4,307.2**

At 31 March 2019 pooled investment vehicles include investments in fund-of-funds which have an underlying value of £196.0m in private equity, £22.3m in illiquid corporate bonds and £132.5m in timberland.

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:

2017/18 £m		2018/19 £m
0.3	Active currency positions (those whose purpose is solely to seek economic gain)	(0.7)
11.4	Passive currency positions (those whose purpose is to hedge the Fund's benchmark exposure to currencies back to sterling)	(6.2)
11.7	**Total**	**(6.9)**

Options

All options held by the Fund were exchange traded. The value of these options and the assets to which they were exposed can be summarised as follows:

2017/18 £m		2018/19 £m
0.1	Currency-based	1.4
3.1	Equity rate-based	1.5
3.2	**Total**	**2.8**

14. *Property Investments*

31 March 2018 £m		31 March 2019 £m
71.3	Freehold	72.9
16.2	Long Leasehold (over 50 years unexpired)	16.2
14.6	Medium/Short Leasehold (under 50 years unexpired)	13.5
102.1	**Total**	**102.6**

All properties, with the exception of the Fund's farm investment, were valued on an open market basis by Nigel Holroyd and Adrian Payne of Colliers Capital UK at 31st March 2019. The Fund's farm was valued on an open market basis by James Forman of Leicestershire County Council. All valuers are Members of the Royal Institute of Chartered Surveyors.

15. *Current Assets and Liabilities*

2017/18 £m		2018/19 £m
8.4	Contributions due from employers	8.7
1.0	Cash Balances	0.0
1.2	Other Debtors	1.2
1.1	Due from Ministry of Justice	0.7
11.7	**Current assets**	**10.6**
(1.2)	Due to Leicestershire County Council	(3.6)
(0.9)	Fund Management Fees Outstanding	(1.2)
(1.2)	Other Creditors	(1.0)
(3.3)	**Current liabilities**	**(5.8)**
8.4	**Net current assets and liabilities**	**4.8**

Contributions due at the year end were received by the due date.

The amount due from the Ministry of Justice relates to the actuarially assessed deficit in respect of Magistrates' Court staff that were formerly in the LGPS. The amount is payable over 10 years at £365,000 per annum, and at 31st March 2019 there were two more payments due.

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:-

At 31 March 2018 £m	%		At 31 March 2019 £m	%
		Investments managed by LGPS central Pool		
		LGPS Central - global equities		
0.0	0.0	Harris	117.7	2.7
0.0	0.0	Schroders	103.5	2.4
0.0	0.0	Union	112.0	2.6
		Investment Manager		
1,369.4	33.6	Legal & General	1375.6	31.9
391.4	9.6	Kames Capital	438.6	10.2
251.7	6.2	Ruffer LLP	254.2	5.9
199.4	4.9	Partners Group	245.4	5.7
190.8	4.7	Aviva Investors (La Salle)	202.3	4.7
144.0	3.5	Adams Street Partners	196.0	4.6
177.5	4.4	Macquarie Investments	181.9	4.2
119.9	2.9	Pictet Asset Management	147.7	3.4
91.4	2.2	Stafford Timberland	132.5	3.1
126.3	3.1	Colliers Capital UK	129.9	3.0
142.1	3.5	Aspect Capital	129.4	3.0
104.0	2.6	JP Morgan Asset Management	120.4	2.8
103.9	2.6	Ashmore	110.7	2.6
85.2	2.1	Prudential / M&G	76.0	1.8
62.6	1.5	IFM Investors (UK) Ltd	73.9	1.7
40.4	1.0	Cristofferson, Robb & Co	48.9	1.1
52.0	1.3	Kravis Kohlberg Roberts & Co	45.9	1.1
90.8	2.2	Internally Managed and Currency Managers	36.6	0.9
3.9	0.1	Infracapital	13.6	0.3
7.3	0.2	Standard Life Aberdeen	13.0	0.3
1.1	0.0	Catapult Venture Managers	1.2	0.0
0.4	0.0	Permal (formerly Fauchier Partners)	0.3	0.0
187.1	4.6	KBI (formerly Kleinwort Benson Investors)	0.0	0.0
132.3	3.2	Kempen Capital	0.0	0.0
4,074.9		**Total**	**4,307.2**	

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 introduction to the accounts.

20. *Valuation of 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 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.

The following tables provide an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which fair value is observable.

Values at 31st March 2019	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial assets at fair value	2,994.0	0.0	1,367.2	4,361.2
Financial liabilities at fair value	(54.0)	0.0	0.0	(54.0)
Net financial assets	**2,940.0**	**0.0**	**1,367.2**	**4,307.2**

Values at 31st March 2018	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial assets at fair value	2,828.1	0.0	1,248.0	4,076.1
Financial liabilities at fair value	(1.2)	0.0	0.0	(1.2)
Net financial assets	**2,826.9**	**0.0**	**1,248.0**	**4,074.9**

21. Classification of Financial Instruments

2017/18 £m Fair value through profit and loss	2017/18 £m Assets at amort-ised cost	2017/18 £m Liabilities at amort-ised cost		2018/19 £m Fair value through profit and loss	2018/19 £m Assets at amort-ised cost	2018/19 £m Liabilities at amort-ised cost
			Financial Assets			
80.3			Equities	82.4		
0.7			Government Bonds	28.9		
384.2			Index-linked securities	391.2		
3,332.0			Pooled investment vehicles	3,575.0		
16.0			Derivatives contracts	49.9		
	157.6		Cash and currency		129.1	
	2.4		Other investment balances		1.6	
	1.1		Sundry debtors and prepayments		0.7	
3,813.2	**161.1**			**4,127.4**	**131.4**	
			Financial Liabilities			
(1.1)			Derivatives contracts	(53.9)		
		(0.5)	Other Investment Balances			0.0
		(2.7)	Sundry Creditors			(5.3)
3,812.1	**161.1**	**(3.2)**	**Total**	**4,073.5**	**131.4**	**(5.3)**

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:

2017/18 £m		2018/19 £m
	Financial Assets	
83.7	Fair value through profit and loss	231.5
	Financial Liabilities	
60.3	Fair value through profit and loss	(58.9)
144.0	**Total**	**172.6**

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised I 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

2017/18 £		2018/19 £
27,637	Payable in respect of external audit	21,280
27,637	**Total**	**21,280**

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 2018/19 reporting period:

Asset type	Potential market movements (+/-)
Overseas government bonds	8%
Global credit	10%
Global government index-linked bonds	8%
UK equities	16%
Overseas equities	19%
UK property	15%
Private equity	28%
Infrastructure	14%
Commodities	14%
Hedge funds and targeted return funds	12%
Timberland	16%
Cash	1%

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):

Asset Type	Value at 31st March 2019 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	24.5	16	28.4	20.6
Overseas equities	55.8	19	66.4	45.2
UK Corporate Bonds	0.7	10	0.8	0.6
Global Government Bonds	28.2	8	30.5	25.9
Global index-linked bonds	391.2	8	422.5	359.9
Pooled property funds	283.0	15	325.5	240.6
Pooled private equity funds	210.3	28	269.2	151.4
Pooled bond and debt funds	520.7	10	572.8	468.6
Pooled hedge funds	0.2	12	0.2	0.2
Pooled equity funds	1907.1	19	2,269.4	1,544.8
Pooled commodity funds	19.8	14	22.6	17.0
Pooled targeted return funds	147.7	12	165.4	130.0
Pooled timberland fund	132.5	16	153.7	111.3
Pooled managed futures fund	129.4	12	145.0	113.9
Pooled infrastructure fund	226.4	14	258.1	194.7
UK property	102.6	15	118.0	87.2
Cash and currency	129.1	1	130.4	127.8
Options, futures, other investment balances, current assets and current liabilities	2.8	1	2.8	2.8
Total assets available to pay benefits	**4,312.0**		**4,981.7**	**3,642.5**

Asset Type	Value at 31st March 2018 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	24.5	16	28.4	20.6
Overseas equities	55.8	19	66.4	45.2
UK Corporate Bonds	0.7	10	0.8	0.6
Global Government Bonds	0.0	8	0.0	0.0
Global index-linked bonds	384.1	8	414.9	353.4
Pooled property funds	262.6	15	302.0	223.2
Pooled private equity funds	152.5	28	195.2	109.8
Pooled bond and debt funds	468.3	10	515.2	421.5
Pooled hedge funds	0.3	12	0.4	0.3
Pooled equity funds	1,887.2	19	2,245.7	1,528.6
Pooled commodity funds	12.1	14	13.7	10.4
Pooled targeted return funds	119.9	12	134.3	105.5
Pooled timberland fund	91.4	16	106.0	76.8
Pooled managed futures fund	142.1	12	159.2	125.1
Pooled infrastructure fund	195.6	14	223.0	168.2
UK property	102.1	15	117.4	86.8
Cash and currency	157.6	1	159.1	156.0
Options, futures, other investment balances, current assets and current liabilities	26.5	1	26.8	26.2
Total assets available to pay benefits	**4,083.3**		**4,708.5**	**3,458.2**

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.

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 2019 and 31st March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

As at 31st March 2018 £m	Asset type	As at 31st March 2019 £m
157.6	Cash and Currency	129.1
469.0	Fixed interest securities	420.1
626.6	**Total**	**549.2**

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.

Asset type	Carrying amount as at 31st March 2019	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£m	£m	£m
Cash and Currency	129.1	1.3	(1.3)
Fixed interest securities	420.1	4.2	(4.2)
Total	**549.2**	**5.5**	**(5.5)**

Asset type	Carrying amount as at 31st March 2018	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£m	£m	£m
Cash and Currency	157.6	1.6	(1.6)
Fixed interest securities	469.0	4.7	(4.7)
Total	**626.6**	**6.3**	**(6.3)**

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 50% of the exposure back to sterling. The table below summarises the Fund's currency exposure if it was unhedged as at 31st March 2019 and as at the previous period end:

Asset value as at 31st March 2018 £m	Currency exposure – asset type	Asset value as at 31st March 2019 £m
55.8	Overseas equities	82.4
0	Overseas government bonds	22.4
37.0	Overseas government index-linked bonds	33.2
151.4	Private equity pooled funds	209
0.3	Pooled hedge Funds	0.4
1,577.9	Overseas and Global equity-based pooled funds	1,577.6
12.1	Commodity-based pooled funds	19.8
195.6	Infrastructure pooled funds	226.4
91.4	Timberland pooled fund	132.5
103.9	Emerging Market Debt pooled fund	110.7
2,225.4	**Total overseas assets**	**2,414.4**

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 13% (as measured by one standard deviation).

A 13% 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.

A 13% 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 31st March 2019	Change to net assets available to pay benefits	
		+13%	-13%
	£m	£m	£m
Overseas equities	82.4	93.1	71.7
Overseas government bonds	22.4	25.3	19.5
Overseas governmet index-linked bonds	33.2	37.5	28.9
Private equity pooled funds	209.0	236.2	181.8
Pooled hedge funds	0.4	0.5	0.4
Overseas equity-based pooled funds	1,577.6	1782.7	1,372.5
Commodity-based pooled funds	19.8	22.4	17.2
Infrastructure pooled funds	226.4	255.8	197.0
Timberland pooled fund	132.5	149.7	115.3
Emerging Market Debt pooled fund	110.7	125.1	96.3
Total change in assets available	**2,414.4**	**2,728.3**	**2100.6**

At 31st March 2019 and 31st March 2018 the Fund has an active currency manager with a portfolio based on a notional value of £340m, and this is the maximum exposure that they are allowed to have. In order to achieve gains within their portfolios they utilise forward foreign exchange contracts and currency options.

The portfolios have an average target volatility of 2.5% and as a result the Fund is exposed to currency risk through these portfolios. The table below shows the likely impact onto the net assets available to pay benefits.

Currency exposure – asset type	Asset value as at 31st March 2019	Change to net assets available to pay benefits	
		+2.5%	-2.5%
	£m	£m	£m
Active currency portfolios	340.0	348.5	331.5
Total change in assets available	**340.0**	**348.5**	**331.5**

Currency exposure – asset type	Asset value as at 31st March 2018	Change to net assets available to pay benefits	
		+2.5%	-2.5%
	£m	£m	£m
Active currency portfolios	340.0	348.5	331.5
Total change in assets available	**340.0**	**348.5**	**331.5**

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 a 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 2019 was £129.1m (31st March 2018: £157.6m).

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 2019 the value of illiquid assets (considered to be the Fund's investments in property, hedge funds, private equity, timberland and infrastructure) was £954.9m, which represented 22.1% of total Fund assets. (31st March 2018: £804.5m, which represented 19.7% 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 2019 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 2019

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 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.

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 2018/19 a total of £0.8m was payable to LPGS Central Ltd for governance, operator and product development fees, and investment management and transaction fees. Of these £0.2m was a creditor balance at the year end. During 2018/19 £0.5m was received from LPGS Central Ltd as reimbursement for set up costs advanced in 2017/18. As at 31 March 2019, £350m of LCC LGPS investments were managed by LGPS Central Ltd.

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 £1.7m, 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.

McCloud Judgement - a ruling has been made by the Court of Appeal regarding age discrimination arising from public sector pension scheme transition arrangements. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the protections. The UK Government requested leave to appeal to the Supreme Court, but this was denied at the end of June 2019. The Fund's actuary has estimated the impact on the Leicestershire County Council Pension Fund to be approximately £56m. This has been included in the IAS19 estimate shown within the Pension Fund Accounts Reporting Requirement report appended to the end of the Pension Fund Accounts.

Guaranteed Minimum Pensions – a ruling has been made that (LGPS) defined benefit pension schemes must compensate members for differences attributable to guaranteed minimum pensions (GMPs). In broad terms, the GMP represents the minimum pension an occupational pension scheme must provide a scheme member as an alternative to the State Earnings Related Pension Scheme (SERPS). GMPs are inherently unequal due to a number of factors including the different retirement ages for men and women and female GMPs accruing at a higher rate. Currently the Government have only agreed to an interim solution whereby LGPS Funds (and therefore employers within) have to pay all the increases on their GMP. If the interim solution is made permanent it is estimated that the impact for the Authority could be up to a 0.5% increase in overall liabilities. This would add up to £35m to the overall net pensions liability. Due to the uncertainty around the implementation and potential Government appeal against the ruling, the impact has not yet been included in the IAS19 estimate for the pension fund.

At 31st March 2019, the Fund had the following contractual commitments:-

	31 March 2018 £m	31 March 2019 £m
Adams Street Partners	151.4	143.2
Catapult Venture Managers	0.5	0.5
KKR Global Infrastructure	42.6	36.7
Stafford International Timberland VI Fund	1.5	1.5
Stafford International Timberland Funds VII & VIII	43.8	8.5
M & G Debt Opportunities Fund IV	40.0	28.7
IFM Global Infrastructure Fund	21.3	23
Aberdeen Standard Life Capital SOF III Fund	22.0	21.1
Kames Active Value Property Unit Trust II	18.2	12.5
Infracapital Greenfield Partners I Fund	26.9	19.3
JPM Infrastructure Investment Fund	20.0	0.0
Partners 2018 Multi Asset Credit Fund	78.0	0.0
Total	**466.2**	**295.0**

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(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

During 2018/19, £1.8m (2017/18 £1.8m) in contributions were paid to Prudential. At the year end the capital value of all AVC's was £14.0m, (31.3.18, £14.1m).

27. Policy Statements

The Fund has a number of policy statements that are available on request from the Technical Accounting Team, Strategic Finance, Leicestershire County Council, County Hall, Glenfield, Leicester. LE3 8RB (email technical.accoutingteam@leics.gov.uk). 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:

Statement of Investment Principles (SIPs)
Communications Policy Statement
Funding Strategy Statement (FSS)

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 2018/19 (or 2017/18). 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 2018/19

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), effective from 15 February 2019. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB. this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

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 return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. 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 still at least a 66% chance that the Fund will return to full funding over 20 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 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £3,164 million, were sufficient to meet 76.2% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £989 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a specified time period as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 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 2016 valuation report.

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 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	3.2%
Benefit increase assumption (CPI)	2.1%

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 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners*	23.8 years	26.2 years

*Aged 45 at the 2016 Valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Richard Warden FFA
For and on behalf of Hymans Robertson LLP
26 April 2019

Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2018/19 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 2019	31 March 2018
Active members (£m)	3,789	3,063
Deferred members (£m)	1,414	1,258
Pensioners (£m)	1,827	1,820
Total (£m)	**7,030**	**6,141**

The promised retirement benefits at 31 March 2019 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. 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.

Note that the above figures include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from the case affecting public sector pension schemes.

The above 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 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £552m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended (% p.a.)	31 March 2019	31 March 2018
Pension Increase Rate	2.5%	2.4%
Salary Increase Rate	3.5%	3.4%
Discount Rate	2.4%	2.7%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.1 years	24.3 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.8 years	26.2 years

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

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 liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2019	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	605
0.5% p.a. increase in the Salary Increase Rate	2%	118
0.5% p.a. decrease in the Real Discount Rate	11%	771

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2019 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions. This replaces our paper dated 25 April 2019, as this now includes allowance for the "McCloud ruling".

Prepared by:-

Richard Warden FFA
10 July 2019
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 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 2019 and its income and expenditure for the year ended the same date.

C TAMBINI
DIRECTOR OF CORPORATE RESOURCES
29 JULY 2019

Audit opinion – Leicestershire County Council

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Leicestershire County Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leicestershire County Council (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Corporate Resources use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Corporate Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement, other than the financial statements our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE 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

Audit opinion – Leicestershire County Council Continued

controls or that risks are satisfactorily addressed by internal controls.
We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice
In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Corporate Resources and Those Charged with Governance for the financial statements
As explained more fully in the Statement of Responsibilities [set out on page(s) x to x], 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. The Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Corporate Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.
The Corporate Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
Conclusion
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority
The Authority is responsible for putting in place proper arrangements for securing 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.

Audit opinion – Leicestershire County Council Continued

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.
We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2019. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.
And
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 we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019.

We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.
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Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

John Gregory, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

[Date]

Audit opinion – Leicestershire Pension Fund

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of Leicestershire County Council on the pension fund financial statements of Leicestershire Pension Fund

Opinion

We have audited the financial statements of Leicestershire Pension fund name (the 'pension fund') administered by Leicestershire County Council (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 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];

have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and

have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

The Director of Corporate Resources has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

Other information

The Director of Corporate Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Audit opinion Leicestershire Pension Fund continued

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Corporate Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities 114 , 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 is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the pension fund's financial statements, the Director of Corporate Resources is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Corporate Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Audit opinion Leicestershire Pension Fund continued

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

John Gregory, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Birmingham office

[Date]

Annual Governance Statement (AGS) 2018/19

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 is responsible for putting in place proper arrangements for the governance of its affairs.

Regulations 6 (1)(a) and (b) of the Accounts and Audit Regulations 2015 requires 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) fulfils the statutory requirement of the Accounts and Audit 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 CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework (the Framework)', sets the standard for local authority governance in the UK. A revised edition of the Framework was issued in spring 2016 and it must be applied to annual governance statements prepared for the financial year 2016/17 onwards.

The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

3. LEICESTERSHIRE VISION AND OUTCOMES

In December 2017, the Council agreed a new four year Strategic Plan and Outcomes Framework to 2022. The Council developed the Plan by focussing on things that will make life better for people in Leicestershire and includes the following five priority outcome themes:

Our Vision : Working together for the benefit of everyone				
Strong Economy	**Wellbeing and Opportunity**	**Keeping People Safe**	**Great Communities**	**Affordable and Quality Homes**
Leicestershire's economy is growing and resilient so that people and businesses can fulfil their potential.	The people of Leicestershire have the opportunities and support they need to take control of their health and wellbeing.	People in Leicestershire are safe and protected from harm	Leicestershire communities are thriving and integrated places where people help and support each other and take pride in their local area.	Leicestershire has a choice of quality homes that people can afford.

The five priority outcome themes encompass a number of supporting outcomes which together form the overall Single Outcomes Framework which sets clear priorities for the Authority and enables more effective deployment and targeting of its resources. The Annual Delivery Report and Performance Compendium (published in December 2018) included an assessment of progress in relation to the Outcomes Framework.: https://www.leicestershire.gov.uk/about-the-council/how-the-council-works/leader-and-cabinet/council-performance

The Annual Report outlined the delivery, progress with implementing agreed plans and strategies, and achievements over the previous 12 months. The Performance Compendium outlined information on current inequality in funding and the Council's Fair Funding proposals and transformation requirements and national and local service pressures.

4. WHAT THE AGS TELLS YOU

The AGS provides a summarised account of how the Council's management arrangements are set up to meet the principles of good governance and how we obtain assurance that these are both effective and appropriate. It is written to provide the reader with a clear, simple assessment of how the governance framework has operated over the past financial year and to identify any developments required. 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. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The revised Framework requires local authorities to review arrangements against their Local Code of Corporate Governance. The Council's Local Code of Governance was revised so that it is consistent with the seven core principles of the Framework and was approved by the Council at its meeting on 27 September 2017.
https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2017/9/27/local-code-of-corporate-governance.pdf

The Local Code will be reviewed and updated during 2019. The principles contained in the Framework have been applied to the preparation of the AGS for the financial year 2018/19.

5. REVIEW OF EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL

There is a statutory requirement in England, for a local authority to ensure that it has a sound system of internal control which: -

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.

The authority must (each financial year): -

(a) conduct a review of the effectiveness of the system of internal control, and,

(b) prepare an annual governance statement;

To ensure this 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 new Framework.

The self-assessments contained a set of conformance statements under each core principle, which 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 the majority 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

The application of a more quantitative approach to assessing conformance against the Framework allows the Corporate Management Team, Members and the public at large to obtain necessary assurance that the Council operates within an adequate governance framework, thus complying with the seven core principles and best practice. In addition to the above, senior officers assessed arrangements for managing issues that apply across all departments. Whilst the self - assessments identified many sources of assurance and were transparent in reporting areas for action, the table below includes the key areas where development is deemed necessary.

Note: some actions are not included in the table below as they are already reported through the Corporate Risk Register.

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**
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		The level of conformance is generally good, however the following key developments are noted: • Further work continues with embedding the Council's revised values and behaviours within the revised Annual Performance Reviews (From 2017/18 as continuing action) • To ensure external providers of services on behalf of the Council are required to act with integrity and in compliance with high ethical standards expected by the Council, a new Supplier Code of Conduct was agreed in September 2018 but further work is needed to review the operation and implementation of the new Code. (From 2017/18 as continuing action). Development of Ethical training for Contract Managers (New) • Members will require training in the National Planning Policy Framework (this provides a framework within which locally-prepared plans for housing and other development can be produced). (New) • The Members Code of Conduct will be reviewed to have regard to the recommendations of the report of the Committee on Standards in Public Life – 'Ethical Standards in Local Government'. (New)

Principle B: Ensuring openness and comprehensive stakeholder engagement		The level of conformance is reasonable however further development is required in: • A corporate Consultation Communications and Engagement Group oversees and co-ordinates the Council's engagement activities. The Group will review the impact and outcome of consultations including, lessons learnt, and feedback via an Annual Report in early summer 2019. (From 2017/18 as continuing action) • A review of delegated powers of Chief Officers will be concluded and as part of that review there will be a reminder of the need to record officer decisions where appropriate. (From 2017/18 as continuing action)
Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefit		The level of conformance is good
Principle D. Determining the interventions necessary to optimise the achievement of the intended outcomes		Further development is noted in the following areas: • Work is continuing to embed an outcomes-based approach following adoption of the Council's Strategic Plan 2018-22. The outcomes framework is being implemented in a phased manner with work well advanced on the Affordable and Quality Homes outcome and work is being undertaken on the other four. A programme of work to ensure the Council's Policy Framework aligns to the Strategic Plan is also underway. (New) • The Council has introduced a Social Value Policy statement which was approved by Cabinet in October 2018 and will always work to ensure that Social Value related activity is aligned to the Council's Strategic Plan and is compliant with all relevant legal requirements and good practice. (New)
Principle E. Developing the entity's capacity including the capability of its leadership and the individuals within it		The level of conformance is good.
Principle F. Managing risks and performance through robust internal control and strong public financial management		The level of conformance is generally good, although the following key development is noted: • Implementing recommendations from the Risk Management Health Check. (New)
Principle G. Implementing good practices in transparency reporting and audit to deliver effective accountability		The level of conformance is good, however: • Further improvements to health performance reporting to the Health and Well Being Board linked to the new NHS Long Term Plan and the work of the local Better Together Partnership. (New) • Whilst the external peer review of the internal audit function returned top grading, some areas for development remain (From 2017/18 as continuing action).

A senior management group (comprising the officers below) with responsibility for co-ordinating the 2018/19 AGS has determined that progressing areas identified for development against each principle above, should be the responsibility of designated service managers during 2019/20.

- Head of Law and Deputy Monitoring Officer (on behalf of 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 – Strategic Finance & Property
- Head of Internal Audit & Assurance Service

Note: Follow up on progressing the implementation of 2017-18 developments was undertaken in November 2018 and again in April 2019. Any 2017-18 developments that were not carried forward into 2018-19 or reported through the Corporate Risk Register process will continue to be monitored.

6. OTHER FORMS OF ASSURANCE

The Framework provides examples of documents, systems and processes that an authority should have in place. Using this guidance, the Council can provide assurance that it has effective governance arrangements – see section 5. 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 Schemes 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

Internal Audit Service

Leicestershire County Council Internal Audit Service (LCCIAS) conducts its work in line with the Public Sector Internal Audit Standards (the PSIAS). Following an independent assessment, in April 2018 LCCIAS was judged to be conforming to the PSIAS. The requirements of the PSIAS are contained in the Council's Internal Audit Charter mandating the purpose, authority and responsibility of the internal audit activity.

The Charter allows the Council's Head of Internal Audit Service (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 assurance engagement to be overseen by someone outside of the internal audit activity. An independent risk management maturity health check was undertaken during the autumn of 2018. Outcomes were on the whole positive but with an action plan for some developments.

In order 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 constructs an annual risk based plan of audits. Given the overall robustness of risk management at the Council, the plan is primarily based on the contents of the corporate and departmental risk registers to ensure current and emerging risks are adequately covered. Parts of the plan relate to audits of the key financial systems that the External Auditor may choose to review to assist their risk assessment when planning the audit of the financial accounts. A contingency is retained for unforeseen risks, special projects and investigations.

Internal Audit reports often contain recommendations for improvements. The number, type and importance of recommendations affects 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 sum of individual audit opinions and other assurances gained throughout the year (e.g. involvement in governance groups, attendance at Committees, evaluations of other assurance providers), facilitate the HoIAS to form the annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk management and control framework (i.e. the control environment).

The HoIAS presents an annual report to the Corporate Governance Committee. The annual report incorporates the annual internal audit opinion; a summary of the work that supports the opinion; and a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme. The HoIAS Sub-Opinions for 2018/19 are:

- Governance – Nothing of significance, adverse nature or character has come to the HoIAS attention. As such reasonable assurance is given that the Council's governance arrangements are robust.
- Risk management - Management has shown good engagement around risk, has welcomed the independent review of risk management processes and agreed to implement the recommendations, which further mitigate risk. Therefore reasonable assurance is given that risk is managed.
- Financial and ICT Control – Reasonable assurance can be given that the Council's core financial and I&T controls remain strong.

Commercial and Collaborative Arrangements

Commercial

ESPO is constituted as a joint committee (of 6 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. There is also Finance and Audit Subcommittee in place. Internal audit is undertaken by the Council's Internal Audit Service as part of the servicing agreement. Similar to the County Council, the HoIAS presents an annual report to the Management Committee. The annual report incorporates the annual internal audit opinion, which for 2018-19 was positive in each of the three sub components of the control environment namely ESPO's governance, risk management and internal control frameworks. Although not required to do so an external audit is also undertaken.

ESPO Trading Ltd ESPO's power to trade is restricted to a limited number of public bodies and this market is shrinking. The establishment of a trading company allows ESPO (Trading) to trade with other organisations which are in the spirit of public bodies but not described as such in the 1970 Act – e.g. Housing Associations, Charities and Voluntary Organisations. The Trading is governed under the Companies Act 2006, its Articles of Association and Shareholder Agreement.

The **Corporate Asset Investment Fund** Strategy guides the Council's investments in assets not directly involved in the delivery of its services. 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 Council also has a trading arm- **Leicestershire Traded Services (LTS),** which sits within the Corporate Resources Department. Its activities are overseen by an Officer Board and the current Medium Term Financial Strategy assumes an income of £2.7 million from traded services. The quarterly financial and performance reports includes the performance of the LTS as part of the Corporate Resources Department and these reports are considered by various member bodies.

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.

On the basis of audit work undertaken during the 2018-19 financial year, covering financial systems, risk and governance, the Head of Internal Audit (HoIA) at Nottingham City Council concluded that a "**significant**" level of assurance could be given that internal control systems are operating effectively within EMSS and that no significant issues had been discovered.

Local Government Pension Scheme (LGPS) - Central Pool.

The LGPS Central pooled investment arrangements became operational on 1 April 2018. A range of collaborative governance vehicles has been established.

The Council is joint owner of LGPS Central Limited which manages the pooled assets of nine Midlands-based local government pension schemes, including Leicestershire. LGPS Central Limited is authorised and regulated by the Financial Conduct Authority as an asset manager and operator of alternative investment funds. It has combined assets of approximately £40bn, and represents the retirement savings of over 900,000 scheme members across over 2,000 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.

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.

Staffordshire County Council Internal Audit Service has led a co-ordinated and collaborative approach in relation to developing assurance over the new pooling arrangements operating within

LGPS Central. This has involved consultation with all Partner Fund's internal audit functions (including Leicestershire County Council), External Audit Partners, the Practitioners Advisory Forum and LGPS Central. An assurance framework has been established and agreed with audit work planned in the new financial year (2019/20). The Local Pensions Committee was advised on 15 February 2019 that the format of assurance documents and audit programmes had been shared with Partner Bodies Internal Audit teams to ensure consistency in approach and that work would commence in the next quarter.

Leicestershire and Rutland Sports Partnership (LRS)

The Director of Public Health represents the Council, and is vice-chair of the LRS 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 are a number of sub groups (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.

Outside of internal controls there is an external process (the Quest quality scheme for sports and leisure) run through Sport England which assesses the strength of the partnership through process of interviews with key LRS personnel, Board members and other stakeholders. LRS achieved a "Very Good" rating in its 2018 Quest Assessment.

Leicester and Leicestershire Enterprise Partnership (LLEP)

The Leader of the Council is a member of the LLEP Board. The LLEP Executive and Boards have Council representation. In March 2019, Ministry of Housing, Communities & Local Government (MHCLG) informed the LLEP of its performance rating for 2018-19. On Governance the LLEP is considered to be good, on Delivery it is rated as exceptional, but on Strategy it is considered to require improvement. The LLEP is putting in place measures to address the causes of the latter rating, which MHCLG has said are due to:

- Slow progress in developing the Local Industrial Strategy
- The absence of an Enterprise Zones business rates agreement and
- A lack of engagement with key stakeholders both locally and nationally.

It is considered that progress is already being made against each of these but it will be important that the LLEP Board ensures that progress is continued.

There have been delays in reaching agreement with the District Councils regarding the use of the funds in the business rates pool which has held up investment in economic development and infrastructure projects. The Council has been keen to press on with deployment of the bulk of the funds which are not subject to dispute and recent more positive discussions suggest that a resolution may be within reach.

Leicestershire Health and Wellbeing Board

The Lead Members for adults and children and families, its Chief Executive and appropriate Directors are the County Council's representatives on the Leicestershire Health and Wellbeing Board (the Board) which is chaired by the Council's cabinet lead on Health & Wellbeing. The Board is made up of local councillors, GPs, health and social care officials and representatives of patients and the public. The Board was set up to lead and direct work to improve the health and wellbeing of the population of Leicestershire through the development of improved and integrated health and social care services. It: -

- Identifies needs and priorities across Leicestershire, and publishes and refreshes the Leicestershire Joint Strategic Needs Assessment (JSNA) so that future commissioning/policy decisions and priorities are based on evidence.
- Prepares and publishes a Joint Health and Wellbeing Strategy and Plan on behalf of the County Council and its partner clinical commissioning groups so that work is done to meet the needs identified in the JSNA in a co-ordinated, planned and measurable way.
- Through its partners, communicates and engages 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.
- Approves 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.
- Has oversight of the use of relevant public sector resources to identify opportunities for the further integration of health and social care services.

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 work of the Board is reported in an annual report and is also reported in the annual reports of Clinical Commissioning Groups.

Risk Management

An independent health check of the Council's risk management maturity by Risk Management Partners (RMP) was undertaken in October 2018, the conclusion overall was positive and an action plan being developed.

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 bold decision making relating to the development of services and the transformation of the wider organisation. The Council's Risk Management Policy and Strategy provide the framework within which these risks can be managed.

The Policy and Strategy were reviewed, revised and approved by Cabinet in February 2019. Regular reports and presentations on specific strategic and corporate risks to the Council are provided to the Corporate Governance Committee.

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.

With regard to the promotion and maintenance of high standards of conduct by members and co-opted members within the County Council – decisions and minutes are available on the intranet. The Committee reviewed one member conduct hearing this year which resulted in a report to the full Council.

During 2018/19 the Committee has provided assurance that: an adequate risk management framework is in place; the Council's performance is properly monitored; and that there is proper oversight of the financial reporting processes. The table below provides summary information of other key business considered by this Committee during 2018/19 to support the above.

- Quarterly Risk Management Updates and the Risk Management Policy & Strategy
- External Audit Plan, Statement of Accounts, Pension Fund Accounts and Annual Governance Statement
- Quarterly Treasury Management updates and Annual Treasury Management Report 2017/18. Treasury Management Strategy Statement and Annual Investment Plan
- Internal Audit Service – Annual Plan:, quarterly progress reports including status of progress High Importance recommendations; Annual Report, including opinion on the control environment, conformance to PSIAS and Quality Assurance Improvement Programme; Outcome of the Peer Review
- Clinical Governance Annual Report
- Supplier Code of Conduct
- Property and Occupants Risk Management Group
- Prevention of the Facilitation of Tax Evasion – Policy Statement and Procedures
- Ombudsman Annual Review 2017-18 and Corporate Complaint Handling
- Information Commissioner's Office Inspection and GDPR Update
- Annual Reports :
    - Operation of Members' Code of Conduct and dealing with complaints
    - Update to the Contract Procedure Rules
    - Grants and Returns
    - Business Continuity and Court Surveillance and Regulation of Investigatory Powers Act 2000 (RIPA)

External Audit

The Council's external auditors present the findings from their planned audit work to those charged with governance. Key conclusions reached are as follows:

- **Council's Medium Term Financial Strategy 2017-2021 (KPMG LLP) (Value for Money Conclusion)**
  - 2017/18 Budget. The Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
  - 2018/19 and future years planned budget. Appropriate arrangements are in place to identify and achieve savings. However, the Authority needs to continue to closely monitor progress and ensure its MTFS is kept up to date.
  - The level of reserves are appropriate for the size of the organisation given the continued uncertainties and risks that lie ahead for the whole sector and the individual pressure and challenges the Authority faces in the short to medium term.

- **Opinion on the 2017/18 Annual Statement of Accounts (KPMG LLP)**
  - No significant audit or accounting issues and no material deficiencies in internal control and that the Annual Statement of Accounts presented a true and fair view, in accordance with the relevant codes and regulation.

- **Annual Audit Plan for the 2018/19 Accounts (Grant Thornton LLP)**
  - The external audit plan was reported to members in January 2019 and the interim audit was completed in March 2019 - no material issues have been reported. The provision of relevant information by the Internal Audit Service will assist Grant Thornton to determine the planned audit approach for further testing during June and July 2019 before reporting the Audit Opinion in July 2019.

The Role of the Chief Financial Officer (CFO)

Throughout 2018/19, the Director of Corporate Resources undertook the 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, and has completed an assurance statement that provides evidence against core activities which strengthen governance and financial management across the Council.

The Role of the Head of Internal Audit

The Council's Internal Audit Service arrangements conform to the governance requirements and core responsibilities of the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010)*. The Head of Internal Audit & Assurance Service undertakes the role of Head of Internal Audit Service (HoIAS) and works with key members of the Corporate Management Team to give advice and promote good governance throughout the organisation. The HoIAS leads and directs the Internal Audit Service 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. The HoIAS has reviewed his conformance to the CIPFA statement providing evidence against core activities and responsibilities which strengthen governance, risk management and internal control across the Authority.

* A revised Statement is in effect from April 2019 i.e. relevant to compilation of the 2019/20 AGS.

The Role of the MonitoringOfficer

The Monitoring Officer has responsibility for:

- ensuring that decisions taken comply with all necessary statutory requirements and are lawful. Where in the opinion of the Monitoring Officer 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 Monitoring Officer is supported by officers within the Legal and Democratic Services Teams.

7. SIGNIFICANT GOVERNANCE ISSUES ARISING DURING 2018/19

This Annual Governance Statement identifies that the Council has effective arrangements in place, but that we recognise the need to continuously review, adapt and develop our governance arrangements to meet the changing needs of the organisation. Whilst the Council has identified areas to be developed (see section 5), it is important to recognise that the senior management group (25 March 2019) determined that there were no significant governance issues in 2018/19.

8. FUTURE CHALLENGES

Significant challenges faced by the Council such as continuing funding reductions, delays to the localisation of business rates, progressing the transformation programme, driving further Health and Social Care integration are detailed within the Corporate Risk Register, which is regularly presented to the Corporate Management Team and Corporate Governance 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.

Challenges continue to emerge in particular:

- Austerity - The Council is the lowest funded county council in the country and is among the lowest funded of all authorities. The Council continues to press for the development of a funding system which achieves a much fairer distribution of local government funding than the current system has achieved. The Council has responded to Fair Funding and Business Rate Retention in February 2019 and is seeking more sustainable funding for local services. The Council is developing a business case for a more effective unitary Council for Leicestershire.

- The future financial outlook remains challenging with continuing reductions in government funding coupled with rising demand. Service pressures are most keenly felt in adult and children's social care and for special educational needs and disability support (SEND). This is creating the continued need to make savings and invest in alternative service provision. The most significant addition to the MTFS for 2019/20 is the High Needs Development plan that looks to address the challenge, including the investment of up to £30 million in a range of cost effective high quality provision for children and young people with special education needs.

- The financial risks faced by the Council in delivering the infrastructure necessary to support growth in the County are significant. To address this proposals are being developed for a Growth Unit within the Council aimed at ensuring that public services and infrastructure are effectively planned over the short, medium and long term across Leicestershire. In addition it will seek to ensure that risks associated with the Council's financial contribution to large scale growth and infrastructure projects remain tightly managed by the introduction of cost/risk sharing arrangements with district councils and by the securing of funding through developer contributions and from government and other external agencies.

- Leicestershire has been selected as a Business Rate Retention Pilot for 2019/20. The City and County areas are expected to benefit from at least £14m of additional funding with £7m forecast to be allocated to the County Council. Working alongside Leicester City Council and District Councils, suitable governance will need to be put in place to ensure the best use is made of the money and in line with Government expectations.

- The NHS Long Term Plan (published in January 2019) includes a number of areas which are likely to have an impact on the Council, both in terms of joint working, operationally in the delivery of care, and as a strategic commissioner of services. Each local NHS system is expected to respond to the Long Term Plan setting out its local implementation approach and financial plans during Autumn 2019. The Plan states that by April 2021 Integrated Care systems (ICSs) will cover the whole country. It is known that the NHS intention is for an ICS to cover Leicester, Leicestershire and Rutland as one 'system' but as at July 2019 it is unclear as to the extent this includes all aspects of social care, adults and children. The Long Term Plan does not satisfactorily define an ICS and NHS guidance issued in June 2019 does not clarify, for example, how an ICS can properly reflect the different responsibilities and accountabilities of NHS bodies, both commissioners and providers, and of local social care authorities.

- Proposed development of a new target operating model for the adult social care services progresses to deliver enhanced outcomes for service users and improved ways of working,

- The Independent Inquiry into Child Sexual Abuse (IICSA) - The Inquiry will investigate institutional responses to allegations of child sexual abuse involving the late Lord Janner of Braunstone QC. The IICSA announced in September 2018 that Public Hearings for the Janner Investigation will be held for 3 weeks in February 2020. A Preliminary Hearing has been scheduled by the IICSA for 23 May 2019 at which details regarding the Public Hearings will be agreed.

- Brexit - significant knock on consequences on public services (including potential legal, regulatory, economic and social implications) and the local economy as a result of the United Kingdom leaving the European Union (EU). The Council has been working closely with partners through the Local Resilience Forum (LLR Prepared) and with central Government departments on Brexit planning, particularly in relation to a No Deal EU Exit.

- National Audit Office – Local Authority Governance (published in January 2019) raises questions as to whether the local government governance system remains effective; Authorities have faced significant challenges since 2010-11 as funding has reduced while demand for key services has grown. Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context.

9. CERTIFICATION

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance Committee and that the arrangements 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. 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.

....	....
John Sinnott Chief Executive	Nicholas Rushton Leader of the Council

July 2019

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 RECEIPTS

Income from the sale of capital assets e.g. sale of equipment. Such income may only be used to repay loan debt or to finance new capital expenditure.

CAPITAL RESERVE

An internal reserve of the Council which is used to generate monies for financing capital expenditure thus avoiding the need to borrow externally.

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.

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 from the collection funds of the district councils or Parish 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 chargeable 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.

Grant Thornton

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY

The Audit Findings for Leicestershire County Council and Leicestershire Pension Fund

Year ended 31 March 2019

26 July 2019

Contents

Your key Grant Thornton team members are:

John Gregory
Engagement Lead
T: 0121 232 5333
E: john.gregory@uk.gt.com

Avtar Sohal
Engagement Manager
T: 0121 232 5420
E: avtar.s.sohal@uk.gt.com

Kerry Sharma
Executive
T: 0116 257 5576
E: kerry.sharma@uk.gt.com

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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.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Leicestershire County Council ('the Council') and the Leicestershire Pension Fund ('Pension Fund') and the preparation of the Council's and Pension Fund financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements - Council	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 and Pension Fund's financial statements: • give a true and fair view of the financial position of the Council and Pension Fund 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 inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed on site during June and July. We have identified a £13.1m adjustment to the financial statements in relation to the McCloud judgement which increased the Council's net pension liability and also impacts on the Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix A. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix C or material changes to the financial statements, subject to the following outstanding matters; • final audit housekeeping steps • receipt of supporting documentation for some outstanding items in our sample testing • receipt of some third party investment confirmations from financial institutions • updating our post balance sheet events review, to the date of signing the opinion • receipt of management representation letter; and • review of the final set of financial statements. 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 audit report opinions will be unmodified.
Financial Statements – Pension Fund	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 Pension Fund's financial statements: • give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year ended 31 March 2019; 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	Our audit work was completed on site during June and July. Our audit of the Fund did not identify any material adjustments to the financial statements but we did request a significant number of improvements to the disclosure notes. Audit adjustments are detailed in Appendix A. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix D) or material changes to the financial statements, subject to the following outstanding matters: (continued over)

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Headlines – continued

Financial Statements – Pension fund (continued)		• final audit housekeeping steps • receipt of supporting documentation for some outstanding items in our sample testing • receipt of some third party investment confirmations from financial institutions • updating our post balance sheet events review, to the date of signing the opinion • receipt of management representation letter; and • review of the final set of financial statements. Our anticipated audit report opinion will be unmodified..
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Leicestershire County Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised in the Value for Money section of the report.
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 the majority of work under the Code but are unable to issue our completion certificate until we complete our work on the Whole Government Accounts review. This will be completed in line with national deadlines. We also need to wait until The Pension Fund Annual Report has been produced in line with the national deadline for this, and undertake the necessary work to ensure this is consistent with the audited accounts.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit. In this first year of being your auditors, we have sought to discuss issues with your officers early to avoid issues surfacing late, and officers have responded positively to this.

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Summary

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 to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and 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.

Audit approach

Our audit approach was based on a thorough understanding of the Council's and Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Council's and Pension Funds 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

We have not had to alter or change our audit plan, as communicated to you on 18 January 2019.

Conclusion

We have substantially completed our audit of your financial statements and, subject to outstanding queries being resolved, we anticipate issuing unqualified audit opinions following the Corporate Governance Committee meeting on 26 July 2019, as detailed in Appendices C and D . These outstanding items include are included on page 3 and 4 of this report.

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Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Matter	Description	Planned audit response to the Council	Planned audit response to the Pension Fund
1	**Calculation and determination** We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgment in the context of our knowledge of the Authority and the Fund, including consideration of factors such as stakeholder expectations, financial stability and reporting requirements for the financial statements. We determine planning materiality in order to: – estimate the tolerable level of misstatement in the financial statements – assist in establishing the scope of our audit engagement and audit tests – calculate sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements	• For the Council, we have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. Materiality at the planning stage of our audit was £14m for the Authority. (cost of services).	• For the Pension Fund, we have determined financial statement materiality based on a proportion of the Pension Fund's net assets. Our materiality at the planning stage was £29m which equates to 1% of your actual net assets for the year ended 31 March 2018.
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements. We design our procedures to detect errors in specific accounts at a lower level of precision which we deem to be relevant to stakeholders.	• For the Council, we have determined a lower specific materiality level of £100K for senior officer remuneration disclosures.	• No lower level materiality
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	• Materiality calculations remain the same as reported in our audit plan	• Materiality calculations remain the same as reported in our audit plan

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Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Matter	Description	Planned audit response Council	Planned audit response for Pension Fund
4	**Matters we will report to the Corporate Governance Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Corporate Governance Committee any unadjusted misstatements of lesser amounts, other than those which are 'clearly trivial', to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	• In our view, an individual difference could normally be considered to be clearly trivial if it is less than £0.7m. • If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Corporate Governance Committee to assist it in fulfilling its governance responsibilities.	• In the context of the Pension Fund, in our view an individual difference could normally be considered to be clearly trivial if it is less than £1.45m.

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Significant findings – audit risks

Matter	Risks identified in our Audit Plan	Risk relates to	Auditor Comments
1	**Fraudulent revenue recognition** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated 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 relating to revenue recognition.	Authority and Pension Fund	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority and the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Leicestershire County Council and Leicestershire Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Leicestershire County Council and Leicestershire Pension Fund
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority and Fund faces external scrutiny of its spending 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 for both the Authority and Fund, which was one of the most significant assessed risks of material misstatement.	Authority and Pension Fund	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Conclusion** Our audit work has not identified any issues in respect of management override of controls.

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Significant findings – audit risks

Risks identified in our Audit Plan	Risk relates to	Auditor Comments
3 **Valuation of Land and Buildings** The Authority revalues its land and buildings on a rolling five-yearly basis.. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (NBV of L&B £547million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	Authority	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 • written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code have been met • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revaluations made during the year to see if they had been input correctly into the Authority's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value at year end. **Conclusion** From the procedures carried out we are satisfied that the valuation of land and building in the financial statements is not materially misstated.

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Significant findings – audit risks

	Risks identified in our Audit Plan	Risk relates to	Commentary – Council
4	**Valuation of the pension fund net liability** The Authority'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. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£742m million in the Authority's balance sheet at 31 March 2019) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter	Authority	**Auditor commentary** **We have** • updated our understanding of the processes and controls put in place by management to ensure that the Council's net pension fund liability is not materially misstated and evaluate the design of the 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 valuation; • 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; • undertaken 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; and **Impact of the McCloud judgement** The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits. The LGPS Scheme Advisory Board (with the consent of the Ministry of Housing, Communities and Local Government) commissioned GAD to prepare an assessment of the financial impact of the McCloud judgement on an LGPS scheme-wide basis to inform the financial reporting of participating entities. The report shows the estimates of the cost of the remedy if the LGPS underpin was found to result in unlawful age discrimination. As a result of the ruling we have worked with the Council to consider the implications and as a result the Council have commissioned a further actuarial assessment to include the impact of the case. This resulted in an increase in the net pensions liability recorded in the Council's accounts, with the liability rising from £728.6m to £741.7m. We have carried out additional work locally and nationally to assess the approach and assumptions used by the actuary in providing this updated estimate. **Conclusion** The Council have adjusted its pensions liability in its financial statements, and our audit procedures have confirmed that it is not materially misstated

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Significant findings – audit risks

Risks identified in our Audit Plan	Risk relates to	Commentary – Council
5 **Valuation of Level 3 Investments (Annual revaluation)** The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	**Pension Fund**	**Auditor commentary** We have: • evaluated management's processes for valuing Level 3 investments • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date, and reconciled those values to the values at 31 March 2019 with reference to known movements in the intervening period. • in the absence of available audited accounts, we evaluated the competence, capabilities and objectivity of the expert on which management relied for the valuation. **Conclusion** From the audit testing completed we are satisfied that the Valuation of Level 3 investments is free from material misstatement.

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Significant findings – key judgements and estimates (Council)

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £683m	Other land and buildings comprises of 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. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its Internal Valuer to complete the valuation of properties as at 31 03 19 on a five yearly cyclical basis. £231m out of £547.6m of total assets were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net increase of £51.2m. Management have considered the year end value of non-valued properties in consultation with the valuer. Management's assessment of assets not revalued has identified no material change to the properties value.	• 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. All valuations were carried out internally by qualified 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. • 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. • Asset lives have been reviewed and standardised over the last two years and have been updated within the Asset Register. **Conclusion** We are satisfied that the revaluations of Land and Buildings have not given rise to material misstatement.	**Green**

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Assessment
- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Significant findings – key judgements and estimates (Council)

	Summary of management's policy	Audit Comments	Assessment
Net pension liability – £741.7m	Following the adjustment for the McCloud judgement the Council's net pension liability at 31 March 2019 is £741.7m (PY £589.2m) comprising the Leicestershire Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Hyman Robertson to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	See audit comments below	● Green

Audit Comments

We have

- Hyman Robertson, an external actuary firm, provide actuarial advice to the Council via the Leicestershire Pension Fund. As such, this involves providing the Council with an actuarial valuation of the pension expense calculations. The scope of the work is to undertake pension expense calculations, as instructed by the Administering Authority, for the Council, for the purposes of complying with IAS 19 (Employee Benefits) for the accounting period. Assessment of management's expert
- PwC are employed by the NAO on behalf of external audit suppliers to local government to provide support to auditors when assessing the competence and objectivity of actuaries producing IAS 19 figures in respect of the Local Government Pension Scheme (LGPS). Hyman Robertson have carried out a roll forward approach from previous actuarial valuation to allocate assets and liabilities between employers at triennial valuation.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.4%-2.5%	●
Pension increase rate	2.5%	2.4%-2.5%	●
Salary growth	3.5%	3.4%-3.5%	●
Life expectancy – Males currently aged 45 / 65	23.8 years	23.7- 24.4 years	●
Life expectancy – Females currently aged 45 / 65	26..2 years	26.2- 26.9 years	●

Conclusion

- We are satisfied that the approach of the actuary and values applied are in line with PWC assumptions and that there are no significant outliers.
- As a result of the McCloud judicial judgement the Council have completed a revised actuarial assessment and have adjusted their financial statements to take into account the valuation.

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Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Significant findings – key judgements and estimates (Pension Fund)

	Summary of management's policy	Audit Comments	Assessment
Level 3 investments	The Pension Fund has investments in unlisted shares, private equity funds and property which in total are valued on the balance sheet as at 31 March 2019 at £1,362m. These investments are not traded on an open market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management use fund managers who value within industry accepted guidelines. The value of the investment has increased by £119.2m in 2018/19.	• 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. • From the testing carried out we are satisfied that Level 3 investments are appropriately classified and the associated values are free from material statement	**Green**

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Assessment
- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

Significant findings - Going concern - Council

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).

Going concern commentary - Council

Management's assessment process	Auditor commentary
Management have responded to the questions we set out on going concern in our “Informing the Audit Risk Assessment” document which confirms: • There are no events, of which they are aware, that could cause sufficient material uncertainty to cast significant doubt on the Councils 's ability to continue as a going concern. This extends but is not limited to at least twelve months from the Balance Sheet date • The Authority monitor cash flow on a daily basis, including maintaining an up to date forecast position for at least the next 12 months	Management’s assessment has considered the applicable guidance relating to public sector bodies which presumes in local government is that the going concern assumption does apply unless there is specific evidence to the contrary. Management assessment has concluded that no material uncertainty in respect of going concern exists. The Council have completed their assessment of going concern through their annual Medium Term Financial Strategy (MTFS) which was approved by the County Council on 20 Feb 2019. This covers the next four year period to 2023. This shows managements approach to the impact of significant and ongoing central government reductions in funding. The MTFS shows a balanced budget for 19/20 and 20/21 with a shortfall of £5m in 21/22 rising to £20m in 22/23. However, the MTFS includes plans to achieve the additional savings and income required through new savings under development. The MTFS also includes a contingency of £8m for risks and a contingency for growth of £20m. In addition the Council has sufficient reserves (c.£120m) to mitigate this risk in the medium term. As such we consider that the assessment undertaken by the Authority on going concern is a reasonable and valid and there are no indications of material uncertainty.
Work performed We reviewed management’s assessment by: • Ensuring the assessment concurred with our knowledge of the Council • Reviewing the Medium Term Financial Strategy for 2019 to 2023 which was approved by Council in February 2019	**Auditor commentary** • We are satisfied there is no material uncertainty about the Council’s ability to continue as a going concern
Concluding comments	**Auditor commentary** • We did not identify any events or conditions during the course of our audit that casted any significant doubt on the Council’s ability to continue as a going concern. • There is no impact on our audit opinion which is unmodified in relation to Going Concern

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Significant findings - Going concern – Pension Fund

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).

Going concern commentary - Council

Management's assessment process	Auditor commentary
Management have responded to the questions we set out on going concern in our "Informing the Audit Risk Assessment" document which confirms: • There are no events, of which they are aware, that could cause sufficient material uncertainty to cast significant doubt on the pension funds ability to continue as a going concern. This extends but is not limited to at least twelve months from the Balance Sheet date	Management's assessment has considered the applicable guidance relating to public sector bodies which presumes in local government is that the going concern assumption does apply unless there is specific evidence to the contrary. Management assessment has concluded that no material uncertainty in respect of going concern exists. The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £3,164 million, were sufficient to meet 76.2% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £989 million. Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a specified time period as per the Funding Strategy Statement. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS. As such we consider that the assessment undertaken by the Authority on going concern is a reasonable and valid and there are no indications of material uncertainty.
Work performed	**Auditor commentary**
We reviewed management's assessment by: • Ensuring the assessment concurred with our knowledge of the Pension Fund • Reviewing the Actuarial Position	• The Council's actuary, Hymans Robertson LLP completed the last triennial valuation as at 31 March 2016 and we are satisfied that the Funds Assets were sufficient to meet approximately 76.2% of the liabilities accrued up to that date. • Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position. • The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.
Concluding comments	**Auditor commentary**
	• We did not identify any events or conditions during the course of our audit that casted any significant doubt on the pension fund's ability to continue as a going concern. • There is no impact on our audit opinion which is unmodified in relation to Going Concern

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance of both the Council and Pension Fund.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Corporate Governance Committee 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
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**	• Letters of representation has been requested from the Council and the Pension Fund, and these are included in the Corporate Governance Committee papers
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to banks, lenders and investment bodies. This permission was granted and the requests were sent. We are awaiting some of these confirmations from the relevant institutions.
6	**Disclosures**	• A number of disclosure amendments were made to both the Council and Pension Fund financial statements, as set out in appendix A.
7	**Audit evidence and explanations/significant difficulties**	• All information and explanations requested from management for the Council and the Pension Fund were provided

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Other responsibilities of the Council under the Code

	Issue	Commentary
1	**Other information**	We are required to give an opinion on whether the other information published together with the Councils 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. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect (see appendices C and D)
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters. We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2019 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.
3	**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. As the Council exceeds the specified group reporting threshold of £500m we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. Note that work is not yet completed: plans are in place to complete this work in August to meet the submission deadline of 13 September 2019
4	**Certification of the closure of the audit**	We are unable to certify the closure of the 2018/19 audit of Leicestershire County Council in the audit opinion, as detailed in Appendix C, as a result of the later deadlines for completion of WGA and Pension fund Annul Report work as set out above.

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Value for Money

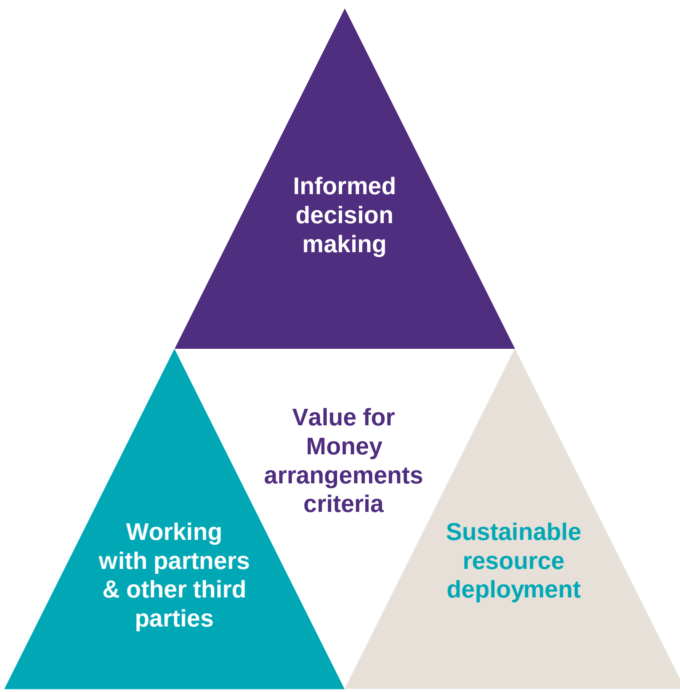
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2019 and identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this to you in our Audit Plan dated January 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any new significant risks where we need to perform further work.

Overall Conclusion

Based on the work carried out we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this, can be found at Appendix C.

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Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors of the Council and the Pension Fund that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B.

Audit and Non-audit services

For the purposes of our audit of the Council and the Pension Fund we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council and Pension Fund.

We can confirm that for both the Council and the Pension Fund we have not identified any audit related or non audit related services that we have carried out on behalf of the Council or the Fund for the period up until 31 July 2019. We have agreed with the Council we will complete the Certification of 2018/19 Teachers Pension Return, with work to be commence in the Autumn of 2019.

Service	£	Threats	Safeguards
Audit related			
Certification of 2018/19 Teachers Pension Return	5,000 (indicative)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £59,353 and in particular 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.

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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

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

	Detail	Comprehensive Income and Expenditure Statement £'000		Balance Sheet £' 000
1	**Council - Pension Liability Valuation – McCloud Judgement** The actuarial valuation of the pension liability for the Council had to be updated to assess the impact of the McCloud judicial judgement. This has resulted in a material adjustment to the pension liability.	Dr Non Distributed Cost Cr Pension Liability Cr Pension Liability Dr Revenue	12,920 12,920 174 174	Cr Revenue 13,094 Dr Pension Reserve 13,094
	Overall impact	**(£13,094)**		**£13,094**

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Audit adjustments - continued

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 omission	Detail	Auditor recommendations	Adjusted?
Council - Note 17 Property, Plant and Equipment	There were a number of classification errors in the Property, Plant and Equipment note which meant that the disclosure did not adequately reflect activity.	We have recommended that the Council make amendments to the Note to adequately reflect the in year activity, and these changes have been made..	✓
Council - Disclosure enhancements	As part of our review of the financial statements we have noted some areas where further disclosures were required in existing notes or there were changes in narrative required to reflect CIPFA code changes for the year ending 31 March 2019	We have recommended some improvements to disclosures in the Council's accounts, none of which are in our view significant enough to need to be drawn individually to the attention of the Corporate Governance Committee, and these changes have been made.	✓
Pension Fund – Disclosure Omissions in Accounting Policies	There were a number of disclosure omissions in the draft financial statements for the pension fund in accounting policies including no policies on - Contribution Income - Taxation - Management Expenses - Cash and Cash equivalents - Financial Assets and Liabilities - Actuarial Present Value of Promised Retirement Benefits - Additional Voluntary Contributions - Contingent Assets and Liabilities	We have recommended that the Council make amendment to the accounting policy to include these omissions to be compliant with reporting requirements set out by the LG code	✓
Pension Fund – Disclosure Omissions in Notes	There were a number of notes that were not included in the draft financial statements including; - Critical Judgements in Applying Accounting Policies - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty - Events after the Reporting Date - External Audit Fee	We have recommended that the Council make amendment to the notes to include these omissions to be compliant with reporting requirements set out by the LG code	✓

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Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services

Audit Fees

	2017/18 Audit Fee	2018/19 Planned fee	2018/19 Final fee
Council Audit	£76,950	£59,252	£63,752
Pension Fund	£27,637	£21,280	£27,280
Total audit fees (excluding VAT)	**£104,587**	**£80,532**	**£91,032**

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The final audit fee represents a year on year reduction of £13,555 across both the Council and Pension Fund.
The proposed planned audit fee reconciles to the financial statements. As part of our audit procedures we have had to carry out further procedures which were not included in the proposed fee for the 2018/19 audit, these are listed below, and are subject to PSAA approval.

Required Additional Audit Work	Description of Work Required	Proposed fee
Council - Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements.	£3,000
Pensions – IAS 19 Letters	We are required to respond to requests received from other auditors of other bodies for assurance in respect of information held by the Pension Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee of the pension fund.	£6,000
PPE Valuation – work of experts	The Financial Reporting Council has highlighted the need for more in depth work by audit firms in respect of PPE. We have increased the volume and scope of our audit work to reflect this.	£1,500*
Total audit fees (excluding VAT)		**£10,500**

*** Fee in relation to PPE to be confirmed once work fully completed.**

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Audit opinion – Leicestershire County Council

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Leicestershire County Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leicestershire County Council (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Corporate Resources use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Corporate Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement, other than the financial statements our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE 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

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Audit opinion – Leicestershire County Council Continued

controls or that risks are satisfactorily addressed by internal controls.
We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice
In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Corporate Resources and Those Charged with Governance for the financial statements
As explained more fully in the Statement of Responsibilities [set out on page(s) x to x], 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. The Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Corporate Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.
The Corporate Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
Conclusion
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority
The Authority is responsible for putting in place proper arrangements for securing 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.

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Audit opinion – Leicestershire County Council Continued

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.
We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2019. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.
And
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 we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019.

We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.
.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

John Gregory, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

[Date]

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Audit opinion – Leicestershire Pension Fund

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of Leicestershire County Council on the pension fund financial statements of Leicestershire Pension Fund

Opinion

We have audited the financial statements of Leicestershire Pension fund name (the 'pension fund') administered by Leicestershire County Council (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 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];

have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and

have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

The Director of Corporate Resources has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

Other information

The Director of Corporate Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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Audit opinion Leicestershire Pension Fund continued

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters**.**

Responsibilities of the Authority, the Director of Corporate Resources and Those Charged with Governance for the financial statements
As explained more fully in the Statement of Responsibilities 114 , 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 is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
In preparing the pension fund's financial statements, the Director of Corporate Resources is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.
The Corporate Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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Audit opinion Leicestershire Pension Fund continued

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

John Gregory, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Birmingham office

[Date]

APPENDIX C

Leicestershire County Council

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

Date: 26 July 2019
My Ref:
Your Ref:
Contact: Chris Tambini
Phone: 0116 3056199
Fax:
Email: Chris.Tambini@leics.gov.uk

Dear Grant Thornton,

Leicestershire County Council
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Leicestershire County Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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 for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("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 Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council 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. 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. There are no other material judgements that need to be disclosed.

vi. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

APPENDIX C

Leicestershire County Council

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures 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.

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. 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.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

The financial statements are free of material misstatements, including omissions.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council'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 Council 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. unrestricted access to persons within the Council 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.

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 Council and involves:

APPENDIX C

Leicestershire County Council

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. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxii. 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

xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council'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

xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council’s Corporate Governance Committee at its meeting on 26 July 2019.

Yours sincerely

Chris Tambini
Director of Corporate Resources, Leicestershire County Council
26 July 2019

Chairman of the Corporate Governance Committee
26 July 2019

(Signed on behalf of the Corporate Governance Committee)

Corporate Resources

Leicestershire County Council, County Hall, Glenfield, Leicestershire LE3 8RB
Email: resources@leics.gov.uk

Chris Tambini, Director of Corporate Resources

www.leics.gov.uk

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APPENDIX D

Leicestershire County Council

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

Date: 26 July 2019
My Ref:
Your Ref:
Contact: Chris Tambini
Phone: 0116 3056199
Fax:
Email: Chris.Tambini@leics.gov.uk

Dear Grant Thornton,

Leicestershire County Council – Pension Fund
Financial Statements for the year ended 31 March 2019

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 2019 for the purpose of expressing an opinion as to whether the Fund financial statements are presented fairly in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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 for the preparation of the Fund’s financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("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. We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

vi. 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. There are no other material judgements that need to be disclosed.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Council has been assigned, pledged or mortgaged

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. 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.

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. We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. 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

xiii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Fund 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. unrestricted access to persons within the Fund from whom you determined it necessary to obtain audit evidence.

xiv. We have communicated to you all deficiencies in internal control of which management is aware.

xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvi. 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.

xvii. 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;

Leicestershire County Council

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xviii. 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.

xix. 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.

xx. 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.

xxi. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

xxii. 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.

xxiii. 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 Council's Corporate Governance Committee at its meeting on 26 July 2019.

Yours sincerely

Chris Tambini
Director of Corporate Resources, Leicestershire County Council
26 July 2019

Chairman of the Corporate Governance Committee
26 July 2019

(Signed on behalf of Leicestershire County Council as administering body of the Leicestershire County Council Pension Fund)

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Leicestershire County Council

CONSTITUTION COMMITTEE: 29 JULY 2019

CHARITABLE TRUSTS: FUTURE ARRANGEMENTS

REPORT OF THE DIRECTOR OF LAW AND GOVERNANCE

Purpose of report

1. The purpose of this report is to seek approval of a proposal for the future arrangements for the Educational Trusts of which the County Council is the sole corporate trustee.

Policy Framework and Previous Decisions

2. Part 3 of the County Council's Constitution provides for the Constitution Committee to undertake those functions relating to the Council's role as a Charitable Trustee where the Council has been identified as a trustee of a charity or trust.

Background

3. The County Council is the sole corporate Trustee of the various Educational Trusts set out in Appendix A of this report. The Trusts have not been subject to a review for some time and in most cases the interest from the Trust Funds has simply accumulated over the years. With the exception of Kibworth Beauchamp HS Foundation, all of the Trusts are relatively small with trust objects that are now difficult to apply.

4. Officers have recently explored engagement with Leicestershire and Rutland Community Foundation (LRCF) as part of the scheme supported by the Charity Commission and funded by the Department of Culture Media and Sports to re-active inactive trusts for the benefit of the community. This has coincided with approaches from the Charity Commission asking for the Council's proposals for the Trusts; and an approach from representatives who wish to take over the trusteeship and manage the Kibworth Beauchamp HS Foundation in place of the County Council.

Leicestershire and Rutland Community Foundation

5. LRCF is a charity which helps local individuals and companies to give money, in a tax efficient way, directly to local needs. It offers a structure under which community, trust and donor funds are invested and managed in a consolidated fund. It currently manages circa £3 million of endowment and "spend down" funds on behalf of various charitable trusts, companies, families and national grant programmes such as Comic Relief, the Tampon Tax Fund and Building a Stronger Britain Together for the Home Office. LRCF operates by offering a moderate risk investment strategy which will preserve the capital (or achieve modest growth) and generate a projected annual return of 4% per annum to be used for grant making.

Proposal: Leicestershire Funds

6. There are a number of Trusts Funds (excluding Kibworth Beauchamp HS Foundation) with assets totalling approximately £300,000. It is proposed that these be transferred to the LRCF to be combined into a single fund called the Leicestershire Educational Trust Fund, with interest from the fund being used to support qualifying grant applications. The qualifying criteria for awarding grants would be set taking into account the original objectives of the various Trusts, updated where appropriate, and the Council's strategic outcome objectives so far as they are consistent with the Trust's objectives. Officers would work with representatives from LRCF to develop the grant criteria for member approval.

7. This has a number of benefits for the Council as follows:

   - The active management of the Trusts and making grant awards would support the community and be in keeping with the wishes of the donors;
   - The administration of the Trusts at present is achieved through the internal services and via professional support from Corporate Resources and the Chief Executive's Department. The resource involved in maintaining the Trusts is not significant but if the Trusts are to be actively managed this would require additional resourcing;
   - It meets the objectives of the revitalisation initiative;
   - LRCF is an accredited member of the UK Foundation Network and is experienced in managing educational trusts elsewhere, such as for Leicester City Council, and offers a resilient approach;
   - Members could retain involvement through receipt of an annual report on grant giving and the operation of the Trust; and
   - It is consistent with the advice to Local Authorities from the Charity Commission to review and consolidate small funds.

Proposal: Kibworth Beauchamp HS Foundation

8. The Kibworth Foundation Trust is by far the largest fund, worth approximately £348,000, and is different to the others in that there is a small group of people who actively wish to be engaged with the Trust and to take over the trusteeship. Whilst this is a possibility, there is increased risk as the experience and expertise of the proposed trustees and the resilience of the proposed arrangements are untested. Such an arrangement confers none of the benefits set out in paragraph 7 above.

9. It is therefore proposed that there be a separate LRCF fund for this Trust, ring-fenced to the objects set out in the Trust Deed, and that the Council and LRCF engage with the representatives who have come forward with a view to working with them to further the objects of the Trust. This could be achieved in a number of ways including through their participation in a reference panel for the fund. A number of LRCF's funds are personally directed by those who set them up. All funds receive an annual report of financial position and grant spend.

10. The Charity Commission has given approval to the principle of closing down the Trusts and amalgamating their assets into two funds as set out above.

Resource Implications

11. LRCF's running costs are met through fees charged for managing and administering the funds and also from private sector donations. The set-up fee is 5% and annual fees are negotiated between 1-3%. There are no costs to the Council in connection with the LRCF proposal.

Recommendations

12. The Committee is recommended to:

(a) Approve the closure of the Trusts referred to in Appendix A and the transfer of assets into two Trusts to be administered and managed by the Leicestershire and Rutland Community Foundation as set out in paragraphs 6 - 9 of this report;

(b) Request officers of the Council and the Leicestershire and Rutland Community Foundation to develop qualifying criteria for the Trusts, excluding the Kibworth Beauchamp HS Trust,on the basis outlined in paragraph 6 of the report and submit them to a future meeting of the Constitution Committee for approval;

(c) Request officers of the Council and the Leicestershire and Rutland Community Foundation, together with representatives of the Kibworth Beauchamp HS Trust, to progress the proposal outlined in paragraph 9 of the report;

(d) Request the Leicestershire and Rutland Community Foundation to submit an annual report to the Constitution Committee on the operation of the two Trusts.

Background papers

13. The Constitution of Leicestershire County Council.

Circulation under the Local Issues Alert Procedure

14. None.

Equality and Human Rights Implications

15. There are no Equalities and Human Rights Implications arising from this report.

Other Relevant Impact Assessments

Appendices

Appendix A – List of Educational Trusts

Officer to Contact

Lauren Haslam
Director of Law and Governance
Telephone: 0116 305 6240
Email: lauren.haslam@leics.gov.uk

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Trust Name Charity Number	Governing Document	Details	Principal £	Accumulated Interest £	Total £
The Mary Smith Scholarship Fund (LCC Mary Smith Bequest) **527890**	Schemes dated 7.3.60 and 10.1.77	To give financial assistance for students of Ashby-de-la-Zouch Grammar or Ivanhoe Secondary School or are residents of Ashby-de-la-Zouch to help them pursue a trade or profession or travel abroad for their education.	45,184	6,658	51,842
Charities in Connection with Humphrey Perkins High School (LCC Humphrey Prkns Sch Prize) **527839**	Schemes dated 19.7.10 as amended by scheme dated 15.11.11	For pupils who have for not less than two years at any time attended Humphrey Perkins' County Secondary School, who are in need of financial assistance. With a preference, other things being equal, to those beneficiaries who were born or are a resident of Barrow-Upon-Soar.	10,213	18,176	28,389
Marjorie Wright Scholarship 527839-2		This fund was pooled with others in 1973.	898	3,148	4,047
The Longwill Agricultural Scholarships (LCC Longwill Bqst No2 Ag Schl) **527888**	Scheme dated 3.10.57	To be awarded to students studying agriculture in Leicester, under the rules made by the council.	3,917	37,117	41,034
Willis Memorial Scholarship (LCC Willis Memorial Prize) **160619**	Declaration of Trust dated 21.12.64	To provide scholarships for purpose of enabling pupils of Dixie Grammar school to participate in foreign travel.	1,005	4,571	5,577
Minnie Burman Trust Fund 514700	Trust Deed dated 17.8.83	To award each year of a prize or prizes to a pupil or pupils of Dunton Bassett County Primary School and the provision/repair of plant equipment, furniture or other shattels or the provision of amenities or services for the benefit of the School of the pupils of the staff at the school or some of them.	1,000	1,497	2,497
John Cleveland College Education Enhancement Trust (LCC John Cleveland Coll Prize/John Cleveland Coll Sch) Both removed 17/7/2012 - 1089555	??	To advance the education of the pupils of John Cleveland college by providing or assisting in the provision of educational, recreational and other charitable facilities in augmentation of such facilities financed by the local education authority or the department for education and science.	962 5,003	279 1,431	1,241 6,434
The Kibworth Beauchamp High School Foundation (LCC Kibworth High Sch Endow) **527856**	Scheme dated 18.11.09 as amended by Scheme dated 23.9.11	For students of Kibworth Beauchamp to provide financial assistance to pursue their education.	301,350	47,264	348,614
Goodman Exhibition Foundation in Connection with Kibworth Beauchamp Grammar School (LCC Goodman Exhibition) **527880**	Scheme dated 6.8.15 as altered by scheme dated 14.11.22	Awarded to boys who have been students at Kibworth Beauchamp for at least two years and show merit on the result of such examinations that the Council think fit.	2,051	1,546	3,597
The Piercy Scholarship Fund, in Connection with the Loughborough Technical College and the Loughborough College of Art and Design (LCC Piercy Trust) **527810**	Declaration of Trust dated 24.11.37 as varied by Scheme of 4.5.70	Open to pupils who have attended for two years at least at one of the Elementary schools or Secondary Schools at Loughborough for the assistance of their education in Electrical Engineering.	1,820	25,470	27,290
Thompson Trust Not Found		Net income applied by the Governors in assisting pupils to attend Loughborough College for purposes of education other than elementary by means of exhibitions.	6,292	26,381	32,673
Charities in Connection with Loughborough Burleigh College (LCC Spriggs Memorial Prize) **527842**	See individual constituents as amended on 21.10.02 by a Resolution passed under the provisions of Section 75 of the Charities Act	One prize awarded to a pupil showing expertise in the technical and scientific side of television and one for the production side of television or allied arts in the form the headmaster decides.	1,416	2,250	3,667
Lutterworth Grammar School (LCC Luttrwrth Upper Sch Endow) **527857**	Scheme dated 19.2.10 altered by Schemes dated 5.11.21 and 5.9.30	To offer maintenance allowances to pupils who in the opinion of the council are in need of financial assistance to keep them in school, to be paid to the parent or guardian or in the form of travelling facilities or meals.	8,851	14,349	23,200

The Longwill Educational Foundation (LCC Longwill Bequest No 1) **527889**	Scheme of 3.10.57 varied by Scheme of 28.9.65	To provide financial assistance for students of Melton mowbray Grammar School.	10,659	16,234	26,893
Lord Maynard's Trust (LCC Maynards Charity) **527936**	Scheme dated 5.12.94	Charity objects are to promote education of persons under the age of 25 residing in the parish of Bagworth and students of Nailstone Dove Bank Primary and Thornton Primary.	17,941	868	18,809
Fullhurst Community College Price Fund (LCC Elizabeth R Frisby Prize) **527832**	Scheme of the Commissioners dated 20.4.98	Award of prizes to pupils showing qualities of citizenship, public spirit or kindred qualities as distinct from academic knowledge.	163	2,087	2,250
The Doctor Peter Hill Prize Fund (LCC Dr Peter Hill Prize) **515108**	Declaration of Trust dated 9.3.84	For pupils of Melton Mowbray King Edward VII Upper School, the Melton Mowbray Sarson High School and the melton Mowbray John Ferneley High School who demonatrate excellence in Mathematics, Music and Athletics respectively.	2,423	1,225	3,648
			421,151	**210,550**	**631,701**